11-84

SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Small Business Innovation Development Act (SBIR), Public Law 97-219, July 22, 1982, as amended by Public Law 99-443, October 6, 1986, was designed to strengthen the role of small, innovative firms in Federally funded research and development. Under this program, small firms receive at least a fixed minimum percentage of research and development awards made by Federal agencies with sizable research and development budgets. From FY 1986 through FY 1992, 1.25 percent of an agency's extramural research budget was set aside for purposes of the SBIR Act. The Small Business Research and Development Enhancement Act of 1992 (Public Law 102-564, October 28, 1991) has amended the set-aside percent for the SBIR program as follows: 1.5 percent in fiscal years 1993 and 1994, 2.0 percent in fiscal year 1995 and 1996, and 2.5 percent in each fiscal year thereafter.

Agency	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Agricultural Research Service	$ 2,355,333	$ 2,423,712	$ 749,520
Animal and Plant Health Inspection Service	0	128,838	109,038
Cooperative State Research, Education, and Extension Service	14,428,475	15,267,524	10,333,337
Economic Research Service	161,825	186,825	206,825
Forest Service	857,217	981,779	1,150,000
National Agricultural Statistics Service	7,875	10,980	10,980
Natural Resources Conservation Service	350,000	350,000	300,000
Rural Development	0	0	12,500
FAS/International Cooperative Development	17,200	17,200	17,200
Total	$18,177,925	$19,366,858	$12,889,400

The staff functions of USDA's SBIR program (solicitation, review and evaluation of proposals) have been centralized in CSREES in order to serve the SBIR community most effectively and efficiently. Eleven research topic areas have been established:

1. Forests and Related Resources. Research proposals are solicited to develop environmentally sound techniques to increase productivity of forest land and to increase the utilization of materials and resources from forest lands.

2. Plant Production and Protection. Research proposals are solicited to examine means of enhancing crop production by reducing the impact of destructive agents, developing effective crop systems that are economically and environmentally sound, enhancing the impact of new methods of plant manipulation, and developing new crop plants and new uses for existing crops.

3. Animal Production and Protection. Research proposals are solicited to find ways to enable producers of food animals to increase production efficiency and to assure a reliable and safe supply of animal protein and other animal products while conserving resources and reducing production costs.

4. Air, Water and Soils. Research proposals are solicited to develop technologies for conserving air, water and soil resources while sustaining agricultural productivity.

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5. Food Science and Nutrition. Research proposals are solicited to develop new knowledge and a better understanding of the characteristics of foods and their nutritional impact; to apply new knowledge to improve our foods and diets; and to apply new knowledge to the production of useful new food products, processes, materials, and systems, including the application of nutritional information to consumer foods and food service systems.

6. Rural and Community Development. Research proposals are solicited to develop knowledge and technology that will promote, foster, or improve the well-being of rural Americans.

7. Aquaculture. Research proposals are solicited to enhance the knowledge and technology base necessary for the continued growth of the domestic aquaculture industry as a form of production agriculture. Emphasis is placed on research leading to improved production efficiency and increased competitiveness of private sector aquaculture in the United States.

8. Industrial Applications. Research proposals are solicited to develop new or improved technologies that will lead to increased production of industrial products from agricultural materials.

9. Marketing and Trade. Research proposals are solicited to develop innovative marketing strategies to increase sales of agricultural, forestry, and agricultural products both in the United States and abroad.

10. Wildlife. Research proposals are solicited to develop technology for environmentally-sound improvements in wildlife management to reduce adverse impacts of wildlife on agriculture and people and to enhance the sustainability of wildlife populations.

11. Animal Waste Management. Research proposals are solicited to develop environmentally responsible and cost-effective technology for handling and processing animal waste and creating value-added products.

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TABLE 1 - FISCAL YEAR 2004
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

	HATCH ACT AS AMENDED											
STATE	REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (McS)	1890 UNIV & TUSK UNIV (EA)	ANIMAL HEALTH & DIS RSCH	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
ALABAMA	2,918,736	846,921	3,765,657	724,021	3,666,629	62,233	1,614,547	784,257	1,094,344	544,330	0	12,461,218
ALASKA	798,991	140,223	939,214	495,283	0	2,821	3,947,614	0	1,497,325	125,615	0	7,007,872
AMER SAMOA	668,109	21,267	689,396	24,353	0	0	0	0	0	0	0	713,749
ARIZONA	1,103,091	741,424	1,844,515	360,732	0	48,088	1,165,227	1,833,411	512,407	315,916	0	6,076,277
ARKANSAS	2,521,197	710,770	3,231,967	602,924	1,615,777	104,428	2,351,384	1,222,000	446,866	0	0	9,574,116
CALIFORNIA	3,398,025	1,498,089	4,896,895	656,745	0	519,023	7,733,804	6,086,994	2,201,139	0	132,084	24,216,482
COLORADO	1,504,307	952,938	2,457,245	347,278	0	170,175	3,049,351	0	434,217	163,765	0	6,622,028
CONNECTICUT	1,252,866	485,620	1,738,518	226,180	0	18,813	543,249	1,456,733	101,210	0	295,000	4,377,703
DELAWARE	699,254	369,284	1,229,918	78,173	1,015,581	24,133	107,721	283,911	694,264	0	0	3,433,281
DC	548,366	104,878	653,244	0	0	0	0	104,488	0	0	0	757,733
FLORIDA	2,152,017	844,705	2,796,722	549,104	1,423,202	78,143	6,847,278	908,000	987,281	2,931,004	350,000	16,668,734
GEORGIA	3,313,662	1,280,939	4,604,931	737,479	2,116,286	113,468	4,361,436	654,070	921,449	1,044,926	0	14,553,057
GUAM	663,214	120,095	813,279	37,608	0	0	540,795	75,000	0	0	0	1,466,882
HAWAII	854,566	375,970	1,230,536	185,815	0	2,414	5,182,381	2,298,224	1,517,589	3,158,109	0	13,583,048
IDAHO	1,415,204	584,551	1,999,755	428,007	0	48,570	2,123,801	946,510	671,801	0	0	6,118,344
ILLINOIS	4,235,733	1,098,129	5,331,862	306,911	0	114,424	3,527,567	7,932,602	189,333	0	0	17,402,699
INDIANA	3,892,995	828,791	4,721,786	333,821	0	59,153	192,029	3,653,428	138,473	0	0	9,098,670
IOWA	4,078,242	1,779,335	5,857,577	266,548	0	214,822	6,984,784	5,587,823	511,826	936,853	0	19,942,003
KANSAS	2,461,625	781,950	3,223,764	145,449	0	106,098	1,002,647	3,845,258	911,847	83,743	0	9,218,808
KENTUCKY	3,698,861	850,080	4,747,021	454,818	2,465,310	52,905	2,152,588	1,098,000	318,039	0	0	11,248,791
LOUISIANA	2,333,445	870,902	3,004,347	616,380	1,471,430	65,998	1,881,410	169,753	169,756	0	0	7,368,744
MAINE	1,231,496	508,140	1,737,636	562,559	0	16,308	1,220,802	24,314	0	0	0	3,561,617
MARYLAND	1,987,872	838,853	2,334,725	230,836	1,086,812	23,030	1,363,635	2,236,286	862,070	0	0	8,188,895
MASSACHUSETTS	1,482,626	621,654	2,104,282	253,080	0	8,525	1,285,191	2,468,968	13,030	0	0	6,121,086
MICHIGAN	3,893,405	920,057	4,813,462	576,014	0	97,578	6,136,310	5,037,033	366,800	1,023,528	380,000	17,422,721
MICRONESIA	706,613	0	706,613	0	0	0	0	0	0	0	0	706,613
MINNESOTA	3,815,760	669,672	4,485,432	466,373	0	172,827	1,080,338	8,046,005	804,612	0	0	14,999,678
MISSISSIPPI	2,993,478	820,116	3,813,594	710,568	1,838,204	79,795	5,272,024	1,507,786	1,803,018	1,722,245	0	16,643,213
MISSOURI	3,888,796	778,822	4,466,720	441,483	2,393,946	154,985	4,631,146	2,310,038	405,450	369,615	0	15,372,385
MONTANA	1,338,148	654,661	1,992,807	401,087	0	49,878	4,518,805	2,722,108	1,077,500	0	0	10,762,185
NEBRASKA	2,289,748	881,640	3,170,388	172,359	0	132,580	3,426,447	3,516,589	167,302	0	0	10,587,845
NEVADA	793,080	358,443	1,151,536	131,984	0	8,800	436,456	605,495	0	0	0	2,338,083
N. HAMPSHIRE	1,003,577	364,024	1,367,601	320,368	0	5,816	0	1,364,814	0	0	0	3,058,597
NEW JERSEY	1,498,188	1,218,832	2,676,031	172,350	0	25,417	3,200,370	431,000	94,950	0	0	6,600,132
NEW MEXICO	1,136,588	394,375	1,532,963	260,001	0	34,311	2,332,087	1,386,000	746,391	0	0	6,308,753
NEW YORK	3,708,899	1,503,091	5,212,080	629,835	0	188,295	5,980,281	7,114,890	160,804	200,884	0	19,445,249
N. CAROLINA	4,972,889	1,162,975	6,135,864	663,655	2,997,542	151,160	2,131,846	6,860,630	990,326	299,614	0	20,280,436
N. DAKOTA	1,677,362	985,433	2,282,826	91,629	0	27,507	2,731,952	127,750	546,207	612,256	0	6,400,125
N. MARIANAS	666,536	0	666,536	0	0	0	0	0	0	0	0	666,536
OHIO	4,833,983	942,478	5,576,441	374,187	0	83,788	1,863,703	3,224,703	136,758	4,226,231	0	15,274,789
OKLAHOMA	2,343,531	583,196	2,926,727	387,942	1,554,933	118,398	2,178,384	542,290	1,000,000	279,143	0	9,993,515
OREGON	1,779,329	827,218	2,706,547	697,111	0	81,271	2,723,486	827,986	0	0	0	7,036,381
PENNA	4,576,933	1,237,738	5,816,671	486,283	0	171,464	1,536,478	1,377,250	40,000	207,497	0	9,644,993
PUERTO RICO	3,136,226	722,154	3,858,380	105,084	0	9,365	841,035	0	398,352	0	0	5,212,216
RHODE ISLAND	792,817	378,943	1,169,760	84,718	0	1,555	580,396	311,080	0	0	0	2,127,509
S. CAROLINA	2,548,318	999,765	3,219,084	535,849	1,606,192	17,316	470,815	995,313	423,708	0	0	7,270,077
S. DAKOTA	1,736,117	880,420	2,328,837	116,539	0	58,826	1,737,981	811,257	499,786	0	0	5,553,007
TENNESSEE	3,992,725	830,366	4,523,094	522,193	2,295,806	43,201	376,099	1,499,000	937,280	0	366,000	10,566,470
TEXAS	4,886,759	1,220,583	6,097,352	670,200	3,161,411	272,302	5,363,814	11,675,204	1,377,240	4,813,361	0	33,430,884
UTAH	997,880	713,809	1,711,499	199,270	0	26,271	5,016,490	539,800	0	741,561	0	9,237,991
VERMONT	1,054,989	319,167	1,374,176	280,001	0	12,639	4,087,144	720,971	0	0	0	6,474,931
V. ISLANDS	677,869	116,183	794,182	51,263	0	0	234,062	0	0	0	0	1,079,507
VIRGINIA	3,158,461	759,749	3,918,210	569,499	1,976,020	67,447	1,280,887	2,428,167	1,051,589	418,715	0	11,700,484
WASHINGTON	2,018,327	1,463,804	3,482,931	656,745	0	101,103	4,188,241	4,693,305	378,570	364,747	0	13,671,842
W. VIRGINIA	1,998,837	530,456	2,519,293	414,562	1,033,821	21,253	1,044,710	170,000	209,844	1,381,757	0	6,795,330
WISCONSIN	3,931,899	999,390	4,621,049	461,826	0	129,436	1,998,884	6,984,851	558,917	1,339,986	0	15,660,955
WYOMING	942,020	522,327	1,464,347	199,270	0	29,419	232,158	785,994	84,814	0	0	2,794,372
OTHER	0	218,915	218,915	0	38,348	0	1,975	0	0	0	0	259,238
SBIR	3,297,271	1,051,434	4,348,705	527,556	887,849	108,770	3,471,084	4,566,946	273,788	700,171	0	14,884,849

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TABLE 1 - FISCAL YEAR 2004
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

	HATCH ACT AS AMENDED											
STATE	REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (MS)	1890 UNIV & TUSK UNIV (EA)	ANIMAL HEALTH & DIS RSCH	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
PEER PANEL	0	0	0	0	0	0	43,644	1,832,648	114,692	0	0	1,990,984
REIMBURSABLE	0	0	0	0	0	0	134,325	0	0	0	0	134,325
FEDERAL ADMIN	4,173,858	923,085	5,096,943	952,647	1,073,628	181,284	5,795,105	11,072,705	1,192,845	8,541,184		33,566,361
SUBTOTAL, OBLIGATIONS	135,701,097	42,859,230	178,560,327	21,736,124	35,733,520	4,494,782	144,396,952	141,654,051	29,666,625	36,548,085	1,502,064	594,282,530
UNOBLIG BAL	40,000	0	40,000	0	0	0	1	101,131,927	9,956,293	0	0	108,127,921
SUBTOTAL	135,741,097	42,859,230	178,600,327	21,736,124	35,733,520	4,494,782	144,396,953	242,785,678	39,622,918	36,548,085	1,502,064	702,420,451
TRIBAL ENDOW	0	0	0	0	0	0	0	0	8,946,900	0	0	8,946,900
BIOTECH RISK ASSESSMENT	363,800	121,200	484,800	18,760	54,080	37,320	230,880	636,724	37,700	0	(1,902,064)	0
TOTAL	136,104,897	42,980,430	179,085,127	21,754,884	35,787,600	4,532,102	144,627,833	243,424,402	45,607,518	36,548,085	0	711,367,351

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TABLE 2 - FISCAL YEAR 2006
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

	HATCH ACT AS AMENDED											
STATE	REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (MS)	1890 UNIV & TUSK UNIV (EA)	ANIMAL HEALTH & DIS RSCH	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
ALABAMA	2,877,000	840,000	3,717,000	739,000	3,764,000	86,000	0	0	0	0	0	8,306,000
ALASKA	787,000	145,000	932,000	519,000	0	3,000	0	0	0	0	0	1,454,000
AMER SAMOA	658,000	22,000	680,000	24,000	0	0	0	0	0	0	0	704,000
ARIZONA	1,087,000	786,000	1,856,000	366,000	0	51,000	0	0	0	0	0	2,274,000
ARKANSAS	2,464,000	757,000	3,221,000	629,000	1,855,000	112,000	0	0	0	0	0	5,817,000
CALIFORNIA	3,339,000	1,551,000	4,890,000	670,000	0	594,000	0	0	0	0	0	6,154,000
COLORADO	1,482,000	987,000	2,469,000	340,000	0	195,000	0	0	0	0	0	3,004,000
CONNECTICUT	1,234,000	504,000	1,738,000	217,000	0	19,000	0	0	0	0	0	1,974,000
DELAWARE	854,000	376,000	1,230,000	79,000	1,028,000	26,000	0	0	0	0	0	2,363,000
DC	540,000	109,000	649,000	0	0	0	0	0	0	0	0	649,000
FLORIDA	2,120,000	666,000	2,786,000	547,000	1,463,000	88,000	0	0	0	0	0	4,884,000
GEORGIA	3,265,000	1,334,000	4,599,000	753,000	2,169,000	124,000	0	0	0	0	0	7,845,000
GUAM	663,000	124,000	807,000	38,000	0	0	0	0	0	0	0	845,000
HAWAII	842,000	390,000	1,232,000	162,000	0	3,000	0	0	0	0	0	1,397,000
IDAHO	1,364,000	606,000	2,000,000	437,000	0	52,000	0	0	0	0	0	2,489,000
ILLINOIS	4,174,000	1,135,000	5,308,000	313,000	0	128,000	0	0	0	0	0	5,750,000
INDIANA	3,636,000	856,000	4,695,000	354,000	0	73,000	0	0	0	0	0	5,122,000
IOWA	4,018,000	1,788,000	5,803,000	244,000	0	249,000	0	0	0	0	0	6,296,000
KANSAS	2,428,000	790,000	3,218,000	146,000	0	125,000	0	0	0	0	0	3,489,000
KENTUCKY	3,640,000	886,000	4,726,000	454,000	2,563,000	58,000	0	0	0	0	0	7,803,000
LOUISIANA	2,268,000	695,000	2,964,000	602,000	1,503,000	76,000	0	0	0	0	0	5,175,000
MAINE	1,214,000	524,000	1,738,000	574,000	0	17,000	0	0	0	0	0	2,329,000
MARYLAND	1,673,000	660,000	2,333,000	256,000	1,123,000	24,000	0	0	0	0	0	3,736,000
MASSACHUSETTS	1,461,000	644,000	2,105,000	272,000	0	9,000	0	0	0	0	0	2,386,000
MICHIGAN	3,838,000	956,000	4,792,000	588,000	0	95,000	0	0	0	0	0	5,475,000
MICRONESIA	698,000	0	698,000	0	0	0	0	0	0	0	0	698,000
MINNESOTA	3,780,000	901,000	4,681,000	482,000	0	181,000	0	0	0	0	0	5,344,000
MISSISSIPPI	2,948,000	950,000	3,798,000	725,000	1,978,000	82,000	0	0	0	0	0	6,484,000
MISSOURI	3,636,000	805,000	4,441,000	460,000	2,464,000	172,000	0	0	0	0	0	7,527,000
MONTANA	1,319,000	678,000	1,997,000	409,000	0	99,000	0	0	0	0	0	2,465,000
NEBRASKA	2,255,000	914,000	3,169,000	203,000	0	147,000	0	0	0	0	0	3,519,000
NEVADA	781,000	372,000	1,153,000	134,000	0	11,000	0	0	0	0	0	1,298,000
N. HAMPSHIRE	889,000	377,000	1,266,000	327,000	0	6,000	0	0	0	0	0	1,599,000
NEW JERSEY	1,436,000	1,256,000	2,692,000	176,000	0	22,000	0	0	0	0	0	2,892,000
NEW MEXICO	1,122,000	409,000	1,531,000	298,000	0	37,000	0	0	0	0	0	1,867,000
NEW YORK	3,685,000	1,526,000	5,211,000	643,000	0	185,000	0	0	0	0	0	6,039,000
N. CAROLINA	4,800,000	1,305,000	6,105,000	698,000	3,067,000	165,000	0	0	0	0	0	10,035,000
N. DAKOTA	1,663,000	607,000	2,269,000	93,000	0	32,000	0	0	0	0	0	2,395,000
N. MARIANAS	646,000	0	646,000	0	0	0	0	0	0	0	0	646,000
OHIO	4,585,000	877,000	5,543,000	395,000	0	81,000	0	0	0	0	0	6,019,000
OKLAHOMA	2,309,000	604,000	2,913,000	382,000	1,601,000	129,000	0	0	0	0	0	5,025,000
OREGON	1,753,000	961,000	2,714,000	711,000	0	82,000	0	0	0	0	0	3,507,000
PENNA	4,512,000	1,282,000	5,794,000	478,000	0	198,000	0	0	0	0	0	6,466,000
PUERTO RICO	3,080,000	748,000	3,828,000	107,000	0	10,000	0	0	0	0	0	3,956,000
RHODE ISLAND	761,000	391,000	1,172,000	66,000	0	1,000	0	0	0	0	0	1,239,000
S. CAROLINA	2,512,000	684,000	3,206,000	580,000	1,646,000	19,000	0	0	0	0	0	5,431,000
S. DAKOTA	1,711,000	612,000	2,323,000	121,000	0	70,000	0	0	0	0	0	2,514,000
TENNESSEE	3,638,000	861,000	4,499,000	533,000	2,356,000	51,000	0	0	0	0	0	7,439,000
TEXAS	4,787,000	1,347,000	6,144,000	964,000	3,286,000	306,000	0	0	0	0	0	10,403,000
UTAH	863,000	748,000	1,728,000	230,000	0	31,000	0	0	0	0	0	1,990,000
VERMONT	1,039,000	331,000	1,370,000	285,000	0	14,000	0	0	0	0	0	1,669,000
V ISLANDS	668,000	120,000	788,000	52,000	0	0	0	0	0	0	0	840,000
VIRGINIA	3,112,000	787,000	3,898,000	815,000	2,028,000	81,000	0	0	0	0	0	6,821,000
WASHINGTON	1,980,000	1,513,000	3,503,000	656,000	0	124,000	0	0	0	0	0	4,283,000
W. VIRGINIA	1,982,000	550,000	2,510,000	423,000	1,061,000	10,000	0	0	0	0	0	4,004,000
WISCONSIN	3,775,000	1,024,000	4,799,000	606,000	0	148,000	0	0	0	0	0	5,490,000
WYOMING	928,000	541,000	1,469,000	186,000	0	38,000	0	0	0	0	0	1,694,000
OTHER	0	268,000	268,000	0	41,000	0	0	0	0	0	0	309,000
SBIR	3,255,000	1,085,000	4,340,000	536,000	880,000	121,000	3,749,000	4,309,000	148,000	836,000	0	14,931,000

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TABLE 2 - FISCAL YEAR 2008
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

STATE	HATCH ACT AS AMENDED REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (MS)	1890 UNIV & TUSK UNIV (EA)	ANIMAL HEALTH & DIS RSCH	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
PEER PANEL REIMBURSABLE	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
FEDERAL ADMIN	3,844,000	1,281,000	5,125,000	868,000	1,101,000	202,000	8,246,000	7,182,000	1,379,000	9,099,000		31,001,000
SUBTOTAL OBLIGATIONS	133,445,000	44,750,000	178,195,000	22,184,000	36,654,000	5,026,000	8,997,000	11,491,000	1,537,000	8,834,000	0	275,008,000
UNOBLIG BAL	0	0	0	0	0	0	145,856,000	268,146,000	42,108,000	32,812,000	0	488,723,000
SUBTOTAL	133,445,000	44,750,000	178,195,000	22,184,000	36,654,000	5,026,000	154,853,000	279,637,000	43,636,000	42,546,000	0	763,731,000
TRIBAL BIDOW	0	0	0	0	0	0	0	0	11,804,000	0	0	11,804,000
BIOTECH RISK ASSESSMENT	384,000	128,000	512,000	21,000	80,000	31,000	345,000	1,047,000	27,000	0	0	2,033,000
TOTAL	133,829,000	44,878,000	178,707,000	22,205,000	36,734,000	5,057,000	155,198,000	280,684,000	55,567,000	42,546,000	0	777,568,000

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TABLE 3 - FISCAL YEAR 2006
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

STATE	HATCH ACT AS AMENDED: REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (MS)	1890 UNIV & TUSK UNIV (EA)	REGIONAL STATE/LOCAL APPLIED GRANTS	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
ALABAMA	1,800,000	420,000	2,020,000	357,000	3,925,000	0	0	0	0	0	0	6,302,000
ALASKA	421,000	73,000	494,000	255,000	0	0	0	0	0	0	0	749,000
AMER SAMOA	344,000	11,000	355,000	24,000	0	0	0	0	0	0	0	379,000
ARIZONA	572,000	384,000	956,000	184,000	0	0	0	0	0	0	0	1,140,000
ARKANSAS	1,340,000	368,000	1,708,000	308,000	1,720,000	0	0	0	0	0	0	3,734,000
CALIFORNIA	1,668,000	776,000	2,442,000	325,000	0	0	0	0	0	0	0	2,767,000
COLORADO	742,000	493,000	1,235,000	172,000	0	0	0	0	0	0	0	1,407,000
CONNECTICUT	624,000	252,000	876,000	114,000	0	0	0	0	0	0	0	990,000
DELAWARE	464,000	186,000	642,000	50,000	1,050,000	0	0	0	0	0	0	1,742,000
DC	234,000	54,000	288,000	0	0	0	0	0	0	0	0	288,000
FLORIDA	1,012,000	334,000	1,346,000	288,000	1,531,000	0	0	0	0	0	0	3,145,000
GEORGIA	1,720,000	667,000	2,387,000	384,000	2,261,000	0	0	0	0	0	0	5,012,000
GUAM	385,000	62,000	415,000	31,000	0	0	0	0	0	0	0	446,000
HAWAII	473,000	185,000	658,000	80,000	0	0	0	0	0	0	0	738,000
IDAHO	908,000	308,000	887,000	218,000	0	0	0	0	0	0	0	1,205,000
ILLINOIS	1,918,000	568,000	2,487,000	158,000	0	0	0	0	0	0	0	2,646,000
INDIANA	1,734,000	428,000	2,159,000	178,000	0	0	0	0	0	0	0	2,331,000
IOWA	1,776,000	892,000	2,667,000	127,000	0	0	0	0	0	0	0	2,794,000
KANSAS	1,158,000	386,000	1,564,000	82,000	0	0	0	0	0	0	0	1,636,000
KENTUCKY	1,873,000	444,000	2,317,000	230,000	2,666,000	0	0	0	0	0	0	5,213,000
LOUISIANA	1,217,000	348,000	1,565,000	283,000	1,567,000	0	0	0	0	0	0	3,415,000
MAINE	836,000	262,000	800,000	281,000	0	0	0	0	0	0	0	1,181,000
MARYLAND	838,000	330,000	1 168,000	133,000	1,166,000	0	0	0	0	0	0	2,467,000
MASSACHUSETTS	751,000	322,000	1,073,000	140,000	0	0	0	0	0	0	0	1,213,000
MICHIGAN	1,609,000	478,000	2,267,000	267,000	0	0	0	0	0	0	0	2,674,000
MICRONESIA	374,000	0	374,000	0	0	0	0	0	0	0	0	374,000
MINNESOTA	1,888,000	461,000	2,141,000	242,000	0	0	0	0	0	0	0	2,383,000
MISSISSIPPI	1,984,000	425,000	2,109,000	351,000	1,944,000	0	0	0	0	0	0	4,404,000
MISSOURI	1,716,000	409,000	2,121,000	223,000	2,681,000	0	0	0	0	0	0	4,825,000
MONTANA	849,000	339,000	888,000	264,000	0	0	0	0	0	0	0	1,162,000
NEBRASKA	1,083,000	457,000	1,510,000	108,000	0	0	0	0	0	0	0	1,618,000
NEVADA	416,000	186,000	602,000	76,000	0	0	0	0	0	0	0	678,000
N. HAMPSHIRE	508,000	189,000	697,000	165,000	0	0	0	0	0	0	0	862,000
NEW JERSEY	729,000	628,000	1,357,000	95,000	0	0	0	0	0	0	0	1,452,000
NEW MEXICO	686,000	204,000	798,000	152,000	0	0	0	0	0	0	0	951,000
NEW YORK	1,775,000	778,000	2,553,000	313,000	0	0	0	0	0	0	0	2,866,000
N. CAROLINA	2,538,000	603,000	3,141,000	338,000	3,183,000	0	0	0	0	0	0	6,662,000
N. DAKOTA	808,000	304 000	1,113,000	56,000	0	0	0	0	0	0	0	1,169,000
N. MARIANAS	356,000	0	356,000	0	0	0	0	0	0	0	0	356,000
OHIO	2,129,000	468,000	2,617,000	197,000	0	0	0	0	0	0	0	2,814,000
OKLAHOMA	1,189,000	302,000	1,471,000	191,000	1,678,000	0	0	0	0	0	0	3,340,000
OREGON	852,000	480,000	1,332,000	345,000	0	0	0	0	0	0	0	1,677,000
PENNA	2,193,000	841,000	2,834,000	236,000	0	0	0	0	0	0	0	3,070,000
PUERTO RICO	1,796,000	374,000	2,172,000	63,000	0	0	0	0	0	0	0	2,235,000
RHODE ISLAND	485,000	185,000	620,000	44,000	0	0	0	0	0	0	0	664,000
S. CAROLINA	1,386,000	347,000	1,732,000	274,000	1,711,000	0	0	0	0	0	0	3,717,000
S. DAKOTA	816,000	308,000	1,122,000	69,000	0	0	0	0	0	0	0	1,191,000
TENNESSEE	1,878,000	430,000	2,305,000	261,000	2,455,000	0	0	0	0	0	0	5 021 000
TEXAS	2,418,000	673,000	3,092,000	332,000	3,442,000	0	0	0	0	0	0	6 866,000
UTAH	528,000	373,000	899,000	120,000	0	0	0	0	0	0	0	1 019 000
VERMONT	556,000	166,000	703,000	146,000	0	0	0	0	0	0	0	849,000
V. ISLANDS	344,000	60,000	404,000	37,000	0	0	0	0	0	0	0	441,000
VIRGINIA	1,918,000	394,000	2,012,000	300,000	2,109,000	0	0	0	0	0	0	4,421,000
WASHINGTON	/ 971,000	796,000	1,727,000	319,000	0	0	0	0	0	0	0	2,046,000
W. VIRGINIA	1,079,000	275,000	1,354,000	210,000	1,108,000	0	0	0	0	0	0	2,670,000
WISCONSIN	1,707,000	512,000	2,219,000	248,000	0	0	0	0	0	0	0	2,467,000
WYOMING	486,000	271,000	757,000	101,000	0	0	0	0	0	0	0	858,000
OTHER	0	0	0	0	41,000	0	0	0	0	0	0	41,000
SBIR	/ 1,630,000	643,000	2,173,000	269,000	928,000	0	756,000	0	150,000	0	0	4,276,000

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TABLE 3 - FISCAL YEAR 2006
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AT STATE AGRICULTURAL EXPERIMENT STATIONS & OTHER STATE INSTITUTIONS

	HATCH ACT AS AMENDED											
STATE	REGULAR FORMULA FUNDS	MULTISTATE RESEARCH	HATCH TOTAL	COOP FORESTRY RSH (MS)	1890 UNIV & TUSK UNIV (EA)	REGIONAL STATE/LOCAL APPLIED GRANTS	SPECIAL RESEARCH GRANTS	COMPET RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FED ADMIN DIRECT APPROP	BIOTECH RISK ASSESS	TOTAL FEDERAL FUNDS
PEER PANEL	0	0	0	0	0	0	0	0	0	0	0	0
REIMBURSABLE	0	0	0	0	0	0	0	0	0	0	0	0
FEDERAL ADMIN	1,634,000	811,000	2,445,000	333,000	1,147,000	3,000,000	1,303,000	10,000,000	1,626,000	2,750,000		22,604,000
SUBTOTAL, OBLIGATIONS	66,631,000	22,211,000	88,842,000	11,082,000	38,200,000	3,000,000	2,061,000	10,000,000	1,776 000	2,750,000	0	157,711,000
UNOBLIG BAL	0	0	0	0	0	72,000,000	30,510,000	240,000,000	41,122,000	6,082,000	0	389,714,000
SUBTOTAL	66,631,000	22,211,000	88,842,000	11,082,000	38,200,000	75,000,000	32,571,000	250,000,000	42,898,000	8,832,000	0	547,425,000
TRIBAL ENDOW	0	0	0	0	0	0	0	0	12,000,000	0	0	12,000,000
BIOTECH RISK ASSESSMENT	384,000	128,000	512,000	21,000	50,000	0	0	0	0	0	0	583,000
TOTAL	67,015,000	22,339,000	89,354,000	11,103,000	38,250,000	75,000,000	32,571,000	250,000,000	54,898,000	8,832,000	0	560,008,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

Research and Education Activities

Personnel Compensation:	2004	2005	2006
Washington, D.C.	$19,058,819	$21,300,921	$22,457,260
Field	0	0	0
11 Total personnel compensation	15,584,582	17,612,602	18,532,749
12 Personnel benefits	3,471,129	3,685,060	3,921,143
13 Benefits for former personnel	3,108	3,259	3,368
Total pers. comp. & benefits	19,058,819	21,300,921	22,457,260
Other Objects:			
21 Travel	1,507,330	1,537,477	1,568,226
22 Transportation of Things	37,391	38,139	38,902
23.0 Rent and Communications	223,497	227,967	232,526
23.1 Rent Payments to GSA	93	95	97
23.2 Rental Payments to others	189,027	192,808	196,664
23.3 Communications, Utilities, etc.	147,604	150,556	153,567
24 Printing and Reproduction	312,993	319,253	325,638
25.1 Advisory & assist. Services	1,031,049	1,051,670	1,072,703
25.2 Other Services	2,262,725	2,307,980	2,354,139
25.3 Purchases of G&S from Govt.	85,097	86,799	88,535
25.4 Operation and Maintenance of facilities	1,262,103	1,287,345	1,313,092
25.5 Research and Development Contracts	2,368,811	2,416,187	2,464,511
25.6 Medical Care	0	0	0
25.7 Operation and maintenance of equipment	101,216	103,240	105,305
25.8 Subsistence and support of persons	57,505	58,655	59,828
26 Supplies	463,346	472,613	482,065
31 Equipment	513,540	523,811	534,287
41 Grants, Contracts, etc.	564,709,644	745,591,120	526,559,915
43 Interest Prompt Payment	740	740	740
Total other objects	575,273,711	756,366,455	537,550,740
Total direct obligations	594,332,530	777,667,376	560,008,000
Position Data:			
Average Salary, ES	$148,903	$154,427	$158,442
Average Salary, GS	$65,259	$67,680	$69,440
Average Grade, GS	10.64	10.52	10.52

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

STATUS OF PROGRAM

RESEARCH AND EDUCATION ACTIVITIES:

Current Activities

1. Hatch Act. The Hatch Act provides formula funds to support research at the State Agricultural Experiment Stations related to production, marketing, distribution, and utilization of crops and livestock for to the food supply, health, and welfare of the American people, while conserving resources, enhancing nutrition and improving rural living conditions. Students are provided training opportunities to assist in scientific research projects conducted at the stations. Hatch Act formula funds are matched by non-Federal funds and are used to support research in forest and natural resources; crop resources; animal resources; people, communities, and institutions; competition, trade, adjustment, price, and income policy; and food science and human nutrition. As a result of provisions contained in the Agricultural Research, Extension, and Education Reform Act of 1998, at least 25 percent of available Hatch funding must be used to support multistate research; up to 25 percent of Hatch Act funds also must be used for integrated research and extension activities. These requirements can be met concurrently. Similarly, up to 25 percent of Smith-Lever Act formula funds, which primarily support extension activities, must be used for integrated research and extension activities.

2. McIntire-Stennis Cooperative Forestry Research. The McIntire-Stennis Cooperative Forestry Research program provides formula funds to support research related to use of the Nation's forest resources. Timber production, forest land management, wood utilization, and the associated development of new products and distribution systems are some of the topics of this research. Additional areas of investigation include wildlife, recreation, water, range, and environmental quality, which are essential to the long-term productivity and profitability of the integrated system of forest resources.

3. Evans-Allen Program at 1890 Colleges and Tuskegee University and West Virginia State University. The Evans-Allen formula funds research program for the 1890 Colleges and Tuskegee University was established in the Food and Agriculture Act of 1977, as amended. Section 1445 of P.L. 95-113 authorized annual appropriations to support continuing agricultural research at the 1890 Colleges and Tuskegee University, and funds were appropriated under the Evans-Allen Program beginning in fiscal year (FY) 1979. The general provisions section 753 of Public Law 107-76 makes West Virginia State University eligible to receive funds under this program. In addition, this program supports the development of agricultural expertise by providing training opportunities for students to assist in the research projects being conducted at these institutions. Appropriations under this authority are the primary source of support for the food and agricultural research programs at the 1890 Colleges and Tuskegee University and West Virginia State University. Section 7203(b) of the Farm Security and Rural Investment Act of 2002 requires that beginning in FY 2003, funds appropriated for the Evans-Allen Program be not less than 25 percent of the Hatch Act appropriation. A 60 percent non-Federal match is required for Evans-Allen funds beginning in FY 2003. These programs place emphasis on small-scale agriculture, human nutrition, rural development and quality of living, crop resources, and animal resources.

4. Animal Health and Disease Research. The Animal Health and Disease Research (Section 1433, Public Law 95-113, as amended) formula program provides funding to accredited schools or colleges of veterinary medicine and/or State Agricultural Experiment Stations that support animal health and disease research. State Comprehensive Plans for animal health research, approved by

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CSREES, are being followed by the eligible institutions within each State. Provisions of Section 1433 permit selection of studies within each State based on the highest-priority needs and the capabilities of the institutions to conduct the needed research.

5. Special Research Grants. The Special Research Grants Program concentrates on problems of national, regional, and local interest beyond the normal emphasis in the formula programs. Program objectives are to facilitate or expand promising breakthroughs in areas of food and agricultural sciences of importance to the Nation and to facilitate or expand ongoing State-Federal food and agricultural research programs. Generally, funding requested in Executive Branch budgets is for projects that have regional and/or national impact, such as those projects addressing global change, pest control issues, biological impact assessment, aquaculture centers, and sustainable agriculture.

6. National Research Initiative Competitive Grants Program. The National Research Initiative (NRI) Competitive Grants Program was established in 1991 in response to a recommendation from the National Academy of Sciences in a 1989 report entitled, "Investing in Research: A Proposal to Strengthen the Agricultural, Food and Environmental System." The report recommended a major increase in funding of high priority research in order to: (1) increase competitiveness of U.S. agriculture, (2) improve human health and well-being through studies on food safety and human nutrition, and (3) enhance the environment and natural resource base upon which agriculture depends. All U.S. scientists are eligible to compete for NRI funds, including scientists at land-grant universities, other public universities, private universities and institutions, and Federal laboratories, as well as unaffiliated individuals. The NRI uses merit review by scientific peers to identify the most meritorious proposals for funding each year. At least 10 percent of the funds appropriated for the NRI are used for strengthening the U.S. agricultural research system. These funds support postdoctoral fellows, new investigators, scientists at small and mid-sized institutions, and faculty at institutions in the Experimental Program for Stimulating Competitive Research (EPSCoR) States (States that historically have not been competitive for research funds.) Section 775 of P.L. 107-76 codified the EPSCoR within the NRI. Up to 20 percent of NRI funding may be used to carry out activities such as those provided for under Section 401 of Agricultural Research, Extension, and Education Reform Act of 1998. The NRI encourages multidisciplinary research needed to solve complex problems and seeks to open new areas of science and engineering with relevance to food, forestry, agriculture, and the environment.

7. Small Business Innovation Research (SBIR) Program. The Small Business Innovation Development Act was designed to strengthen the role of small, innovative firms in Federally funded research and development. Under the SBIR program, 2.5 percent of appropriations for extramural research and development is set aside for awards to eligible small firms. The SBIR Program is a three-phased effort, but only Phase I and Phase II, the feasibility and follow-on research and development phases respectively, are eligible for support with USDA funds. Firms are encouraged to secure Phase III funding for the commercialization phase from other public or private sources. The 11 research areas supported under the SBIR Program are: forests and related resources; plant production and protection; animal production and protection; air, water, and soils; food science and nutrition; rural and community development; aquaculture; industrial applications; marketing and trade; wildlife; and animal waste management. CSREES administers the SBIR program for USDA, including the funds set aside for SBIR from seven USDA agencies.

8. Higher Education Programs. The USDA Food and Agricultural Sciences National Needs Graduate Fellowship Grants Program awards grants to colleges and universities to stimulate the development of food and agricultural scientific expertise in targeted areas of national need. This is the only Federal program targeted specifically to the recruitment and training of doctoral students for critical food and agricultural scientific positions. The competitive Institution Challenge Grants Program is designed to stimulate and enable colleges and universities to provide the quality of

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education necessary to produce graduates capable of strengthening the Nation's food and agricultural scientific and professional workforce. Institutions match USDA funds on a dollar-for-dollar basis. The competitive Secondary and Two-year Postsecondary Agriculture Education Challenge Grants Program promotes and strengthens the ability of public secondary schools' education in agribusiness and agriscience and increases the number and/or diversity of young Americans pursuing college degrees in the food and agricultural sciences. The competitive Higher Education Multicultural Scholars Program provides grants to institutions for scholarships to attract and educate more students from groups currently underrepresented in the food and agricultural sciences for careers in agriscience and agribusiness. Institutions must provide 25 percent in matching funds. The competitive 1890 Institution Capacity Building Grants Program serves as the crux of the Department's high-priority initiatives to advance the teaching and research capacity of the 1890 Land-Grant Institutions and Tuskegee University. The Tribal Colleges Endowment Fund distributes interest earned by an endowment established for the 1994 Land-Grant Institutions (33 Tribally controlled colleges) as authorized in the Equity in Education Land-Grant Status Act of 1994, P.L. 103-382, as amended. The Endowment Fund enhances education in agricultural sciences and related areas for Native Americans by building education capacity at these institutions. The Tribal Colleges Education Equity Grants Program is a formula program designed to enhance educational opportunities for Native Americans by strengthening instructional programs in food and agriculture. The Tribal Colleges Research Grants Program is a competitive program for conducting agricultural research activities that address tribal, National, or multi-State priorities. The competitive Hispanic-Serving Institutions Education Grants Program promotes and strengthens the ability of Hispanic-Serving Institutions to carry out higher education teaching programs in the food and agricultural sciences. The Alaska Native Serving and Native Hawaiian-Serving Institutions Education Grants Program is designed to recruit, support and educate minority scientists and professionals, and advance the educational capacity of these Native-serving institutions. The Resident Instruction Grants for Insular Areas Program is designed to enhance teaching programs at higher education institutions located in U.S. insular areas that focus on agriculture, natural resources, forestry, veterinary medicine, home economics, and disciplines closely allied to food and agriculture production and delivery systems.

Selected Examples of Recent Progress: Provided below are selected examples of recent progress made under CSREES programs as related to the activities account.

1. **National Research Initiative**. Researchers with the **Virginia Agricultural Experiment Station**, using partial funding from the **National Research Initiative**, have developed a methodology for identifying all of the crops in an agricultural region from satellite remote sensing images. The output is a crop map of the region. Also developed was a computer modeling methodology to project the growth and movement of insect pest populations through a mapped agricultural region. By integrating the crop map with data on the environment and on insect population dynamics, the system can predict, for a region, when and where an insect will have the greatest impact. The system is being used to study the dynamics of a regional pest in turfgrass systems in Virginia. It is expected that once the study is completed, it will give pest managers in turfgrass systems a tool to predict when and where pest infestations will occur.

2. **Evans-Allen Program**. Utilizing funds from the **Evans-Allen Program**, pond research at **Delaware State University** during 2002 focused on developing management practices for the culture of two species of bait minnows which are native to the region and highly prized as bait in local waters. Spawning seasons as well as estimates of annual production and feed costs for each species were determined from data obtained during the last year. Brood stock spawned on mats that were transferred to fry rearing ponds for hatching and grow out. This egg transfer technique provided delineation of spawning season and accurate counts of egg production needed for this research. The preliminary production data and the current retail price for these minnows suggest that bait minnows represent a viable alternative agriculture crop in the mid-Atlantic region. In

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addition, these bait species are often unavailable during peak demand periods. Commercial production will help to reduce the commercial exploitation of these important forage species from local waters where they also provide some degree of biological mosquito control.

3. **Animal Health and Disease Program.** Anti-viral agents must be identified in order to defend people and animals from the effects of viruses that might be used in bio-terror attack. Based on experimental methods developed through research to combat bluetongue virus, a worldwide virus disease in domestic animals and wild ruminants, scientists at **Utah State University,** under the **Animal Health and Disease Program,** developed a cell-based Real Time Polymerase Chain Reaction assay that can be used to screen large numbers of unknown anti-viral agents and compounds.

4. **Hatch Act.** Grassland birds have undergone population declines in the last third of the twentieth century that are steeper and more consistent than those of any other group of birds in North America. There have been few attempts to develop a plan for the conservation of grassland birds that integrate the plan into an active agricultural landscape. Researchers at the **University of Wisconsin-Madison,** with **Hatch Act** funds, are evaluating the feasibility of landscape scale management of grassland birds in an agricultural landscape west of Madison, Wisconsin in cooperation with the Wisconsin Chapter of the Nature Conservancy and the Wisconsin Department of Natural Resources. Research has been focused on Wisconsin grassland bird species of management concern. Bird populations and productivity have been evaluated in continuously grazed pastures, conservation Reserve Program lands, hay fields, and prairie remnants. Results indicate that a variety of habitat types are needed to accommodate grassland bird species. Therefore, management for grassland birds must be conducted at a landscape scale to be effective. Given the wide variety of predators, it would be difficult to improve productivity of grassland birds by directly managing predator populations. Removal or exclusion of larger predators from grassland nesting habitat might even cause population increases of some smaller predator species. Some predator studies suggest that managing habitats (e.g., increasing grassland size and extent) may be a more successful approach for improving grassland bird productivity; this is an open question that needs further research.

5. **1890 Institutions Capacity Building Grants Program.** With increased industrialization of agriculture, there is a growing need from graduates trained in the field of agribusiness rather than in the traditional discipline of agricultural economics. With funds from the **1890 Institutions Capacity Building Grants Program, South Carolina State University** proposes a Master of Business Administration degree program that would provide opportunities for students pursuing high-level managerial positions in the agribusiness sector. A review of masters degree programs from several institutions revealed that faculty have formulated a curriculum for the Master of Business Administration degree in agribusiness. Details for the core and elective courses for the program are being developed. When implemented, the MBA degree program in agribusiness will provide an opportunity for about 15 to 20 students to train for higher-level managerial positions in the agribusiness sector. The prospective students are expected to come generally from the southern region of the U.S.

6. **Higher Education Multicultural Scholars Program.** In **New York, Cornell University,** with partial funding from the **Higher Education Multicultural Scholars Program,** developed programs to provide research experience, a high quality undergraduate education, and a supportive learning environment for underrepresented minority students. Research experience is provided through the Cornell Food Science Summer Scholars Program. This program brings undergraduate students from across the country to Cornell for a 10-week summer experience. Students are assigned to a research lab where they work with faculty members and graduate students on a food

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science research project. They learn first-hand how to do cutting-edge research. Over the past three years, six underrepresented minority students have successfully completed the Cornell Food Science Summer Scholars program. Four of these students are continuing their B.S. programs and two have graduated.

PART ASSESSMENTS

CSREES conducts PART reviews based on portfolio performance by goal. Portfolios of projects are assessed by experts on an annual and 5-year basis to determine progress toward solving targeted national problems reflected in the Agency and Department goals. An assessment tool is used to review portfolio relevance, quality, and performance, assigning an overall quantitative score (from 1-100) to its performance reflecting whether it exceeds expectations, meets expectations, or needs improvement. Experts' recommendations for improvement then form the basis for achieving improved scores. The PART review schedule by goal follows:

- Goal 1 was subject to an OMB PART in FY 2004. CSREES is awaiting a final score; early indications are for a score of moderately successful. Prior to the PART, all Goal 1 portfolios were reviewed by outside experts. In all cases, the portfolios were scored above "Meets Expectations."
- Goal 2 is scheduled to have a PART review in calendar year 2006.
- Goal 3 is scheduled to have a PART review in calendar year 2005.
- Goal 4 is scheduled to have a PART review in calendar year 2006.
- Goal 5 is scheduled to have a PART review in calendar year 2005.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Extension Activities

For payments to States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, Micronesia, Northern Marianas, and American Samoa, [$449,225,000] $431,743,000, as follows: payments for cooperative extension work under the Smith-Lever Act, to be distributed under sections 3(b) and 3(c) of said Act, and under section 208(c) of Public Law 93-471, for retirement and employees' compensation costs for extension agents, [$277,742,000] $275,940,000; payments for extension work at the 1994 Institutions under the Smith-Lever Act (7 U.S.C. 343(b)(3)), $3,273,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, [$58,909,000] $62,909,000; payments for the pest management program under section 3(d) of the Act, [$10,000,000; payments for the farm safety program under section 3(d) of the Act, $4,600,000] $10,759,000; payments for New Technologies for Ag Extension under section 3(d) of the Act, $3,000,000; payments to upgrade research, extension, and teaching facilities at the 1890 land-grant colleges, including Tuskegee University and West Virginia State University, as authorized by section 1447 of Public Law 95-113 (7 U.S.C. 3222b), [$16,912,000] $14,912,000, to remain available until expended; payments for youth-at-risk programs under section 3(d) of the Smith-Lever Act, [$7,538,000] $8,481,000; for youth farm safety education and certification extension grants, to be awarded competitively under section 3(d) of the Act, [$444,000] $499,000; payments for carrying out the provisions of the Renewable Resources Extension Act of 1978 (16 U.S.C. 1671 et seq.), $4,093,000; payments for Indian reservation agents under section 3(d) of the Smith-Lever Act, [$1,774,000] $1,996,000; payments for sustainable agriculture programs under section 3(d) of the Act, [$4,100,000; payments for rural health and safety education as authorized by section 502(i) of Public Law 92-419 (7 U.S.C. 2662(i)), $1,981,000;] $3,792,000; payments for cooperative extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326 and 328) and Tuskegee University and West Virginia State University, [$33,133,000] $34,417,000, of which $1,724,884 shall be made available only for the purpose of ensuring that each institution shall receive no less than $1,000,000; [for grants to youth organizations pursuant to section 7630 of title 7, United States Code, $2,667,000;] and for necessary expenses of Extension Activities, [$22,059,000] $7,672,000. (7 U.S.C. 343(b)(3), 7 U.S.C. 3222(b), 16 U.S.C. 1671 et seq., 7 U.S.C. 321-326 and 328; Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2005.)

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The first change deletes the language for the farm safety program under section 3(d) of the Smith-Lever Act.

The second change adds language for New Technologies for Ag Extension under section 3(d) of the Act.

The third change deletes language for the rural health and safety education program as authorized by section 502(i) of Public Law 92-419 (7 U.S.C. 2662(i)).

The fourth change deletes the language for grants to youth organizations pursuant to section 7630 of title 7, United States Code.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Lead-Off Tabular Statement

EXTENSION ACTIVITIES

Appropriations Act, 2005		$449,225,000
Budget Estimate, 2006		431,743,000
Decrease in Appropriations		-17,482,000
Adjustments in 2005:		
Appropriations Act, 2005 a/	$449,225,000	
Rescission under P.L 108-447 b/	-3,594,000	
Adjusted base for 2005		445,631,000
Budget Estimate, 2006		431,743,000
Decrease from adjusted 2005		-13,888,000

a/ Does not include $120,000 transferred to CSREES, of which $56,000 is transferred to this account. The request for Congressional Relations activities is being reflected under the Office of the Assistant Secretary for Congressional Relations.

b/ This amount is rescinded pursuant to Section 122 (a) of Title I, Division J, of P.L. 108-447.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Extension Activities:				
Smith-Lever 3 (b) & (c)	$275,520,000	--	+$420,000	$275,940,000
1890 Institutions	32,868,000	--	+1,549,000	34,417,000
Smith-Lever 3 (d):				
Children/Youth, and Families at Risk	7,478,000	--	+1,003,000	8,481,000
Youth Farm Safety Education and Certification	440,000	--	+59,000	499,000
Farm Safety	4,563,000	--	-4,563,000	--
New Technologies for Ag Extension	--	--	+3,000,000	3,000,000
Sustainable Agriculture	4,067,000	--	-275,000	3,792,000
Pest Management	9,920,000	--	+839,000	10,759,000
EFNEP	58,438,000	--	+4,471,000	62,909,000
Extension Indian Reservations Program	1,760,000	--	+236,000	1,996,000
Renewable Resources Extension Act.	4,060,000	--	+33,000	4,093,000
Rural Health and Safety	1,965,000	--	-1,965,000	--
1890 Facilities (Section 1447)	16,777,000	--	-1,865,000	14,912,000
Extension Services at the 1994 Institutions	3,247,000	--	+26,000	3,273,000
Grants for Youths Serving Institutions	2,646,000	--	-2,646,000	--
Federal Administration (General)	21,152,000	+1,127,000	-15,357,000	6,922,000
Federal Administration:			--	
Ag in the Classroom	730,000	--	+20,000	750,000
Total Available, Extension Activities	445,631,000	+1,127,000	-15,015,000	431,743,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

EXTENSION ACTIVITIES

Project Statement
(On basis of Appropriation)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease		2006 Estimated Amount	2006 Estimated Staff Years
Extension Activities:								
Smith-Lever Act, Section 3b&c	$277,741,599		$275,530,000		+$420,000	(1)	$275,940,000	
Payments to 1890 Colleges and Tuskegee University	31,719,743		32,868,000		+1,549,000	(2)	34,417,000	
Smith-Lever, Section 3d Programs:								
EFNEP	52,057,041		58,438,000		+4,471,000		62,909,000	
Farm Safety	4,910,854		4,563,000		-4,563,000		--	
New Technologies for Ag Extension	--		--		+3,000,000		3,000,000	
Pest Management	9,563,242		9,520,000		+839,000		10,759,000	
Children, Youth, and Families at Risk	7,538,260		7,478,000		+1,983,000		8,481,000	
Youth Farm Safety Education and Certification	443,369		440,000		+59,000		499,000	
Indian Reservations Program	1,774,469		1,760,000		+236,000		1,996,000	
Sustainable Agriculture	4,333,282		4,067,000		-275,000		3,792,000	
Total Section 3d Programs	80,620,517		86,666,000		+4,770,000	(3)	91,436,000	
Payments to Rural Health and Safety Education	2,331,165		1,965,000		-1,965,000	(4)	--	
1890 Facilities (Sec. 1447)	14,911,500		16,777,000		-1,865,000	(5)	14,912,000	
Grants to Youth Serving Institutions	2,667,170		2,646,000		-2,646,000	(6)	--	
Payments under Renewable Resources Extension Act (RREA)	4,040,822		4,060,000		+33,000	(7)	4,093,000	
Extension Services at the 1994 Institutions	2,928,619		3,347,000		+26,000	(8)	3,373,000	
Federal Administration (direct approp.):								
Ag in the Classroom	622,307		730,000		+20,000		750,000	
General Administration including pay cost	5,466,553		5,795,000		+1,127,000		6,922,000	
Other	16,075,592		15,357,000		-15,357,000		--	
Total Federal Administration	22,164,452		21,882,000		-14,210,000	(9)	7,672,000	
Biodiesel Fuel Education Program	1,000,000		--		--		--	
Risk Management Education	5,000,000		--		--		--	
Total Available or Estimate	445,124,787	194	445,431,000	215	-13,888,000		431,743,000	215
Rescission	2,606,213		3,594,000					
Biodiesel Fuel Education Program	-1,000,000		--					
Risk Management Education	-5,000,000		--					
Total, Appropriation	441,731,000	194	449,225,000	215				

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

EXTENSION ACTIVITIES

Project Statement
(On basis of Available Funds)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Extension Activities:							
Smith-Lever Act, Section 3b&c	$277,701,599		$275,530,000		+$428,000 (1)	$275,948,000	
Payments to 1890 Colleges and Tuskegee University	31,719,743		32,868,000		+1,549,000 (2)	34,417,000	
Smith-Lever, Section 3d Programs:							
EFNEP	52,057,041		58,438,000		+4,471,000	62,909,000	
Farm Safety	4,918,854		4,563,000		-4,563,000	--	
New Technologies for Ag Extension	--		--		+3,000,000	3,000,000	
Pest Management	9,563,242		9,920,000		+839,000	10,759,000	
Children, Youth, and Families at Risk	7,538,260		7,478,000		+1,003,000	8,481,000	
Youth Farm Safety Education and Certification	443,349		440,000		+59,000	499,000	
Indian Reservations Program	1,774,469		1,760,000		+236,000	1,996,000	
Sustainable Agriculture	4,333,281		4,067,000		-275,000	3,792,000	
Total Section 3d Programs	80,628,517		86,666,000		+4,770,000 (3)	91,436,000	
Payments to Rural Health and Safety Education	2,331,165		1,965,000		-1,965,000 (4)	--	
1890 Facilities (Sec. 1447)	14,911,500		16,777,000		-1,865,000 (5)	14,912,000	
Carryover	1,658,260		--		--	--	
Grants to Youth Serving Institutions	2,667,170		2,646,000		-2,646,000 (6)	--	
Payments under Renewable Resources Extension Act (RREA)	4,840,922		4,860,000		+33,000 (7)	4,893,000	
Extension Services at the 1994 Institutions	2,928,619		3,347,000		+26,000 (8)	3,373,000	
Federal Administration (direct approp.):							
Ag in the Classroom	622,307		750,000		+28,000	778,000	
General Administration including pay cost	5,466,553		5,795,000		+1,127,000	6,922,000	
Other	16,075,592		15,357,000		-15,357,000	--	
Total Federal Administration	22,164,452		21,882,000		-14,210,000 (9)	7,672,000	
Biodiesel Fuel Education Program	1,000,000		--		--	--	
Risk Management Education	5,000,000		--		--	--	
Total obligations estimate	446,743,047	194	445,631,000	215	-13,888,000	431,743,000	215

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Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Unobligated Balance:							
Available, start of year	-1,658,260		--		--	--	
Lapsing	40,000		--		--	--	
Available, end of year	--		--		--	--	
Total Available or Estimate	445,124,787	194	445,631,000	215	-13,888,000	431,743,000	215
Rescission	2,606,213		3,594,000				
Biodiesel Fuel Education Program	-1,000,000		--				
Risk Management Education	-5,000,000		--				
Total, Appropriation	441,731,000	194	449,225,000	215			

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Justifications of Increases and Decreases

Extension Activities

(1) An increase of $420,000 for Smith-Lever 3(b) and (c) ($275,520,000 available in FY 2005) as follows:

The proposed action restores the program affected by government-wide rescissions to the FY 2005 President's Budget level. Funding at this level will continue current program activities.

(2) An increase of $1,549,000 for the 1890 Institutions Extension Program ($32,868,000 available in FY 2005) as follows:

A number of State 1890 institutions are experiencing significant revenue shortfalls, resulting in reduced staffing levels for Cooperative Extension, thus reducing the ability to provide the science-based knowledge and technologies to generate new or improved high quality products and processes to expand markets for the agricultural sector. Federal funds are, therefore, a more important revenue stream than they were in the past for providing support to staff, as well as support for the other direct costs associated with maintaining a vibrant Cooperative Extension network. These core funds provide a platform for 1890 institutions to partner with Federal, State, and county organizations that look to Cooperative Extension for leadership in community outreach.

A greater range of capabilities is expected of extension personnel working in the current changing environment. Increased funding will ensure the response capacity of the 1890 Land-Grant institutions, will improve the availability of diagnostic services, and will enhance the development and delivery of new prevention and control methods for agricultural pests and pathogens. The proposed increase is the first of a four-phased plan to meet the provisions in Section 7203 (a) of the Farm Security and Rural Investment Act of 2003, which directs that, beginning in FY 2003, an equivalent of not less than 15 percent of the Smith-Lever appropriation will be available for this program. The requested funding is a step towards 15 percent of the Smith-Lever 3 (b) and (c) funding requested in FY 2006 but is not calculated against programs funded under Smith-Lever 3 (d). The ramping up plan is a result of discussions with the 1890 Land Grant Institutions who prefer this method due to matching requirements. If the funding increase is not provided, it will be difficult for many of the States to sustain the current level of programming at 1890 institutions and redirect staff to address new and emerging issues.

The FY 2006 increase for the 1890 Institutions will allow States to focus on new extension education programs that address urgent needs of their currently underserved clientele. These programs will include: nutrition education aimed at reducing obesity and improving health; 4-H programs for youth and families at risk; education for limited resource farmers on new crops, markets, and sustainable farming practices; and education to assist with financial risk management. Since State funds have been stable and in some instances declining, there has been a tendency to encourage the early retirement of eligible extension staff. Increased Federal funding will enable the hiring of new staff, retaining a component core of experienced staff and implementing work on new issues important to the communities served. Additional funding will support programs to increase minority participation.

The Department's funding supports the President's goals as stated in Executive Order 13256, "to strengthen the capacity of historically black colleges and universities to provide the highest quality education, and to increase opportunities for these institutions to participate in and benefit from Federal programs, as do other colleges and universities."

Without the requested funding, Cooperative Extension work conducted by the 1890 Land Grant institutions will lag behind that at other institutions, resulting in diminished service to its important and underserved clientele. Insufficient funds will make it even more difficult to identify needs, especially for market development and entrepreneurship, thereby further reducing the competitiveness and profitability of minority and socially disadvantaged farmers primarily served by the 1890 institutions.

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The primary performance measure will be a review score of the portfolio to which 1890 Institution Extension Program contributes. Portfolios that address Agency and Departmental national goals (comprised of contributing Agency programs) are subject to rigorous assessment by experts on an annual and periodic (5-year) basis to determine the extent to which they are making progress toward solving targeted national problems. A recently implemented assessment tool will be used to review the portfolio's relevance, quality, and performance, assigning a quantitative overall score. Using recommendations from these expert reviewers, National Program Leaders will work to improve portfolio scores. Portfolio reviews will be informed by evaluation criteria and studies relevant to the portfolio goals.

For extension activities at 1890 Institutions, performance criteria to be considered in the portfolio review include data on hiring new staff, retaining competent staff, and implementing new work in areas such as new product development, product marketing, and entrepreneurship. We expect 25 extension activities to be implemented in FY 2006.

(3) A net increase of $ 4,770,000 for Smith-Lever 3(d) programs ($86,666,000 available in FY 2005) as follows:

a. An increase of $4,471,000 for the Expanded Food and Nutrition Education Program ($58,438,000 available in FY 2005) as follows:

The FY 2006 budget proposes to increase funding for the Expanded Food and Nutrition Education Program (EFNEP) by $4.4 million, to $62.9 million. At this level the EFNEP will now be allowed to offer grants to 1890 Institutions.

The EFNEP supports USDA Strategic Goal 4, "Improve the Nation's Nutrition and Health," by providing nutrition and food preparation education and other program components, such as encouraging physical activity, at the local level to serve the U.S. population. The program serves low income populations in the U.S. and focuses heavily on minority populations. According to the President's Health and Fitness Initiative, HealthierUS, too many Americans are overweight, have poor dietary habits, and do not exercise enough. Five chronic diseases associated with obesity – heart disease, cancer, stroke, chronic obstructive pulmonary disease (e.g. bronchitis, emphysema, asthma), and diabetes – account for more than two-thirds of all deaths in the United States. In addition to claiming more than 1.7 million American lives each year, these diseases hinder daily living for more than one out of every ten Americans, or 25 million people. Additionally, more than 100 million Americans live with chronic disease, and millions of new cases are diagnosed each year. HealthierUS concluded that modest changes in eating habits and physical activity would improve the health of most Americans.

The EFNEP program currently operates in only 800 (or 25 percent) of 3,150 counties in the U.S., serving approximately 100,000 adults and 400,000 youth per year. This is less than 2 percent of the eligible population. Additional funding will allow for the expansion of this successful program to a greater number of people in more counties in the Nation. In addition to serving more people, the additional funding will allow EFNEP to encourage States to incorporate and/or expand new program components (e.g. encouraging more physical activity). This, along with better food choices and intake, should significantly contribute to the decrease in the amount of obesity in the participant population.

Currently 4 million obese children are Medicaid beneficiaries, and an unknown number of adult Medicaid beneficiaries are obese. The costs of obesity now exceed those of tobacco use. Obesity, poor nutrition and/or physical inactivity result in total health related costs for obesity of $117 billion annually. Multiple cost/benefit analyses in several States highlight the value of EFNEP and document that for every $1 invested in EFNEP, benefits that range as high of $10.64 from reduced health care costs can be expected.

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The Program assists limited resource audiences in acquiring the knowledge, skills, attitudes and changed behavior necessary for nutritionally sound diets. Through experiential learning, adult participants increase their ability to select, buy and prepare food that meets the nutritional needs of their families. They better manage their food budgets and related resources, such as Food Stamps, and gain skills in food selection, preparation, storage, safety and sanitation. EFNEP is delivered as a series of six or more lessons by paraprofessionals and volunteers, many of whom are indigenous to the target population. The hands-on, learn-by-doing approach allows the participants to gain the practical skills necessary to make positive behavior changes. EFNEP reaches youth by providing nutrition education at schools as curriculum enrichment in after school care programs, through 4-H EFNEP clubs, day camps, residential camps, community centers, neighborhood groups, and home gardening workshops. In addition to nutrition, food preparation and food safety, youth topics also include physical fitness, avoidance of substance abuse, and other health related topics.

The Program is a proven system for reaching low income youth and families with nutrition education that leads to sustained behavior change. Performance data show that 87 percent of adult EFNEP participants improved nutrition practices, 83 percent improved food resource management practices, 67 percent improved food safety practices, and 93 percent made a positive change in their diet toward meeting the recommendations of the Food Guide Pyramid. Seventy-four percent of EFNEP youth participants now eat a variety of foods, 77 percent increased nutrition knowledge, 67 percent increased their ability to select low-cost, nutritious foods, and 73 percent improved practices in food preparation and safety.

Recent studies have found the anomaly that people who are most food-insecure (i.e. missing meals because they do not have enough money to purchase food, or are worried about running out of food) are at greater risk for obesity than those who are food-secure. This finding may relate to the feast and famine scenario - someone may run out of food near the end of the month, and then overeat highly palatable foods once resources become available. This binge and restriction cycle can disrupt metabolic patterns and internal cues of satiety, leading, over time, to increases in body weight. The integrated curriculum taught in EFNEP helps to reach a high risk audience with the skills they need to reduce the risk of food insecurity, including balancing their food resources to last throughout the month.

EFNEP works with various partners in providing its services. These include: the 5 A Day program of the National Institute of Health's National Cancer Institute; the Centers for Disease Control's VERBtm physical activity program; the Food and Nutrition Service's TEAM Nutrition, Women, Infant's and Children's (WIC) Supplemental Nutrition Program, the Food Stamp Program, the Food Distribution Program on Indian Reservations, and the Child Nutrition Program; and Health and Human Service's Bureau of Maternal and Child Health and the Head Start Bureau. Partners at the local level include such groups as Kiwanis International and Share Our Strength.

Given the small number of Americans who are currently served by the program who are overweight, have poor dietary habits and do not get enough exercise, lower funding would make it difficult to solve these national problems, particularly among minorities and the low income population.

The success of the Program may be hindered or facilitated by external factors such as individual and community attitudes, food advertising through the media, the availability of fast food, natural disasters, the health of the economy, coordination and cooperation of USDA and other Federal, State and local agencies, changes in the food assistance programs in USDA (i.e. Food Stamps, WIC, and school lunches), community and State partnerships to encourage healthier lifestyles, and opportunities and incentives to increase physical activity.

The primary performance measure will be a review score of the portfolio to which EFNEP contributes. Portfolios that address Agency and Departmental national goals (comprised of contributing Agency programs) are subject to rigorous assessment by experts on an annual and

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periodic (5-year) basis to determine the extent to which they are making progress toward solving targeted national problems. A recently implemented assessment tool will be used to review the portfolio's relevance, quality, and performance, assigning a quantitative evaluation score. Using recommendations from these expert reviewers, National Program Leaders will work to improve portfolio scores. Portfolio reviews will be informed by performance criteria and evaluation studies relevant to the portfolio goals.

In FY 2006 the number of low income Americans who participate in the program will be increased by 5 percent.

b. An increase of $3,000,000 for New Technologies for Ag Extension (no funds available in FY 2005) as follows:

CSREES is requesting funds to accelerate and innovate the e-Extension network that will offer Americans unparalleled access to scientifically-derived and unbiased information, education, and guidance about the things that matter most in their lives through a highly interactive virtual learning environment. The availability of the World Wide Web and the Internet contributed to a cultural change how people seek information, calling for a dramatic response by organizations that provide information. The U.S. land grant university system, USDA, and other research institutions generate large amounts of science-based information that when translated into practices, packaged attractively, and offered effectively will assist individuals, the agriculture sector, businesses and communities improve their economic status and social well-being.

The national e-Extension network will capitalize on the research-based information that is available in the U.S. States and territories, gaining multi-state efficiencies and incorporating expertise in different locations offering high quality, anywhere-anytime information that is co-branded with States and county offices. The e-Extension network will be a quality source of unbiased, peer-reviewed, and research-based information, education, and guidance that is conveniently available in multiple digital formats. Cooperation across the system and use of standards both in terms of content and technology will enable efficient, consistent, and high quality programming, and provide users, including large segments of the population that previously have not been customers, with access to the best expertise of Extension across the nation. E-Extension includes: 1) A national web-based information/education system with access to certificate/credit courses, individual learning modules, diagnostics and decision-support tools, as well as frequently asked questions and "ask the expert" features in such areas as food safety, homeland security, and financial planning, 2) Consistent standards for defining the nature and format of concise, trustworthy, easy-to-use, and accessible information so that data can be shared, duplicative efforts through the extension system can be reduced, quality can be ensured and flexibility can be maintained to accommodate new and yet-to-be-developed technologies, and 3) Strategies for an e-Extension system that take full advantage of current intellectual and other resources, and that allow for continuous change and improvement.

This project is about innovation and driving e-Extension towards the cutting edge of delivery technology and creative programming. This project will complement, enhance, and accelerate the e-Extension network that is currently under development and will assure that the endeavor is at the forefront of innovation. Competitive grants will be sought that:

- Develop methods to reach and serve new audiences with science-based information that will improve their lives.
- Develop unique content modules for packaging and presenting interactive information and educational opportunities.
- Create enhanced methods to translate science based knowledge most effectively in an electronic environment.
- Develop training methodologies that will enable the current workforce to use this technology to deliver programs most effectively and build new networks of expertise.
- Develop methods to serve traditional audiences better.

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- Develop methods to communicate and market e-Extension products to specific target audiences, such as certification courses and on-line workshops.
- Build strategic partnerships with government, educators, and private sector companies in ways that better serve the target customers.

New funding will allow full deployment and enable a technology-conscious Nation to make use of the valuable information and education that Cooperative Extension has to offer. This initiative will dramatically change how Extension does business with its customers. This is a Federal-State-local partnership requiring full cooperation among land-grant universities, State and county partners, the Cooperative Extension System, and CSREES. While the effort will go forward without significant Federal funds, it will be slowed, and the anticipated benefits will take longer to realize.

These funds will aid in accomplishing the following:

- Extension information and education will be made available to a larger segment of the population than its traditional customer base by identifying and validating new communities of interest and related new content for e-Extension.
- Extension at the universities and in the counties will be redefined and transformed by what is done through electronic means, increasing customer satisfaction and program delivery efficiencies across the system.
- Research-based information will be more readily translated and applied to real world practice through customized content development and networks of experts.
- Extension information will be consolidated across States and regions, providing easier access to people with similar issues or problems.
- Extension information and education will be made more timely using electronic management, maintenance and dissemination through database structures over the web.
- Extension's capacity to deliver programs will be enhanced as the system responds to both content development and technology standards in a more concerted way.
- Extension workforce skills and competencies to deliver quality programming to broader audiences will be enhanced.
- Extension will be able to compete more readily in a market-based information and education environment.
- Universities and Federal partners will have more resources available to target high priority initiatives as e-Extension reduces duplicative efforts and brings economies-of-scale to the system.

The primary performance measure will be a review score of the portfolios to which the Innovations for e-Extension contributes. Portfolios that address Agency and Departmental national goals (comprised of contributing Agency programs) are subject to rigorous assessment by experts on an annual and periodic (5-year) basis to determine the extent to which they are making progress toward solving targeted national problems. A recently implemented assessment tool will be used to review the portfolio's relevance, quality, and performance, assigning a quantitative evaluation score. Using recommendations from these expert reviewers, National Program Leaders will work to improve portfolio scores. Portfolio reviews will be informed by performance criteria and evaluation studies relevant to the portfolio goals.

c. A decrease of $4,563,000 to eliminate funding for Farm Safety ($4,563,000 available in FY 2005) as follows:

This action is consistent with the Administration's belief that the most effective use of taxpayer dollars is through competitively-awarded grants that meet National goals. Alternative funding from other programs, State and local governments, and private sources could be used to support aspects of this program deemed to be of priority at State and/or local levels.

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d. A net increase of $1,862,000 for Smith-Lever 3(d) programs ($23,665,000 available in FY 2005) as follows:

	FY 2005 Appropriations Act ($000)	Increase or Decrease ($000)	FY 2006 ($000)
Children, Youth, and Families at Risk	$7,478	$1,003	$8,481
Pest Management	9,920	839	10,759
Extension Indian Reservation Program	1,760	236	1,996
Sustainable Agriculture	4,067	-275	3,792
Youth Farm Safety Education and Certification	440	59	499
Total	$23,665	$1,862	$25,527

The proposed action restores individual programs to the FY 2005 President's Budget level. Funding at these levels will continue to provide support for these activities.

(4) A decrease of $1,965,000 to eliminate funding for Rural Health and Safety ($1,965,000 available in FY 2005) as follows:

This action is consistent with the Administration's belief that the most effective use of taxpayer dollars is through competitively-awarded grants that meet National goals. Alternative funding from other programs, State and local governments, and private sources could be used to support aspects of this program deemed to be of priority at State and/or local levels.

(5) A decrease of $2,646,000 to eliminate funding for Grants for Youth Serving Institutions ($2,646,000 available in FY 2005) as follows:

This action is consistent with the Administration's belief that the most effective use of taxpayer dollars is through competitively-awarded grants that meet National goals. Alternative funding from other programs, State and local governments, and private sources could be used to support aspects of this program deemed to be of priority at State and/or local levels.

(6) A net decrease of $1,806,000 for Other Extension Programs ($24,084,000 available in FY 2005) as follows:

	FY 2005 Appropriations Act ($000)	Increase or Decrease ($000)	FY 2006 ($000)
1890 Facilities Grants	$16,777	-$1,865	$14,912
Renewable Resources Extension Act	4,060	33	4,093
Extension Services at 1994 Institutions	3,247	26	3,273
Total	$24,084	-$1,806	$22,278

The proposed action restores individual programs to the FY 2005 President's Budget level. Funding at these levels will continue to provide support for these activities.

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(7) A net decrease of $14,210,000 for Federal Administration projects ($21,882,000 available in FY 2005) as follows:

a. An increase of $20,000 for Agriculture in the Classroom ($730,000 available in FY 2005) as follows:

The proposed action restores the Agriculture in the Classroom program to the FY 2005 President's Budget level.

b. An increase of $1,127,000 to fund pay costs.

The CSREES budget consists of numerous programs that award thousands of individual grants to colleges and universities and other eligible recipients. These programs are managed at the national level by a staff of about 398 full time employees as of the end of FY 2004, also with a number of temporary and intermittent employees. Grants management includes developing program regulations, establishing broad program goals, reviewing proposals, preparing grant documentation, post-award review of progress, and similar activities necessary to achieve program goals. Between 3 and 4 percent of funds provided for programs may be used to support program administration. These operating activities are also supported by the direct Federal Administration funds provided in annual appropriations to pay for increased pay costs. Without these funds, the agency will be unable to maintain the staffing levels needed to ensure high quality grants management of the Department's extension programs supporting the food and agriculture system.

c. A decrease of $15,357,000 to eliminate earmarked projects ($15,357,000 available in FY 2005) as follows:

The Administration strongly believes that peer-reviewed competitive programs that meet national needs are a much more effective use of taxpayer dollars than earmarks that are provided to specific recipients. The FY 2006 budget proposes to eliminate these targeted earmarks.

Some broad aspects of many topics currently addressed with earmarked projects may be included in the scope of other broader based, competitively-awarded Federal programs or programs supported with non-Federal funds administered by State-level scientific program managers.

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Table 1A For FY 2004

Distribution of Extension Activities Funds by State and Program

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Table 2A For FY 2005

Distribution of Extension Activities Funds by State and Program

STATE	SMITH-LEVER FORMULA	FIRST MORRILL	FARM RESEARCH	1890s TOTAL & TUSK. SEEP. GRAD	1890 EXTENSION PROGRAM	HSIS	Youth Farm Safety Education and Certification	YOUTH at RISK	1890 FACILITIES	Grants to Youth Serving Institutions	Institutions Antidumping	RURAL HEALTH & SAFETY	FEDERAL 4H/4-H Special Projects	INDIAN TRIBAL EXT PROGRAM	TOTAL FEDERAL FUNDS
ALABAMA	4,150,000			1,450,000	1,450,000	1,450,000									11,700,000
ALASKA	1,040,000			100,000	100,000	100,000									1,113,000
AMER. SAMOA	93,000			50,000	50,000	50,000									193,000
ARIZONA	1,561,000			75,000	75,000	75,000									1,811,000
ARKANSAS	2,611,000			1,000,000	1,000,000	1,000,000									5,111,000
CALIFORNIA	4,000,000			2,000,000	2,000,000	2,000,000									10,000,000
COLORADO	2,000,000			97,000	97,000	97,000									2,291,000
CONNECTICUT	1,000,000			50,000	50,000	50,000									1,150,000
DELAWARE	1,000,000			50,000	50,000	50,000									1,150,000
DC	1,000,000														1,000,000
FLORIDA	3,470,000			1,000,000	1,000,000	1,000,000									7,311,000
GEORGIA	3,470,000			1,000,000	1,000,000	1,000,000									11,170,000
GUAM	970,000			43,000	43,000	43,000									997,000
HAWAII	1,000,000			50,000	50,000	50,000									1,150,000
IDAHO	1,000,000			100,000	100,000	100,000									1,300,000
ILLINOIS	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
INDIANA	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
IOWA	2,000,000			97,000	97,000	97,000									2,291,000
KANSAS	2,000,000			1,000,000	1,000,000	1,000,000									5,000,000
KENTUCKY	3,000,000		2,000,000	1,000,000	1,000,000	1,000,000									6,000,000
LOUISIANA	3,000,000		1,313,000	1,000,000	1,000,000	1,000,000									6,313,000
MAINE	1,000,000			50,000	50,000	50,000									1,150,000
MARYLAND	2,000,000		1,000,000	1,000,000	1,000,000	1,000,000									5,000,000
MASSACHUSETTS	1,970,000			50,000	50,000	50,000									2,070,000
MICHIGAN	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
MINNESOTA	2,000,000			97,000	97,000	97,000									2,291,000
MISSISSIPPI	2,000,000			1,000,000	1,000,000	1,000,000									5,000,000
MISSOURI	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
MONTANA	1,000,000			50,000	50,000	50,000									1,150,000
NEBRASKA	2,000,000			1,000,000	1,000,000	1,000,000									5,000,000
NEVADA	1,000,000			50,000	50,000	50,000									1,150,000
NEW HAMPSHIRE	1,000,000			50,000	50,000	50,000									1,150,000
NEW JERSEY	2,000,000			1,000,000	1,000,000	1,000,000									5,000,000
NEW MEXICO	1,000,000			50,000	50,000	50,000									1,150,000
NEW YORK	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
N. CAROLINA	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
N. DAKOTA	1,000,000			50,000	50,000	50,000									1,150,000
N. MARIANA	93,000			50,000	50,000	50,000									943,000
OHIO	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
OKLAHOMA	3,470,000			1,000,000	1,000,000	1,000,000									7,311,000
OREGON	3,313,000			1,000,000	1,000,000	1,000,000									6,877,000
PENNSYLVANIA	3,470,000			1,000,000	1,000,000	1,000,000									7,311,000
PUERTO RICO	4,040,000			1,000,000	1,000,000	1,000,000									8,040,000
R. ISLAND	1,000,000			50,000	50,000	50,000									1,150,000
S. CAROLINA	2,770,000			1,000,000	1,000,000	1,000,000									6,770,000
S. DAKOTA	1,000,000			50,000	50,000	50,000									1,150,000
TENNESSEE	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
TEXAS	3,313,000			1,000,000	1,000,000	1,000,000									6,877,000
UTAH	1,170,000			97,000	97,000	97,000									1,471,000
VERMONT	1,000,000			50,000	50,000	50,000									943,000
VIRGIN ISLANDS	1,000,000			50,000	50,000	50,000									1,150,000
VIRGINIA	3,770,000			1,000,000	1,000,000	1,000,000									7,311,000
WASHINGTON	4,000,000			1,000,000	1,000,000	1,000,000									8,000,000
W. VIRGINIA	2,000,000			1,000,000	1,000,000	1,000,000									5,000,000
WISCONSIN	3,000,000			1,000,000	1,000,000	1,000,000									6,000,000
WYOMING	1,000,000			50,000	50,000	50,000									1,150,000
OTHER															
PEER PANEL															
REIMBURSABLE															
SUBTOTAL	340,770,000	0	34,150,000	0	85,191,000	0	0	0	0	0	0	0	0	0	360,440,000
FEDERAL ADMIN	2,730,000	870,000	850,000	3,580,000	76,000	137,000	17,000	350,000	675,000	150,000	150,000	140,000	70,000	150,000	10,150,000
SUBTOTAL OBLIGATIONS	343,500,000	870,000	35,000,000	38,730,000	85,267,000	137,000	17,000	350,000	675,000	150,000	150,000	140,000	70,000	150,000	371,770,000
NONMATCHED MATCH	4,730,000	5,000,000	4,500,000	0	1,470,000	0	0	450,000	3,170,000	14,150,000	4,000,000	4,000,000	1,000,000	1,000,000	43,470,000
TOTAL	348,230,000	5,870,000	39,500,000	38,730,000	86,737,000	137,000	17,000	800,000	3,845,000	14,300,000	4,150,000	4,140,000	1,070,000	1,150,000	415,240,000

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Table 1A For FY 2006

Distribution of Extension Activities Funds by State and Program

STATE	SMITH-LEVER SECTION 3	1890	1994	SPECIAL & TRIBAL GRANTS	TRIBAL COLLEGES	1862	Youth Farm Safety Education and Certification	YOUTH at RISK	1417	RESEARCH & EXTENSION	Federally Assisted Programs	SPECIAL Appropriations	SPECIAL TRIBAL 1994 GRANTS	Non Trad. for Ag.	TOTAL FEDERAL
ALABAMA	4,795,000	3,421,000		2,421,000		1,370,000									11,007,000
ALASKA	1,148,000					170,000									1,318,000
AMER. SAMOA	1,148,000					70,000									897,000
ARIZONA	1,994,000					464,000									2,458,000
ARKANSAS	4,010,000			1,400,000		1,224,000									6,634,000
CALIFORNIA	5,411,000					4,000,000									10,411,000
COLORADO	2,148,000					1,000,000									3,148,000
CONNECTICUT	1,148,000					470,000									1,618,000
DELAWARE	1,148,000					220,000									1,368,000
DC	1,148,000			1,400,000											2,548,000
FLORIDA	4,478,000			1,400,000		2,000,000									6,478,000
GEORGIA	7,000,000			2,814,000		1,114,000									11,728,000
GUAM	970,000					70,000									740,000
HAWAII	1,148,000					470,000									1,618,000
IDAHO	2,000,000					245,000									2,245,000
ILLINOIS	6,000,000					1,000,000									7,000,000
INDIANA	5,148,000					1,000,000									6,148,000
IOWA	5,270,000					897,000									6,167,000
KANSAS	4,000,000			3,500,000		1,000,000									8,500,000
KENTUCKY	5,110,000			1,400,000		1,000,000									7,510,000
LOUISIANA	4,148,000			1,400,000		1,000,000									6,548,000
MAINE	2,148,000			1,000,000		220,000									3,368,000
MARYLAND	3,148,000					897,000									4,045,000
MASSACHUSETTS	3,148,000					1,000,000									4,148,000
MICHIGAN	6,148,000					1,000,000									7,148,000
MINNESOTA	5,148,000					90,000									5,238,000
MISSISSIPPI	4,000,000			1,400,000		1,477,000									6,877,000
MISSOURI	5,148,000			1,400,000		1,000,000									7,548,000
MONTANA	4,148,000					220,000									4,368,000
NEBRASKA	4,148,000					220,000									4,368,000
NEVADA	1,148,000					70,000									1,218,000
NEW HAMPSHIRE	1,148,000					70,000									1,218,000
NEW JERSEY	2,148,000					1,114,000									3,262,000
NEW MEXICO	3,148,000					542,000									3,690,000
NEW YORK	6,148,000					2,000,000									8,148,000
N. CAROLINA	7,270,000			1,400,000		2,000,000									10,670,000
N. DAKOTA	1,148,000					70,000									1,218,000
N. MARIANAS	970,000					70,000									740,000
OHIO	6,713,000					2,213,000									8,926,000
OKLAHOMA	5,148,000			1,977,000		1,400,000									8,525,000
OREGON	3,148,000					1,000,000									4,148,000
PENNSYLVANIA	5,270,000					2,000,000									7,270,000
PUERTO RICO	4,148,000					1,000,000									5,148,000
RHODE ISLAND	1,148,000					220,000									1,368,000
S. CAROLINA	3,270,000			1,400,000		1,000,000									5,670,000
S. DAKOTA	3,148,000					245,000									3,393,000
TENNESSEE	4,148,000			1,400,000		1,000,000									6,548,000
TEXAS	12,148,000			3,500,000		2,000,000									17,648,000
UTAH	1,148,000					220,000									1,368,000
VERMONT	1,478,000					127,000									1,605,000
VIRGIN ISLANDS	970,000					70,000									740,000
VIRGINIA	4,148,000			1,400,000		1,000,000									6,548,000
WASHINGTON	4,148,000					1,000,000									5,148,000
W. VIRGINIA	2,270,000			1,977,000		720,000									4,968,000
WISCONSIN	3,148,000					1,000,000									4,148,000
WYOMING	1,148,000					114,000									1,262,000
OTHER	1,148,000					114,000									1,262,000
PER PAPIL															
RESIDENCE															
SUBTOTAL	264,340,000	0	34,540,000	0	62,500,000		0	0	0	0	0	0	0	0	295,000,000
FEDERAL ADMIN	3,210,000	650,000	1,277,000	29,000	2,500,000	1,150,000	24,000	330,000	250,000	150,000	110,000	3,275,000	110,000	120,000	15,750,000
SUBTOTAL OBLIGATIONS	271,550,000	650,000	35,817,000	29,000	65,000,000	1,150,000	24,000	330,000	250,000	150,000	110,000	3,275,000	110,000	120,000	310,750,000
HISPANIC SERVING INSTITUTIONS	4,734,000	10,350,000	0	1,914,000	0	0	470,000	6,600,000	14,110,000	3,312,000	3,450,000	0	2,145,000	4,000,000	50,635,000
TOTAL	276,284,000	11,000,000	35,817,000	1,943,000	65,000,000	1,150,000	494,000	6,930,000	14,360,000	3,462,000	3,560,000	3,275,000	2,255,000	4,000,000	361,385,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

Extension Activities

Personnel Compensation:	2004	2005	2006
Washington, D.C.	$13,911,459	$15,571,973	$16,698,973
Field	0	0	0
11 Total personnel compensation	11,683,709	12,875,639	13,720,639
12 Personnel benefits	2,225,847	2,693,951	2,975,951
13 Benefits for former personnel	1,903	2,383	2,383
Total pers. comp. & benefits	13,911,459	15,571,973	16,698,973
Other Objects:			
21 Travel	877,073	894,614	912,507
22 Transportation of Things	22,899	23,357	23,824
23.0 Rent and Communications	137,051	139,792	142,588
23.1 Rent Payments to GSA	56	57	58
23.2 Rental Payments to others	115,761	118,076	120,438
23.3 Communications, Utilities, etc.	90,392	92,200	94,044
24 Printing and Reproduction	191,679	195,513	199,423
25.1 Advisory & assist. Services	4,547	4,638	4,731
25.2 Other Services	3,439,186	1,957,720	1,996,874
25.3 Purchases of G&S from Govt.	52,114	53,156	54,219
25.4 Operation and Maintenance of facilities	681,934	695,573	709,484
25.5 Research and Development Contracts	886,772	904,507	922,598
25.6 Medical Care	0	0	0
25.7 Operation and maintenance of equipment	61,985	63,225	64,489
25.8 Subsistence and support of persons	35,216	35,920	36,639
26 Supplies	283,756	289,431	295,220
31 Equipment	314,495	320,785	327,201
41 Grants, Contracts, etc.	425,636,217	424,270,208	409,139,235
43 Interest Prompt Payment	455	455	455
Total other objects	432,831,588	430,059,227	415,044,027
Total direct obligations	446,743,047	445,631,200	431,743,000
Position Data:			
Average Salary, ES	$148,903	$154,427	$158,442
Average Salary, GS	$65,259	$67,680	$69,440
Average Grade, GS	10.64	10.52	10.52

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

STATUS OF PROGRAM

EXTENSION ACTIVITIES:

Current Activities

1. **Smith-Lever 3(b) and (c).** Federal contributions for cooperative extension work are primarily derived from Section 3(b) and (c) formula funds appropriated under the Smith-Lever Act of 1914. These funds comprise about two-thirds of the total Federal funding for extension activities. Federal funds are matched by non-Federal sources, primarily States and counties, and support the major educational efforts that are central to the mission of the Cooperative Extension System and common to most extension units, such as agricultural production; nutrition, diet, and health; natural resources and environmental management; community resources and economic development; family development and resource management; 4-H and youth development; leadership and volunteer development. Smith-Lever 3(b) and (c) funds must be matched by non-Federal funds. As a result of provisions contained in the Agricultural Research, Extension, and Education Reform Act of 1998, at least 25 percent of available Smith-Lever funding must be used to support multi-State research; up to 25 percent of Smith-Lever funds also must be used for integrated research and extension activities. These requirements can be met concurrently. Similarly, up to 25 percent of Hatch Act formula funds, which primarily support research activities, must be used for multi-State and integrated research and extension activities.

2. **Smith-Lever 3(d).** Other sources of Federal funding for extension activities include the Smith-Lever section 3(d) or targeted funds, which are provided to the States to address special programs or concerns of regional and national importance and are distributed through administrative or non-statutory formulas and merit-reviewed projects. The following extension programs are funded under the Smith-Lever 3(d) funding mechanism: Expanded Food and Nutrition Education Program (EFNEP); Pest Management; Farm Safety; Children, Youth, and Families At Risk; Extension Indian Reservations Agents; Sustainable Agriculture; and Youth Farm Safety Education and Certification. EFNEP funds are distributed on the same population-based formula used for the Smith-Lever 3(b) and (c) distributions but are not required to be matched. Funds under other Smith-Lever 3(d) programs are distributed under administratively-based formulas or by a competitive process. There is a matching funds requirement under some of the programs.

3. **Payments to the 1890 Land-Grant Institutions and Tuskegee University and West Virginia State University.** Federal funding provides the primary support for the extension programs at the 1890 Land-Grant Institutions and Tuskegee University. The general provisions section 753 of Public Law 107-76 makes West Virginia State College eligible to receive funds under this program. This program primarily addresses the needs of small-scale and minority agricultural producers and other limited-resource audiences. Section 1444 of the 1977 Farm Bill provides that the funds made available to the 1890's for extension programs be distributed on the basis of a formula identical to the Smith-Lever 3 (b) & (c) formula. Section 7203(a) of the Farm Security and Rural Investment Act of 2002 requires that beginning in Fiscal Year 2003, funds appropriated for this program shall be not less than 15 percent of the Smith-Lever Act appropriation. A 60 percent non-Federal match is required beginning with FY 2003. These funds are used to maintain the extension infrastructure at the 1890 institutions and the partnership with the Cooperative Extension System.

4. **1890 Facilities Program.** Federal funds provide the primary support for enhanced extension, research, and teaching facilities at all of the 1890 land-grant institutions. Some examples of the use of funds include the renovation of office space and laboratories; much needed computer and equipment purchases; the acquisition of satellite downlinking and distance learning capabilities;

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and the construction of joint research and extension multi-purpose/conference centers. The 1890 Facilities Program enables the 1890 land-grant institutions to improve their capacity and better address the needs of students, farmers, and rural populations with limited resources.

5. Renewable Resources Extension Act (RREA). The RREA program provides funding for expanded natural resource education programs. Funds are distributed by an administratively-derived formula to all States for educational programs and projects. The Cooperative Extension System provides research-based education about renewable natural resources. Extension education enables the management of renewable natural resources in a way that better serves individual land owners, local communities, and the Nation.

6. Ag in the Classroom. The program helps to advance agricultural literacy through a grassroots network of State coordinators, school teachers, agribusiness leaders, and other educators by supporting initiatives that include expanding outreach to underrepresented populations; regional demonstration projects; integration of information technology to reduce program delivery costs; and outstanding teacher recognition initiatives.

Selected Examples of Recent Progress: Provided below are selected examples of recent progress made under CSREES programs as related to the activities account.

1. 1890 Institutions. With partial funding from the 1890 Institutions program, an extension agent with the Cooperative Extension Program at Prairie View A&M University in Texas worked individually with small and limited resource producers in the Rio Grande Valley in South Texas to obtain the necessary information for loan applications. The agent also assisted the producers in properly completing the application and followed up to see how the loans were progressing. Educational programs offered in the areas of record keeping and farm financial management provided the skills and knowledge required by agricultural producers to apply for and repay the loans. The program assisted 23 small and limited resource producers in the Rio Grande Valley to apply for a total of approximately $3 million in loans for farm operations, farm ownership and youth loans.

2. Smith-Lever 3 (d). Farming in American Samoa still remains largely untouched by mechanization. Dramatic population increases over the last few decades have increased pressure on farming production as agricultural land becomes less available to farmers. American Samoa Community College Cooperative Extension Service has been charged with establishing farm safety and health programs with the intent of encouraging farmers to adopt safe farming practices in order to reduce the incidence of disabilities incurred by agricultural workers resulting from disease or injury. Extension implemented the Farm Safety Program with funding from Smith-Lever 3 (d). Phase one of the project trained the extension staff, research assistants, and groundskeepers working on-site, and phase two conducted workshops in the villages and at special college events. Since the initial training, staff members have been wearing proper protective clothing and practicing safe habits. In addition, there have been no documented reports of fatalities or major injuries on campus.

3. Smith-Lever 3 (b) and (c). Specialists at Purdue University in Indiana, with Smith-Lever 3 (b) and (c) funds, participated in and helped lead national efforts to develop homeland security education through the Extension Disaster Education Network (EDEN), the National Plant Diagnostic Laboratory Network and the National Animal Health Laboratory Network. EDEN specialists work with the appropriate agricultural response agencies. As information is identified or produced, it is posted on the Disaster Recovery Resources Page for Indiana. In addition, Purdue University Extension staff works with the State Emergency Management Agency to produce an agricultural vulnerability and needs assessment to guide appropriate Department of Homeland Security actions to help protect agriculture in Indiana. Purdue Extension is building networks and response capabilities to reduce the detection time if a plant or animal terrorist (or natural) agent

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threatens Indiana crops. More than 50 counties have identified teams to plan strategically for animal disasters, and Purdue Extension has set up a website that gives Indiana producers access to information that can increase plant and animal biosecurity on the farm.

4. **Extension at 1994 Institutions**. The Fort Berthold Indian Reservation covers approximately one million acres of remote land bordering the upper Missouri River. Isolated rural communities have difficulty securing reliable food sources that meet the special nutritional needs of residents who are at-risk for diabetes and other diet-related diseases. In **North Dakota, Fort Berthold Community College** (FBCC), continuing the Mandan, Arikara and Hidatsa agricultural traditions, promoted household and community gardening for healthful diets and food security using **Extension at 1994 Institutions** funds. Last year the program established more than 128 household and six community gardens. A FBCC land lab grew organic corn and potato crops that residents harvested for the elderly. The FBCC land lab also hosted Eco-Day where kids experienced natural resource and environmental science education as they visited learning stations about water quality, range management, geology, and other topics. More than 300 youths participated in Eco-Day and other events such as Horse Fun Day and Youth Agriculture Day.

PART ASSESSMENTS

CSREES conducts PART reviews based on portfolio performance by goal. Portfolios of projects are assessed by experts on an annual and 5-year basis to determine progress toward solving targeted national problems reflected in the Agency and Department goals. An assessment tool is used to review portfolio relevance, quality, and performance, assigning an overall quantitative score (from 1-100) to its performance reflecting whether it exceeds expectations, meets expectations, or needs improvement. Experts' recommendations for improvement then form the basis for achieving improved scores. The PART review schedule by goal follows:

- Goal 1 was subject to an OMB PART in FY 2004. CSREES is awaiting a final score; early indications are for a score of moderately successful. Prior to the PART, all Goal 1 portfolios were reviewed by outside experts. In all cases, the portfolios were scored above "Meets Expectations."
- Goal 2 is scheduled to have a PART review in calendar year 2006.
- Goal 3 is scheduled to have a PART review in calendar year 2005.
- Goal 4 is scheduled to have a PART review in calendar year 2006.
- Goal 5 is scheduled to have a PART review in calendar year 2005.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Integrated Activities

For the integrated research, education, and extension grants programs, including necessary administrative expenses, [$55,153,000] $35,013,000, as follows: [for competitive grants programs authorized under section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7626), $43,058,000 including $12,971,000 for the water quality program, $14,967,000 for the food safety program, $4,200,000 for the regional pest management centers program, $4,500,000 for the Food Quality Protection Act risk mitigation program for major food crop systems, $1,400,000 for the crops affected by Food Quality Protection Act implementation, $3,131,000 for the methyl bromide transition program, and $1,889,000 for the organic transition program;] for a competitive international science and education grants program authorized under section 1459A of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3292b), to remain available until expended, $1,000,000; for grants programs authorized under section 2(c)(1)(B) of Public Law 89-106, as amended, [$750,000] $2,500,000 to remain available until September 30,[2006] 2007 for the critical issues program, and [$1,345,000] $1,513,000 for the regional rural development centers program; and [$9,000,000] $30,000,000 for the [homeland security program] Food and Agricultural Defense Initiative authorized under section 1484 of the National Agricultural Research, Extension, and Teaching Act of 1977, to remain available until September 30,[2006] 2007. (7 U.S.C. 450i(c)(1)(B), 3292b, 3351, 7626; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2005.)

The first change deletes language for competitive grants programs authorized under section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7626).

The second and fourth changes allows these funds to remain available until September 30, 2007.

The third change revises the name of the homeland security program to the food and agricultural defense initiative.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Lead-Off Tabular Statement

INTEGRATED ACTIVITIES

Appropriations Act, 2005	$55,153,000
Budget Estimate, 2006	35,013,000
Decrease in Appropriations	-20,140,000

Adjustments in 2005:		
Appropriations Act, 2005	$55,153,000	
Rescission under P.L. 108-447	-441,000 a/	
Adjusted base for 2005		54,712,000
Budget Estimate, 2006		35,013,000
Decrease from adjusted 2005		-19,699,000

a/ This amount is rescinded pursuant to Section 122 (a) of Title I, Division J, of P.L 108-447.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Integrated Activities:				
Water Quality	$12,867,000	--	-$12,867,000	--
Food Safety	14,847,000	--	-14,847,000	--
Regional Pest Management Centers	4,167,000	--	-4,167,000	--
International Science and Education Grants	992,000	--	+8,000	$1,000,000
Critical Issues	744,000	--	+1,756,000	2,500,000
Crops at Risk from FQPA Implementation	1,389,000	--	-1,389,000	--
FQPA Risk Mitigation Program for Major Food Crop Systems	4,464,000	--	-4,464,000	--
Methyl Bromide Transition Program	3,106,000	--	-3,106,000	--
Organic Transition Program	1,874,000	--	-1,874,000	--
Rural Development Centers	1,334,000	--	+179,000	1,513,000
Homeland Security	8,928,000	--	+21,072,000	30,000,000
Total Available, Integrated Activities	54,712,000	--	-19,699,000	35,013,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

INTEGRATED ACTIVITIES

Project Statement
(On basis of Appropriation)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	2006 Estimated Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Integrated Activities:							
Food and Agriculture Defense Initiative (Homeland Security)	$7,952,800		$8,928,000		$21,072,000	$30,000,000	
Water Quality	11,529,572		12,867,000		-12,867,000	--	
Food Safety	13,305,035		14,847,000		-14,847,000	--	
Regional Pest Management Centers	4,028,093		4,167,000		-4,167,000	--	
Organic Transition Program	1,888,790		1,874,000		-1,874,000	--	
FQPA Risk Mitigation Program for Major Food Crop Systems	4,345,211		4,464,000		-4,464,000	--	
Crops at Risk from FQPA Implementation	1,330,106		1,389,000		-1,389,000	--	
Methyl Bromide Transition Program	3,131,415		3,106,000		-3,106,000	--	
Critical Issues - Plant and Animal Diseases	444,363		744,000		+1,756,000	2,500,000	
Regional Rural Development Centers	1,345,017		1,334,000		+179,000	1,513,000	
International Science and Education Grants	894,690		992,000		+8,000	1,000,000	
Total Available or Estimate	50,195,092	8	54,712,000	8	-19,699,000	35,013,000	4
Rescission	297,908		441,000				
Total Appropriation	50,493,000	8	55,153,000	8			

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

INTEGRATED ACTIVITIES

Project Statement
(On basis of Available Funds)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	2006 Estimated Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Integrated Activities:							
Food and Agriculture Defense Initiative (Homeland Security)	$7,952,800		$8,928,000		$21,072,000	$30,000,000	
Water Quality	11,468,720		12,867,000		-12,867,000	--	
Food Safety	13,295,035		14,847,000		-14,847,000	--	
Regional Pest Management Centers	4,028,893		4,167,000		-4,167,000	--	
Organic Transition Program	1,888,790		1,874,000		-1,874,000	--	
FQPA Risk Mitigation Program for Major Food Crop Systems	4,345,211		4,464,000		-4,464,000	--	
Crops at Risk from FQPA Implementation	1,330,186		1,389,000		-1,389,000	--	
Methyl Bromide Transition Program	3,131,415		3,106,000		-3,106,000	--	
Critical Issues - Plant and Animal Diseases	228,435		744,000		+1,756,000	2,500,000	
Carryover			216,000		-216,000	--	
Regional Rural Development Centers	1,345,017		1,334,000		+179,000	1,513,000	
International Science and Education Grants	28,326		992,000		+8,000	1,000,000	
Carryover			1,347,000		-1,347,000	--	
Total Obligations Estimate	49,041,848	8	56,275,000	8	-21,262,000	35,013,000	4
Unobligated Balance:							
Available, start of year	-480,914		-1,563,000		+1,563,000	--	
Lapsing	70,852		--		--	--	
Available, end of year	1,563,306		--		--	--	
Total Available or Estimate	50,195,093	8	54,712,000	8	-19,699,000	35,013,000	4
Rescission	297,900		441,000				
Total Appropriation	50,493,000	8	55,153,000	8			

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Justifications of Increases and Decreases

Integrated Activities

1) An increase of $21,072,000 for the Food and Agriculture Defense Initiative ($8,928,000 available in FY 2005) as follows:

The increased vulnerability of U.S. agriculture to accidental and intentionally introduced animal and plant pests and pathogens has required the establishment of a Nation-wide network of diagnostic facilities to reinforce and supplement the Federal facilities maintained by the Animal and Plant Health Inspection Service (APHIS). USDA, through the cooperative efforts of CSREES and APHIS, has established a national diagnostic network of public agricultural institutions to identify and respond to high-risk biological pathogens in the food and agriculture system. The network is comprised of 13 State animal diagnostic laboratories and 6 plant diagnostic laboratories dispersed strategically around the country. These 19 key laboratories are developing a two-way, secure communications network with other university and State Department of Agriculture diagnostic laboratories throughout their respective regions. The diagnostic laboratories are responsible for the identification of exotic and domestic pests and pathogens that are of concern to the security of our food and other agricultural production systems. Additional funds will increase the number of State plant diagnostic laboratories linked with the National Agricultural Pest Information Systems (NAPIS).

Since the establishment of the NAPIS network, standardized rapid sensitive testing capabilities have been expanded. For example, the network is currently 80 percent ready to release a Classical Swine Fever test and 70 percent ready to release a Foot and Mouth Disease test. As quality assurance is the backbone of a laboratory diagnostic network, all laboratories in the animal network are accredited by the American Association of Veterinary Laboratory Diagnosticians (AAVLD) and have committed to quality programs consistent with the international standards set by the Office International des Epizootics (OIE) and the International Standards Organization (ISO). In addition, laboratory personnel across all diagnostic laboratories have gained further knowledge and diagnostic capabilities via on-going training. CSREES is achieving the USDA goal to develop and deliver science-based information and technologies to reduce the number and severity of agricultural pest and disease outbreaks to ensure homeland security.

Increased funding in FY 2006 will allow the optimization of the security value of this diagnostic network, which includes: a coordinated ground surveillance and response component with appropriate educational and training programs; a more extensive plant and animal disease and pest diagnostic capability; upgraded and enhanced equipment, increased information technology, expanded connectivity of State laboratories, and targeted research to develop improved diagnostic and treatment capabilities. The diagnostic laboratories will be connected to NAPIS, along with the establishment and connection of additional laboratories. Ultimately, the network will increase the ability to protect the Nation from disease and pest threats by identifying, containing, and minimizing disease and pest threats.

The output from the requested level of funding will be the appropriate plant and animal disease diagnostic capabilities and capabilities for each state and territory in the nation, i.e. comprehensive national diagnostic networks. This will lead to the desired outcome of reduced time for definitive diagnosis from several days to a single day. It also will support an increase in the number of diseases that can be rapidly diagnosed by four or five per year and at worst hold economic losses to current levels even with the increased pressure of newly introduced pests and pathogens.

The continuity or disintegration of partnerships among USDA research agencies, State Departments of Agriculture, Regional Pest Management Network Centers, universities and private laboratories, as well as funding, collaboration, regional and State priorities, and interstate barriers may facilitate or impede progress at any point in time. Multiple point data management and integrated coordination may be difficult to achieve because of the program's complexity.

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Without the requested funding increase, it would be difficult to establish additional laboratories across the country, educate and train personnel to establish the capability to handle high-risk infectious agents, expand testing capabilities, and improve communications from the field.

The primary performance measure will be a portfolio review score. Portfolios of projects will be subject to rigorous assessment by experts on an annual and periodic (5-year) basis to determine the extent to which they are making progress toward solving targeted national problems. A new assessment tool will be used to review a portfolio's relevance, quality, and performance, assigning a quantitative score. Using recommendations from reviewers, National Program Leaders will work to improve portfolio scores. Portfolio reviews will be informed by performance criteria and evaluation studies relevant to the portfolio goals. Performance criteria may change over time for established programs as issues emerge and priorities fluctuate.

As part of the President's Food and Agriculture Defense Initiative, performance criteria to be considered in the portfolio review include data on the establishment and connection of laboratories in all States to the NAPIS, increased capacity to access and exchange timely threat information, and increased speed and accuracy in diagnosing and containing disease and pest threats.

(2) A net decrease of $42,714,000 to transfer funding for Section 406 programs ($42,714,000 available in FY 2005) as follows:

In FY 2006, the budget proposes that Section 406 activities, formerly supported under the Integrated Activities account, be supported within the Research and Education account. These activities will be funded at $41.9 million but administered through the National Research Initiative or the new competitive regional, State and local research program. This shift of funding will allow greater flexibility and responsiveness to critical agricultural issues.

(3) A net increase of $1,943,000 for Other Integrated programs ($3,070,000 available in FY 2005) as follows:

	FY 2005 Appropriations Act ($000)	Increase ($000)	FY 2006 ($000)
Critical Issues	$744	$1,756	$2,500
Regional Rural Development Centers	1,334	179	1,513
International Science and Education Grants Program	992	8	1,000
Total	$3,070	$1,943	$5,013

The proposed action restores individual programs to the FY 2005 President's Budget level. Funding at these levels will continue to provide support for these activities.

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TABLE 1B - FISCAL YEAR 2004
INTEGRATED ACTIVITIES

INTEGRATED PROGRAMS

STATE	Critical Issues - Plant and Animal Diseases	Crops at Risk from FQPA Implementation	FQPA Risk Mitigation Program for Major Food Crop System	Food Safety	Food and Agriculture Defense Initiative	International Science and Education Grants	Methyl Bromide	Organic Trans. Program	Regional Pest Management Centers	Rural Development Centers	Water Quality	TOTAL FEDERAL FUNDS
ARIZONA	0	0	0	414,344	308,529	0	0	0	0	0	575,000	1,297,873
ARKANSAS	0	0	0	0	0	0	0	305,015	0	0	0	305,015
CALIFORNIA	0	382,804	176,512	756,886	1,008,529	0	79,841	484,436	958,886	0	0	3,849,896
COLORADO	0	0	0	1,067,008	308,529	0	0	0	0	0	1,067,000	2,482,537
DELAWARE	0	0	0	450,205	0	0	0	0	0	0	0	450,205
FLORIDA	0	0	0	860,812	1,010,869	0	0	0	0	0	0	1,871,481
GEORGIA	0	0	1,034,722	916,997	308,529	0	419,318	0	0	0	580,000	3,259,236
GUAM	0	0	0	388,701	0	0	0	0	0	0	0	388,701
IDAHO	30,000	0	0	0	0	0	0	0	0	0	592,000	622,000
ILLINOIS	90,000	0	0	0	0	0	0	0	0	0	0	90,000
INDIANA	37,982	0	0	599,790	430,000	0	450,000	0	0	0	630,000	2,147,752
IOWA	0	0	0	599,126	308,529	0	0	0	0	320,114	1,266,448	2,494,217
KANSAS	0	0	405,943	462,783	700,000	0	0	0	0	0	0	1,568,706
LOUISIANA	0	0	0	0	308,529	0	0	0	0	0	0	308,529
MARYLAND	0	0	0	600,000	0	0	0	0	0	0	881,000	1,481,000
MICHIGAN	0	310,000	1,923,070	0	700,000	0	476,873	0	958,686	0	0	4,368,629
MINNESOTA	0	0	0	0	0	0	0	483,645	0	0	0	483,645
MISSISSIPPI	0	0	0	0	0	0	0	0	0	320,114	0	320,114
MONTANA	0	0	0	0	0	0	0	0	0	0	300,000	300,000
NEBRASKA	0	0	0	1,199,648	0	0	0	0	0	0	0	1,199,648
NEW YORK	0	240,000	0	1,199,747	1,008,529	0	496,688	518,308	0	0	0	3,463,270
N CAROLINA	0	260,000	573,254	0	308,529	0	347,411	0	958,686	0	0	2,447,880
OHIO	0	0	0	1,036,185	0	0	0	0	0	0	547,000	1,583,185
OKLAHOMA	50,000	0	0	0	0	0	230,427	0	0	0	0	280,427
OREGON	0	0	0	453,915	0	0	0	0	0	0	0	453,915
PENNSYLVANIA	0	0	0	0	0	0	0	0	958,686	320,114	0	1,278,800
RHODE ISLAND	0	0	0	0	0	0	0	0	0	0	1,012,000	1,012,000
S CAROLINA	0	54,000	0	33,150	0	0	0	0	0	0	0	87,150
TENNESSEE	0	0	0	597,890	0	0	0	0	0	0	0	597,890
TEXAS	0	0	0	328,357	308,529	0	0	0	0	0	1,831,000	2,467,886
UTAH	0	0	0	0	0	0	0	0	0	320,114	645,000	965,114
WASHINGTON	0	0	0	0	308,529	0	455,881	0	0	0	0	764,410
WISCONSIN	0	0	0	800,000	308,529	0	0	0	0	0	908,000	1,816,529
SBIR	10,665	10,641	34,762	108,440	0	0	25,051	15,110	32,225	10,780	92,237	337,891
PEER PANEL	0	19,457	21,140	63,400	0	0	24,868	26,724	0	0	60,852	216,241
FEDERAL ADMIN OBLIGATED	9,806	53,204	173,808	522,201	316,112	28,226	125,257	75,552	161,124	53,801	461,183	1,982,276
SUBTOTAL, OBLIGATIONS	228,435	1,330,106	4,345,211	13,295,035	7,952,800	28,226	3,131,415	1,888,790	4,026,093	1,345,017	11,466,720	49,041,848
UNOBLIGATED	215,928	0	0	0		1,357,378	0	0	0	0	60,852	1,634,158
BIOTECH RISK	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	444,363	1,330,106	4,345,211	13,295,035	7,952,800	1,385,604	3,131,415	1,888,790	4,026,093	1,345,017	11,529,572	50,676,006

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TABLE 2B - FISCAL YEAR 2005
INTEGRATED ACTIVITIES

INTEGRATED PROGRAMS

STATE	Critical Issues-Plant and Animal Diseases	Crops at Risk from FQPA Implementation	FQPA Risk Mitigation Program for Major Food Crop System	Food Safety	Methyl Bromide	Organic Transition Risk Assessment	Regional Pest Management Center	Rural Development Centers	International Science and Education Grants	Water Quality	Homeland Security	Biotech Risk Assessment	TOTAL FEDERAL FUNDS
SBIR	18,000	11,000	35,000	118,000	25,000	15,000	34,000	11,000	0	102,500	0	0	369,000
BIOTECH RISK	0	0	0	0	0	0	0	0	0	0	0	0	0
FEDERAL ADMIN OBLIGATED	30,000	56,000	179,000	594,000	124,000	75,000	167,000	53,000	40,000	513,000	357,000	0	2,190,000
UNOBLIGATED	696,000	1,333,000	4,250,000	14,135,000	2,957,000	1,784,000	3,966,000	1,270,000	952,000	12,250,000	8,171,000	0	52,153,000
TOTAL	744,000	1,389,000	4,464,000	14,847,000	3,106,000	1,874,000	4,167,000	1,334,000	992,000	12,867,000	8,528,000	0	54,712,000

TABLE 3B - FISCAL YEAR 2006
INTEGRATED ACTIVITIES

INTEGRATED PROGRAMS

STATE	Critical Issues-Plant and Animal Diseases	Crops at Risk from FQPA Implementation	FQPA Risk Mitigation Program for Major Food Crop System	Food Safety	Methyl Bromide	Organic Transition Risk Assessment	Regional Pest Management Center	Rural Development Centers	International Science and Education Grants	Water Quality	Homeland Security	Biotech Risk Assessment	TOTAL FEDERAL FUNDS
SBIR		0	0	0	0	0	0	12,000	0	0	0	0	12,000
BIOTECH RISK	0	0	0	0	0	0	0	0	0	0	0	0	0
FEDERAL ADMIN OBLIGATED	100,000	0	0	0	0	0	0	61,000	40,000	0	1,200,000	0	1,401,000
UNOBLIGATED	2,400,000	0	0	0	0	0	0	1,448,000	960,000	0	28,800,000	0	33,608,000
TOTAL	2,500,000	0	0	0	0	0	0	1,513,000	1,000,000	0	30,000,000	0	35,013,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

Integrated Activities

Personnel Compensation:	2004	2005	2006
Washington, D.C.	$1,198,371	$1,345,726	$688,339
Field	0	0	0
11 Total personnel compensation	979,436	1,112,703	569,148
12 Personnel benefits	218,721	232,809	119,082
13 Benefits for former personnel	214	214	109
Total pers. comp. & benefits	1,198,371	1,345,726	688,339
Other Objects:			
21 Travel	211,794	216,030	220,350
22 Transportation of Things	2,569	2,620	2,673
23.0 Rent and Communications	21,295	21,721	22,155
23.1 Rent Payments to GSA	6	6	6
23.2 Rental Payments to others	12,990	13,250	13,515
23.3 Communications, Utilities, etc.	10,143	10,346	10,553
24 Printing and Reproduction	21,509	21,939	22,378
25.1 Advisory & assist. Services	83,632	85,305	87,011
25.2 Other Services	238,943	243,722	248,597
25.3 Purchases of G&S from Govt.	5,848	5,965	6,084
25.4 Operation and Maintenance of facilities	76,287	77,813	79,369
25.5 Research and Development Contracts	304,302	310,388	316,596
25.6 Medical Care	0	0	0
25.7 Operation and maintenance of equipment	6,956	7,095	7,237
25.8 Subsistence and support of persons	3,952	4,031	4,112
26 Supplies	32,221	32,865	33,523
31 Equipment	35,291	35,997	36,717
41 Grants, Contracts, etc.	46,775,684	53,840,208	33,213,730
43 Interest Prompt Payment	55	55	55
Total other objects	47,843,477	54,929,356	34,324,661
Total direct obligations	49,041,848	56,275,082	35,013,000
Position Data:			
Average Salary, ES	$148,903	$154,427	$158,442
Average Salary, GS	$65,259	$67,680	$69,440
Average Grade, GS	10.64	10.52	10.52

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Outreach For Socially Disadvantaged Farmers

For grants and contracts pursuant to section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279), $5,935,000, to remain available until expended. (Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2005.)

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

STATUS OF PROGRAM

INTEGRATED ACTIVITIES:

Current Activities

1. Programs currently funded under the Integrated Activities account are Water Quality, Food Safety, Regional Pest Management Centers (formerly Pesticide Impact Assessment), Crops at Risk from Food Quality Protection Act Implementation, Food Quality Protection Act Risk Mitigation Program for Major Food Crop Systems, Methyl Bromide Transition Program, and Organic Transition Program. Grants are awarded on a competitive basis to support integrated, multifunctional agricultural research, extension, and education activities. The International Science and Education Grants, Critical Issues, and Regional Rural Development Centers programs are administered under this account. The International Science and Education Grants program is conducted under the authority of Section 1459A of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, Public Law 95-113. The Critical Issues and Regional Rural Development Centers programs are conducted under the authority of Section 2(c)(1)(B) of Public Law 89-106, as amended (7 U.S.C. 450i(c)), which enables the agency to support research, extension or education activities.

2. The Food and Agriculture Defense Initiative Program under the authority of Section 1484 of the Farm Security and Rural Investment Act of 2002 also is funded under this account. This program provides support for an unified network of public agricultural institutions to identify and respond to high risk biological pathogens in the food and agricultural system. The network will be used to increase the ability to protect the nation from disease threats by identifying, containing, and minimizing disease threats.

Selected Examples of Recent Progress: Provided below are selected examples of recent progress made under CSREES programs as related to the activities account.

1. **Food Safety Program**. At the **University of Georgia**, investigators are assessing current Good Agricultural Practices (GAPS) and Hazard Analysis and Critical Control Points (HAACP) programs used by produce growers for points of vulnerability to intentional contamination. Investigators also will assess retention of biological contaminants on fresh produce. Their results will be incorporated into a training curriculum for produce industry personnel. The curriculum, once developed, will be used as a model across the U.S. and its territories for similar programs and audiences. In addition, investigators at **New Mexico State University** are developing a distance education program in food biosecurity for minority farmers. Their goal is to help farmers assess potential risks, and adopt practices that reduce the risk for food safety threats, both intentional and unintentional. Assessment tools have been developed and are currently being pilot-tested. Both projects are funded under the **Food Safety Program**.

2. **Crops at Risk from FQPA Implementation Program**. A new web-based program called Post-Harvest Grain Management has been developed with funding from the **Crops at Risk from FQPA Implementation** program through the collaborative efforts of the **Texas A&M University**, in cooperation with the **University of Arkansas, USDA-ARS at Manhattan, Kansas**, and the **University of Missouri**. Post-Harvest Grain Management is an interactive web-based application that predicts temperature and grain moisture, and the population dynamics and damage of rice weevil and lesser grain borer inside bins. The web-based application is directly linked to a weather database for Arkansas, Missouri, and Texas. The weather database is updated automatically with data from several weather data sources, mainly National Oceanic and Atmospheric Administration weather data. The program allows users to choose historic and near real-time (for some stations)

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weather data to evaluate the effectiveness of regional weather on bin aeration and pest populations. The program provides advanced options for graphic display and analysis of simulation results, and sensitivity analysis. This web-based program is now used as a strategic tool for post-harvest grain management.

3. FQPA Risk Mitigation Program. A consortium for Integrated Management of Stored Product Insect Pests which includes Kansas State University, Oklahoma State University, Purdue University (Indiana), USDA-ARS Grain Marketing and Production Research Center, and Industry was established with funding from the FQPA Risk Mitigation Program. This consortium has been able to achieve successful management of stored grain pests by using effective sampling and monitoring techniques, modeling populations, manipulating factors that create conducive environments for insect pest reproduction in storage such as temperature and moisture, and the use of natural and alternative chemical method(s) to suppress insect survival. The current regulatory climate, coupled with consumer demand for food free of pesticide residues, and pesticide resistance in insects, necessitates the development of effective alternatives to pesticides, which this project emphasizes.

4. Food and Agriculture Defense Initiative Program. Utilizing digital imaging and other techniques, the National Plant Diagnostic Network (NPDN) laboratories in states across the country, including New York, Florida, Michigan, Kansas, and California, are now able to spot and confirm the presence of soy bean rust. Laboratory technicians in 25 soy bean states have been trained via the NPDN in soy bean rust diagnostics. The NPDN also is providing information on best management practices to control soy bean rust to extension workers, certified crop consultants, and other practitioners. The National Animal Health Laboratory Network's (NAHLN), which has laboratories in Georgia, Wisconsin, Texas, Colorado, and other states across the United States, overall objective is to rapidly and accurately detect and report pathogens of national interest through the establishment of a functional national network of existing diagnostic laboratories. Starting with a pilot group of 12 state university laboratories, the NAHLN has grown to 37 sites with enhanced diagnostic capabilities. Although not all laboratories have all diagnostic capacities, the network provides regional coverage for every state in animal diseases that include Exotic Newcastle Disease, chronic wasting disease in certain ruminants, and bovine spongiform encephalopathy.

PART ASSESSMENTS

CSREES conducts PART reviews based on portfolio performance by goal. Portfolios of projects are assessed by experts on an annual and 5-year basis to determine progress toward solving targeted national problems reflected in the Agency and Department goals. An assessment tool is used to review portfolio relevance, quality, and performance, assigning an overall quantitative score (from 1-100) to its performance reflecting whether it exceeds expectations, meets expectations, or needs improvement. Experts' recommendations for improvement then form the basis for achieving improved scores. The PART review schedule by goal follows:

- Goal 1 was subject to an OMB PART in FY 2004. CSREES is awaiting a final score; early indications are for a score of moderately successful. Prior to the PART, all Goal 1 portfolios were reviewed by outside experts. In all cases, the portfolios were scored above "Meets Expectations."
- Goal 2 is scheduled to have a PART review in calendar year 2006.
- Goal 3 is scheduled to have a PART review in calendar year 2005.
- Goal 4 is scheduled to have a PART review in calendar year 2006.
- Goal 5 is scheduled to have a PART review in calendar year 2005.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

STATUS OF PROGRAM

SECTION 2501, OUTREACH AND TECHNICAL ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS ACTIVITIES:

Current Activities

This program serves African American, Tribal, Hispanic and other growing groups of minority farmers and ranchers from socially disadvantaged groups with participation in specific USDA loan, conservation, technical assistance, and related programs. The program enhances the ability of minority farmers and ranchers to operate farms and ranches independently and produce income adequate to service debt, maintain operations, and provide a reasonable lifestyle. The program provides grants to educational institutions and community-based organizations to encourage and assist socially disadvantaged farmers and ranchers to own and operate farms and ranches, to participate in USDA agricultural programs, and to become an integral part of the agricultural community.

Selected Examples of Recent Progress: Provided below are selected examples of recent progress made under CSREES programs as related to the activities account.

1. **Section 2501**. In **Alabama**, farmers with excellent credit still found barriers in applying for USDA loan programs because of the 5 year financial history requirements. The project staff at **Tuskegee University** has worked with local banks and revolving loan programs to be sensitive to the financial needs of small, disadvantaged farmers. The project focuses on demonstration projects at their education centers which help encourage successful production and market techniques. They are facilitating production of goat meat as well as fruits and vegetables, and are considering cooperatively buying equipment to facilitate adding-value to produce before market, in order to increase the farmer share of the food dollar. A total of 13 loans were facilitated through the project bringing $463,000 to those producers. Tuskegee University also is promoting further collaboration between producers to facilitate success.

2. **Section 2501**. **Lincoln University in Missouri** grant activities illustrate the breadth of most grantees activities, as well as demonstrate the extensive one-on-one assistance that many of the target socially disadvantaged producers require. The activity reported includes a producer, who, after attending a statewide small farm conference, applied the ideas to diversify from the conference to vegetable and goat production. Now he is coming to the next conference to serve on the "successful" farmer panel. Reports also include youth who are being walked through the paces of Farm Service Agency youth loans and learning the responsibilities of documenting their business enterprises and how to pay their loans back. Rural development loans to make housing adequate have been facilitated by staff at the same time they have been extensively involved in helping small enterprises find, or secure land for their businesses. Helping disadvantaged producers often involves a lot more than just teaching agricultural skills.

PART ASSESSMENTS

CSREES conducts PART reviews based on portfolio performance by goal. Portfolios of projects are assessed by experts on an annual and 5-year basis to determine progress toward solving targeted national problems reflected in the Agency and Department goals. An assessment tool is used to review portfolio relevance, quality, and performance, assigning an overall quantitative score (from 1-100) to its performance

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reflecting whether it exceeds expectations, meets expectations, or needs improvement. Experts' recommendations for improvement then form the basis for achieving improved scores. The PART review schedule by goal follows:

- Goal 1 was subject to an OMB PART in FY 2004. CSREES is awaiting a final score; early indications are for a score of moderately successful. Prior to the PART, all Goal 1 portfolios were reviewed by outside experts. In all cases, the portfolios were scored above "Meets Expectations."
- Goal 2 is scheduled to have a PART review in calendar year 2006.
- Goal 3 is scheduled to have a PART review in calendar year 2005.
- Goal 4 is scheduled to have a PART review in calendar year 2006.
- Goal 5 is scheduled to have a PART review in calendar year 2005.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Lead-Off Tabular Statement

SECTION 2501

Appropriations Act, 2005	$5,935,000
Budget Estimates, 2006	5,935,000
Change in Appropriations	0

Adjustments in 2005:		
Appropriations Act, 2005	$5,935,000	
Rescission under P.L. 108-447 a/	- 47,000	
Adjusted Base for 2005		5,888,000
Budget Estimate, 2006		5,935,000
Increased over adjusted 2005		+ 47,000

a/ This amount is rescinded pursuant to Section 122(a) of Title I, Division J, of P.L. 108-447.

SUMMARY OF INCREASES and DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Change	2006 Estimated
Section 2501, Outreach for Socially Disadvantaged Farmers	$5,888,000	- -	+$47,000	$5,935,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

SECTION 2501, OUTREACH

Project Statement
(On basis of Appropriation)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Section 2501							
Outreach for Socially Disadvantaged Farmers	$5,934,777		$5,888,000		+$47,000	$5,935,000	
Total Available or Estimate	5,934,777	3	5,888,000	3	+47,000	5,935,000	3
Rescission	35,223		47,000				
Total Appropriation	5,970,000	3	5,935,000	3			

Project Statement
(On basis of Available Funds)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Section 2501							
Outreach for Socially Disadvantaged Farmers	$5,934,776		$5,888,000		+$47,460	$5,935,000	
Carryover	--		1		-1	--	
Total, Section 2501	5,934,776	3	5,888,001	3	+46,999	5,935,000	3
Unobligated Balance:							
Available, start of year	--		-1		+1	--	
Available, end of year	1		--		--	--	
Total Available or Estimate	5,934,777	3	5,888,000	3	+47,000	5,935,000	3
Rescission	35,223		47,000				
Total Appropriation	5,970,000	3	5,935,000	3			

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Justifications of Increases and Decreases

Outreach for Socially Disadvantaged Farmers Activities

An increase of $47,000 for Section 2501, Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers ($5,888,000 available in FY 2005) as follows:

The proposed action restores funding for Section 2501, the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers program, to the FY 2005 President's Budget level.

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TABLE 1C- FISCAL YEAR 2004
SECTION 2501, OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

STATE	Outreach for Socially Disadvantaged Farmers
ALABAMA	$ 600,000
ARIZONA	292,886
ARKANSAS	299,772
GEORGIA	269,190
HAWAII	625,000
KANSAS	197,500
KENTUCKY	300,000
MAINE	300,000
MINNESOTA	299,000
MISSISSIPPI	599,786
MONTANA	300,000
NEW MEXICO	219,283
OKLAHOMA	300,000
RHODE ISLAND	62,918
SOUTH DAKOTA	299,748
TEXAS	497,870
VIRGINIA	208,231
PEER PANEL	26,201
SUBTOTAL	5,697,385
FEDERAL ADMIN	237,391
Subtotal, Obligations	5,934,776
UNOBLIGATED	1
TOTAL	$ 5,934,777

TABLE 2C-FISCAL YEAR 2005
SECTION 2501, OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

FEDERAL ADMIN	$ 236,000
UNDISTRIBUTED	5,652,000
TOTAL	$ 5,888,000

TABLE 3C- FISCAL YEAR 2006
SECTION 2501, OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

FEDERAL ADMIN	$ 237,000
UNDISTRIBUTED	5,698,000
TOTAL	$ 5,935,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

Section 2501

Personnel Compensation:	2004	2005	2006
Washington, D.C.	$144,944	$153,798	$157,336
Field	0	0	0
11 Total personnel compensation	119,110	127,167	130,092
12 Personnel benefits	25,809	26,606	27,218
13 Benefits for former personnel	25	25	26
Total pers. comp. & benefits	144,944	153,798	157,336
Other Objects:			
21 Travel	21,379	13,450	13,719
22 Transportation of Things	303	309	315
23.0 Rent and Communications	4,612	4,704	4,798
23.1 Rent Payments to GSA	1	1	1
23.2 Rental Payments to others	1,533	1,564	1,595
23.3 Communications, Utilities, etc.	1,197	1,221	1,246
24 Printing and Reproduction	2,538	2,589	2,641
25.1 Advisory & assist. Services	12,768	10,934	11,153
25.2 Other Services	30,119	11,919	12,157
25.3 Purchases of G&S from Govt.	690	704	718
25.4 Operation and Maintenance of facilities	9,001	9,181	9,365
25.5 Research and Development Contracts	35,906	15,731	12,773
25.6 Medical Care	0	0	0
25.7 Operation and maintenance of equipment	821	837	854
25.8 Subsistence and support of persons	466	475	485
26 Supplies	3,757	3,832	3,909
31 Equipment	4,163	4,246	4,329
41 Grants, Contracts, etc.	5,660,572	5,652,020	5,697,600
43 Interest Prompt Payment	6	6	6
Total other objects	5,789,832	5,733,723	5,777,664
Total direct obligations	5,934,776	5,887,521	5,935,000
Position Data:			
Average Salary, ES	$148,903	$154,427	$158,442
Average Salary, GS	$65,259	$67,680	$69,440
Average Grade, GS	10.64	10.52	10.52

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Lead-Off Tabular Statement

MANDATORY PROGRAM

Appropriations Act, 2005	$3,000,000
Budget Estimate, 2006	$3,000,000
Increase in Appropriations	0

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change		2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Mandatory Program					
Organic Agriculture Research & Education Initiative	a/	$3,000,000	--	--	$3,000,000

a/ Section 7218 of the Farm Security and Rural Investment Act of 2002 provides that on October 1, 2003, and each October 1 thereafter through October 1, 2007, out of any funds in the Treasury not otherwise appropriated, the Secretary of Treasury shall transfer $3,000,000 to the Secretary of Agriculture for the Organic Agriculture Research and Extension Initiative.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

MANDATORY PROGRAM
ORGANIC AGRICULTURE RESEARCH AND
EDUCATION INITIATIVE

Project Statement
(On basis of Appropriation)

Project	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
Mandatory Program							
Organic Agriculture Research & Education Initiative	$3,000,000		$3,000,000		--	$3,000,000	
Total Available or Estimate	3,000,000	0	3,000,000	0	--	3,000,000	0

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TABLE 1D-FISCAL YEAR 2004
ORGANIC RESEARCH AND EXTENSION INITIATIVE

STATE	ORGANIC RESEARCH AND EXTENSION INITIATIVE
CALIFORNIA	$875,169
MASSACHUSETTS	197,768
NEW YORK	1,469,478
VERMONT	301,161
PEER PANEL	36,424
SUBTOTAL	2,880,000
FEDERAL ADMINISTRATION	120,000
UNOBLIGATED	0
TOTAL	3,000,000

TABLE 2D-FISCAL YEAR 2005
ORGANIC RESEARCH AND EXTENSION INITIATIVE

FEDERAL ADMIN	120,000
UNDISTRIBUTED	2,880,000
TOTAL	3,000,000

TABLE 3D-FISCAL YEAR 2006
ORGANIC RESEARCH AND EXTENSION INITIATIVE

FEDERAL ADMIN	120,000
UNDISTRIBUTED	2,880,000
TOTAL	3,000,000

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

Organic Activities

Personnel Compensation:	2004	2005	2006
Washington, D.C.	$68,899	$76,899	$78,667
Field	0	0	0
11 Total personnel compensation	55,982	63,583	65,045
12 Personnel benefits	12,904	13,303	13,609
13 Benefits for former personnel	13	13	13
Total pers. comp. & benefits	68,899	76,899	78,667
Other Objects:			
21 Travel	28,065	14,625	13,121
22 Transportation of Things	152	152	152
23.0 Other Services	906	906	906
23.1 Rent Payments to GSA	0	0	0
23.2 Rental Payments to others	766	766	766
23.3 Communications, Utilities, etc.	597	599	599
24 Printing and Reproduction	1,269	1,269	1,269
25.1 Advisory & assist. Services	9,900	4,950	4,950
25.2 Other Services	28,114	9,694	9,430
25.3 Purchases of G&S from Govt.	345	345	345
25.4 Operation and Maintenance of facilities	4,501	2,251	2,251
25.5 Research and Development Contracts	17,953	3,977	3,977
25.6 Medical Care	0	0	0
25.7 Operation and maintenance of equipment	410	410	410
25.8 Subsistence and support of persons	233	233	233
26 Supplies	1,878	1,879	1,879
31 Equipment	2,084	1,041	1,041
41 Grants, Contracts, etc.	2,833,924	2,880,000	2,880,000
43 Interest Prompt Payment	4	4	4
Total other objects	2,931,101	2,923,101	2,921,333
Total direct obligations	3,000,000	3,000,000	3,000,000
Position Data:			
Average Salary, ES	$148,903	$154,427	$158,442
Average Salary, GS	$65,259	$67,680	$69,440
Average Grade, GS	10.64	10.52	10.52

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2006 Explanatory Notes
Economic Research Service

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ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service (ERS) was established in 1961 from components of the former Bureau of Agricultural Economics principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627). The mission of ERS is to inform and enhance public and private decision-making on economic and policy issues related to agriculture, food, the environment, and rural development.

Activities to support this mission and the following goals involve research and development of economic and statistical indicators on a broad range of topics including, but not limited to global agricultural market conditions, trade restrictions, agribusiness concentration, farm and retail food prices, foodborne illnesses, food labeling, nutrition, food assistance programs, worker safety, agrichemical usage, livestock waste management, conservation, sustainability, genetic diversity, technology transfer, rural infrastructure, and rural employment. Research results and economic indicators on such important agricultural, food, natural resource, and rural issues are fully disseminated to public and private decision-makers through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. Through such activities, ERS provides public and private decision-makers with economic and related social science information and analysis in support of the Department's goals of enhancing economic opportunities for agricultural producers; supporting economic opportunities and quality of life in rural America; enhancing the protection and safety of U.S. agriculture and food; improving U.S. nutrition and health; and enhancing the natural resource base and environment. More information on ERS's program is contained on the ERS website (www.ers.usda.gov).

The headquarters of the Service is in Washington, D.C. ERS does not have any field offices. As of September 18, 2004 there were 410 permanent full-time employees, and 37 other than permanent full-time employees.

ERS has not been the subject of any OIG or GAO reports.

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ECONOMIC RESEARCH SERVICE

Available Funds and Staff Years

2004 Actual and Estimated 2005 and 2006

Item	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	2006 Estimated Amount	2006 Estimated Staff Years
Economic Research Service	$70,980,728	433	$74,170,000	452	$80,749,000	456
Obligations under other USDA appropriations:						
Agricultural Marketing Service	11,000	-	30,000	-	30,000	-
Agricultural Research Service	88,563	-	90,000	-	90,000	-
Cooperative State Research, Education and Extension Service	88,563	-	90,000	-	90,000	-
Farm Service Agency	30,200	-	31,000	-	31,000	-
Foreign Agricultural Service	853,975	6	1,100,000	3	1,100,000	3
National Agricultural Statistics Service	26,647	-	30,000	-	30,000	-
Food Safety and Inspection Service	85,000	-	90,000	-	90,000	-
Natural Resources Conservation Service	10,000	-	20,000	-	20,000	-
Risk Management Agency	90,000	-	300,000	-	300,000	-
Office of the Chief Financial Officer	125,000	-	-	-	-	-
Total, Other USDA Appropriations	1,408,948	6	1,781,000	3	1,781,000	3
Total, Agriculture Appropriations	72,389,676	439	75,951,000	455	82,530,000	459
Other Federal Funds:						
National Academies of Science	370,000	-	-	-	-	-
Department of Interior	39,000	-	-	-	-	-
Total, Other Federal Funds	409,000	-	-	-	-	-
Non-Federal Funds:						
University of Minnesota	12,500	-	-	-	-	-
Trust Funds	41,456	-	200,000	-	200,000	-
Total, Non-Federal Funds	53,956	-	200,000	-	200,000	-
Total, Economic Research Service	72,852,632	439	76,151,000	455	82,730,000	459

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ECONOMIC RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

2004 Actual and Estimated 2005 and 2006

Grade	2004 Wash, DC	2005 Wash, DC	2006 Wash, DC
Senior Executive Service	7	7	7
SL	1	-	-
GS-15	64	64	64
GS-14	105	107	109
GS-13	118	120	122
GS-12	48	48	54
GS-11	19	19	19
GS-10	1	1	1
GS-9	12	12	12
GS-8	29	29	29
GS-7	9	9	10
GS-6	8	8	8
GS-5	2	3	3
GS-4	2	2	2
GS-3	1	2	2
GS-2	1	1	1
Total Permanent Positions	427	432	443
Unfilled Positions, end-of-year	-17	-	-
Total Permanent, Full-Time Employment, end-of-year	410	432	443
Staff-Year Ceiling	439	455	459

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ECONOMIC RESEARCH SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

ERS has five strategic goals which correspond to each of the five Department strategic goals.

USDA Strategic Goal and Objectives	Agency Strategic Goal and Objectives	Programs that contribute	Key Outcome
USDA Goal 1: Enhance Economic Opportunities for Agricultural Producers **USDA Strategic Objective 1.1:** Expand International Marketing Opportunities **USDA Strategic Objective 1.2:** Support International Economic Development and Trade Capacity Building **USDA Strategic Objective 1.3:** Develop Alternative Markets for Agricultural Products and Activities **USDA Strategic Objective 1.4:** Provide Risk Management and Financial Tools to Farmers and Ranchers	**Agency Goal 1:** Enhance Economic Opportunities for Agricultural Producers **Objective 1.1:** Provide Economic Research, Information, and Analysis to Support Public and Private Decision-making to Help Expand Markets And Reduce Trade Barriers. **Objective 1.2:** Support International Economic Development and Trade Capacity Building through Provision of Economic Research and Analysis **Objective 1.3:** Provide Economic Research and Analysis of New Technologies to Generate New or Improved High Quality Products and Processes to Expand Markets for the Agricultural Sector **Objective 1.4:** Provide Economic Research and Analysis to Facilitate Risk Management by Farmers and Ranchers	Economic Research and Analysis	Successful execution of the ERS program of economic research and analysis to provide policymakers, regulators, program mangers, and those shaping the public debate on agricultural economic issues with timely, relevant, and high-quality economic research, analysis, and data to enhance their understanding of economic issues affecting food and agriculture.
USDA Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America **USDA Strategic Objective 2.1:** Expand Economic Opportunities Through USDA Financing of Business **USDA Strategic Objective 2.2:** Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities and Need Community Facilities	**Agency Goal 2:** Support Increased Economic Opportunities and Improved Quality of Life in Rural America **Objective 2.1:** Expand Economic Opportunities in Rural America by Bringing Economic Insights into Public and Private Decision making **Objective 2.2:** Provide Economic Research and Analysis to Facilitate Informed Decisions Affecting the Quality of Life in Rural Areas.	Economic Research and Analysis	Same as Goal 1

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ECONOMIC RESEARCH SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

ERS has five strategic goals which correspond to each of the five Department strategic goals (continued)

USDA Strategic Goal and Objectives	Agency Strategic Goal and Objectives	Programs that contribute	Key Outcome
USDA Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply **USDA Strategic Objective 3.1:** Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry and Egg Products in the United States **USDA Strategic Objective 3.2:** Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks	**Agency Goal 3:** Enhance Protection and Safety of the Nation's Agriculture and Food Supply **Objective 3.1:** Provide Economic Research and Analysis of Public and Private Efforts to Reduce the Incidence of Foodborne Illness related to Meat, Poultry, and Egg Products in the U.S. **Objective 3.2:** Support Efforts to Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks through Economic Analysis of Science-Based Information and Technology Control Strategies	Economic Research and Analysis	Same as Goal 1
USDA Goal 4: Improve the Nation's Nutrition and Health **USDA Strategic Objective 4.1:** Improve Access to Nutritious Food **USDA Strategic Objective 4.2:** Promote Healthier Eating Habits and Lifestyles **USDA Strategic Objective 4.3:** Improve Food Program Management and Customer Service	**Agency Goal 4:** Improve the Nation's Nutrition and Health **Objective 4.1:** Provide Economic Research and Analysis of Public and Private Efforts to Improve Access to Nutritious Food **Objective 4.2:** Provide Economic Research and Analysis of Options to Promote Healthier Eating Habits and Lifestyles **Objective 4.3:** Improve Food Program Management and Customer Service through Economic Evaluation of USDA's Food and Nutrition Assistance Programs	Economic Research and Analysis	Same as Goal 1
USDA Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment **USDA Strategic Objective 5.2:** Improve Management of Private Lands	**Agency Goal 5:** Protect and Enhance the Nation's Natural Resource Base and Environment **Objective 5.2:** Provide Economic Research and Analysis to Support Public and Private Efforts to Improve Management of Private Lands and Ecosystems	Economic Research and Analysis	Same as Goal 1

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ECONOMIC RESEARCH SERVICE

STRATEGIC OBJECTIVE 1.1: Expand international marketing opportunities.

STRATEGIC OBJECTIVE 1.2: Support international economic development and trade capacity building.

STRATEGIC OBJECTIVE 1.3: Develop alternative markets for agricultural products and activities.

STRATEGIC OBEJCTIVE 1.4: Provide risk management and financial tools to farmers and ranchers.

STRATEGIC OBJECTIVE 2.1: Expand economic opportunities through USDA financing of business.

STRATEGIC OBJECTIVE 2.2: Improve the quality of life through USDA financing of quality housing, modern utilities and need community facilities.

STRATEGIC OBJECTIVE 3.1: Reduce the incidence of foodborne illnesses related to meat, poultry and egg products in the United States.

STRATEGIC OBJECTIVE 3.2: Reduce the number and severity of agricultural pest and disease outbreaks.

STRATEGIC OBJECTIVE 4.1: Improve access to nutritious food.

STRATEGIC OBJECTIVE 4.2: Promote healthier eating habits and lifestyles.

STRATEGIC OBJECTIVE 4.3: Improve food program management and customer service.

STRATEGIC OBJECTIVE 5.2: Improve management of private lands.

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Strategic Objective and Funding Matrix
(On basis of appropriation)

	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase	Amount	Staff Years
Strategic Objective 1.1: Economic Research and Analysis Pay Cost Included	$22,128,067	192	$21,948,000	196	$329,000	$22,277,000	196
Strategic Objective 1.2: Economic Research and Analysis Pay Cost Included	2,011,643	17	1,995,000	18	29,000	2,024,000	18
Strategic Objective 1.3: Economic Research and Analysis Pay Cost Included	2,011,643	17	1,995,000	18	29,000	2,024,000	18
Strategic Objective 1.4: Economic Research and Analysis Pay Cost Included	10,058,213	27	9,835,000	27	46,000	9,881,000	27
Strategic Objective 2.1: Economic Research and Analysis Pay Cost Included	4,293,624	30	4,213,000	30	51,000	4,264,000	30
Strategic Objective 2.2: Economic Research and Analysis Pay Cost Included	4,293,625	30	4,213,000	31	51,000	4,264,000	31
Strategic Objective 3.1: Economic Research and Analysis Pay Cost Included	1,345,854	11	1,479,000	12	21,000	1,500,000	12
Strategic Objective 3.2: Economic Research and Analysis Pay Cost Included	2,230,321	7	2,264,000	8	13,000	2,277,000	8
Strategic Objective 4.1: Economic Research and Analysis Pay Cost Included	2,585,246	17	2,646,000	18	31,000	2,677,000	18
Strategic Objective 4.2: Economic Research and Analysis Pay Cost Included	4,343,214	23	7,930,000	25	5,859,000	13,789,000	29
Strategic Objective 4.3: Economic Research and Analysis Pay Cost Included	4,798,218	7	4,848,000	8	13,000	4,861,000	8
Strategic Objective 5.2: Economic Research and Analysis Pay Cost Included	10,730,370	61	10,804,000	64	107,000	10,911,000	64
Unobligated Balance	150,690						
Total, Available	70,980,728	439	74,170,000	455	6,579,000	80,749,000	459

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Selected Accomplishments Expected at the FY 2006 Proposed Resource Level:
Economic Research and Analysis Program

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate the upcoming needs of policy and decisionmakers.

Enhance Economic Opportunities for Agricultural Producers
Research and analysis will contribute to enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues affecting the U.S. food and agriculture sector's competitiveness, including factors related to performance, structure, risk and uncertainty, marketing, and market and nonmarket trade barriers. Examples will include:

- Conduct research to fully comprehend and articulate the effects and impacts of trade agreements, political and economic structural changes, and technological developments on the comparative and competitive advantage of U.S. agriculture.
- Research and disseminate economic intelligence about the structure, performance, information systems, new technology, and foreign direct investment in the U.S. food manufacturing, processing, wholesale, retail, and foodservice industries.
- Conduct economic research on and ascertain the impacts on commodity markets of new food and nonfood uses, new agricultural and forest products, new food products, alternative fuels, and new processes and other technologies that add value.
- Provide timely and accurate agricultural economic analysis and data on the impacts of decisions in risky situations to help farmers and ranchers make more informed production and marketing decisions.

ERS plans a range of activities to provide policymakers and other decision-makers with assessments of current programs and alternative outcomes for pending or prospective policy decisions. Results will help shape the public debate on commodity, technological, economic, and trade issues. These activities will include:

Analyzing the effects of counter-cyclical payments and related farm payments. This ongoing project poses two fundamental questions. First, who benefits from the payments and what portions of the benefits remain on the farm? Second, do counter-cyclical payments influence recipients' current planting and production decisions and, if they do, how, and by how much? Because counter-cyclical payments interact with other elements of agricultural programs, such as direct payments, marketing loan benefits, and crop insurance, it is necessary to investigate these interactions as well. Progress in answering these questions has been made through development of theoretical models that have been presented at academic conferences and collecting micro data through questions on the 2003 ARMS survey. Analysis of survey results has begun and results will be used to test predictions of the theoretical models.

Global markets for high-value foods. Understanding factors affecting trade in high-value food products is the centerpiece of this project, with consumers at the forefront of the supply chain. The United States has one of the most perplexing trade patterns for high-value food products, including strong growth in imports. This is attributable to a large productive capacity, high-income consumers, heavy involvement in overseas investment in food processing, and brand licensing. Research underway takes advantage of newly available global data sets on the food retail industry and builds on recently completed studies. Questions being addressed include whether finished manufactured food products are under-exported by the United States, whether the U.S. is a net importer of high-value food because U.S. exporters face higher tariffs than those imposed on U.S. imports, or does growing food demand in developing countries benefit the U.S. farm sector.

Market analysis and outlook. ERS will continue to work closely with the World Agricultural Outlook Board (WAOB) and USDA agencies to provide short-term and long-term projections of U.S. and world agricultural production, consumption, and trade. Several initiatives will increase the transparency and accessibility of the data and analysis. One initiative will enhance the transparency of data by providing systematic information about the underlying models used to derive commodity estimates, while another initiative seeks to provide users with more options in the delivery of timely data, such as a queriable format and a variety of output formats.

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WTO negotiations and the Doha Development Agenda. The demands of developing countries for developed countries to cut domestic agricultural support, along with exemptions that would limit opening of developing country markets serve as stumbling blocks to reaching an agreement in current WTO negotiations. While ERS analysis of the global benefits of trade liberalization shows potential gains for all types of countries, two important critiques of developing countries are the assumptions about "decoupled" domestic agricultural programs and the fact that the analysis does not include preferential access to developed country markets that developing countries currently receive. ERS research underway seeks to provide information to inform both these questions. Divergent opinions about whether "decoupled" payments affect production and trade stem from different interpretations of how payments are used by farm households. A new modeling framework is being developed that brings household data (from ARMS) into a computable general equilibrium framework that may be better able to model decision-making that current commodity market models. An analysis of preferential trade programs seeks to answer whether short run losses in trade currently protected by preferences will be offset by long run benefits of trade liberalization for all products, including those not eligible for existing preferences.

China in 21st century agricultural markets. China's policies on agriculture and agricultural trade have changed dramatically over the last 20 years, reducing the role of government intervention and centralized planning and simultaneously increasing the role of market forces. China's membership in the WTO will further increase reliance on market forces. As the incomes of China's 1.3 billion people continue to rise, demand for more and higher quality food products will grow. Domestic production will be unable to meet internal demand and China's demand for agricultural imports will continue to grow, including from U.S. farmers. ERS research continues to examine key factors that will shape the size and pattern of China's agricultural trade: water scarcity, implementation of WTO commitments, and changes in Chinese consumers' demand for food and factors influencing these changes, including the declining role of subsistence farming, effects of urbanization, and the rising demand for convenience.

Coordination issues in the U.S. beef industry. While many structural changes are underway in the U.S. beef industry, these developments are very different than those in the other meat industries. Traditionally, the fresh beef market has been characterized by undifferentiated beef products. Emerging technologies and marketing practices appear to be providing beef marketers with new opportunities to differentiate their beef products. This study will provide insight into changing marketing practices, including those that may facilitate production of differentiated products.

Support Increased Economic Opportunities and Improved Quality of Life in Rural America

Research and analysis will contribute to enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues affecting rural development, including factors related to farm finances and investments in rural people, businesses and communities, and of economic issues related to the performance of all sizes and types of American farms. Examples will include:

- Develop a comprehensive and integrated base of information on rural economic and social conditions that can be used by Federal policymakers for strategic planning, policy development, and program assessment.
- Undertake analysis that identifies how investment, technology, employment opportunities and job training, Federal policies, and demographic trends affect rural America's capacity to prosper in the global marketplace.
- Expand research to assess the effectiveness of developing profitable alternative crops and on- or near-farm processing that add value to agricultural products and enhance the economic viability of rural communities and families.
- Conduct research to identify social and economic issues facing rural communities as they adjust to broad forces affecting their futures, such as changing farm policy, welfare reform, increased foreign competition in low-wage industries, growing demand for highly skilled labor, an aging population, and rapid growth in communities near major cities.
- Conduct research to better understand the role and effectiveness of investments in infrastructure, housing, and business assistance for sustaining rural communities, particularly in areas characterized by rapid population growth or long-term population decline.

Future research and analysis will build on the past successes to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy and decision-makers. These activities, based on the objectives of USDA Strategic Goal 2, will include:

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Understanding the role of farm policy in rural development. A critical gap in our current policy research is the lack of information on the relationship between farm policy, farm households, and the rural economy, which is necessary to determine whether current policies and economic strategies are most effectively targeting the needs of an evolving farm and rural economy. If policy reform imposes significant adjustment costs on large numbers of farm households and/or rural communities, is government intervention warranted? If so, what would cost-effective policy intervention look like? Policy adjustment costs for farm and rural economies include those associated with capital and labor moving out of agriculture into nonfarm activities, population loss affecting economies of scale and the local tax base, and new income- and employment-generating strategies to improve job opportunities. An ERS web-based briefing room was developed in 2004 to help fill the information gap on the role of farm policy in rural development and to stimulate new thinking that contributes to the ongoing policy debate. In the spring of 2005, ERS and the National Center for Food and Agricultural Policy will sponsor a policy workshop to broaden the information base available to decisionmakers and address farm policy consequences for farm households and rural America well in advance of the next farm bill. In addition, ERS research has focused attention on the impact of the Conservation Reserve Program on rural areas and will continue to explore the impact of other farm programs on the economic growth of rural communities, businesses, and communities.

Policy implications of changing population in rural America. ERS is at the forefront of demographic and economic rural analysis using 2000 Census data. Working in conjunction with the W-1001 Western Regional Research Committee on Population Change in Rural Communities, ERS will assess the effects of changing demographic, economic, and social patterns on rural communities, labor markets, and local governments. This multifaceted project will help frame rural development policy at the national and regional levels by explaining the changing nature of economic opportunity in rural America and its implications for the well-being of rural people and their communities. In January 2004, ERS and Cornell University held a joint research conference in Washington, D.C. This conference served as a precursor to an edited monograph of 16 commissioned studies that will be published in spring of 2005. The monograph focuses on four critical themes in contemporary rural America: changing population composition; industrial restructuring, globalization, and altered livelihoods; changing land-use patterns; and chronic economic disadvantage. This monograph will report empirical findings from national level analysis and case studies, concluding with policy implications of rural demographic change.

New patterns of Hispanic settlement in rural America. ERS analysis reports that, since 1980, the nonmetro Hispanic population in the United States has doubled and is now the most rapidly growing demographic group in rural and small-town America. By 2000, half of all nonmetro Hispanics lived outside traditional settlement areas of the Southwest. Many Hispanics in counties that have experienced rapid Hispanic growth are recent U.S. arrivals with relatively low education levels, weak English proficiency, and undocumented status. This recent settlement has increased the visibility of Hispanics in many new regions of rural America whose population has long been dominated by non-Hispanic Whites. Yet, within smaller geographic areas, the level of residential separation between them increased—the two groups became less evenly distributed—during the 1990s, especially in rapidly growing counties. Hispanic settlement patterns warrant attention by policymakers because they affect the well-being of both Hispanics and rural communities. ERS will focus future research attention on the effects of increased Hispanic migration effects on the demand for public services such as schooling, health care, and housing in rural areas.

Education as a rural development strategy. The *No Child Left Behind Act of 2002* created a new era of increased school accountability to ensure that our public schools adequately prepare students for the increasingly high-skill "new economy" in which we now live. However, rural schools and communities present a distinct set of challenges to education reform. Of particular concern are the effects of reforms in those rural areas with poorly funded public schools, low educational attainment, and high levels of economic distress. Findings from a conference sponsored by ERS and the Southern Rural Development Center will be published as special issues of two academic journals, the *Review of Regional Studies* and the *Journal of Research in Rural Education*. Research findings will focus on achievement in rural schools; rural communities, schools, and at-risk populations; schools and local community impacts; and education and the rural labor market. In addition, ERS and Clemson University faculty will continue a collaborative research effort focused on the effects of school quality on individual outcomes such as achievement, attainment, earnings, and identification of major factors that contribute to local development efforts.

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Enhance Protection and Safety of the Nation's Agriculture and Food Supply

Research and analysis will contribute to enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs designed to protect consumers from unsafe food. Examples will include:

- Conduct food safety economics research with the goal of providing a science-based approach to valuing food safety risk reduction, to assessing industry costs of food safety practices, and to understanding the interrelated roles of government policy and market incentives in enhancing food safety.
- Provide the public and decision-makers with food safety and biosecurity information through publications, web materials, and briefings that address several economic aspects of food safety, including consumer knowledge and behavior, industry practices, the relationship between international trade and food safety, and government policies and regulations.
- Work with Federal food safety agency partners to evaluate available foodborne illness data related to meat, poultry, and egg products and to develop more accurate measures of the effectiveness of regulatory strategies in reducing preventable foodborne illness.
- Conduct research on consumer awareness of and attitudes toward food safety risks in order to support education and outreach efforts and to improve understanding of the consumer benefits of various regulatory actions.
- Expand research, modeling, and data sources that aid in analyzing emerging, potentially high-risk threats to public food safety and U.S. agriculture.
- Develop research to better understand the economics of trade and invasive species. In particular, how do polices that reduce risk of exposure to new pests through trade restrictions affect commodity prices and U.S. trade?
- Integrate information from biological, epidemiological, and other sciences into economic models to develop credible and concrete bioeconomic risk assessments that will help public agencies allocate resources among programs that exclude, monitor, and control invasive species.
- Provide assessments of policies designed to exclude, monitor, and control invasive pests with regard to the economic efficiency of different prevention and control strategies for invasive species management.

Future research and analysis will build on the past successes to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy and decision makers. These activities, based on the objectives of USDA Strategic Goal 3, will include:

Updating societal costs of foodborne illness. ERS has become well-known for pioneering estimates of the societal costs associated with foodborne illnesses due to *E. coli*, Salmonella, and other known pathogens. During FY 2003, ERS released the web-based foodborne illness cost calculator (the Calculator), which allows users to choose a pathogen of interest, the number of cases and severity of illnesses, and from among several alternative methodologies employed by economists for calculating societal costs. The Calculator has homeland security applications for assessing costs of potential outbreaks due to intentional acts as well as natural occurrences. The Calculator allows users to view and evaluate ERS's own recently updated cost-of-illness estimates for Salmonella. Updated estimates for *E. coli* have been developed by ERS during FY 2004, and will be peer-reviewed and added to the Calculator in Spring 2005. The new estimates will capture the impacts of enhanced food safety management technologies employed in the meat and poultry industry.

The economics of performance standards for food safety. A continuing debate centers on the appropriate role for performance versus process standards in managing food safety. Economists typically argue that performance standards are preferable because they allow flexibility in choosing production methods, which encourage efficiency and innovation. ERS has launched a project that analyzes conceptual and practical issues in setting and applying performance standards in the meat and poultry industry, such as benefits and costs of alternative indicators of performance, where to apply standards along the production/supply chain, and how improved pathogen testing technologies affect the design and implementation of performance standards. ERS is collaborating on the research with the Food Safety and Inspection Service, universities, and Resources for the Future. A synthesis report will be released in 2005.

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Valuation methods for measuring benefits of improving food safety. This project applies state-of-the-art valuation methodologies to measure the benefits of improved food safety. Two web-based surveys, both reviewed by the Office of Management and Budget in FY 2004, will be administered in 2005 to panels of consumers. One survey uses contingent valuation to assess responses to different information about risk levels, severity, duration, and mortality rates. The other uses a market-based method, measuring how consumers change food intake in response to risk information. The surveys are being conducted by University of Wyoming and Harvard University through cooperative agreements with ERS.

Improve the Nation's Nutrition and Health

Research and analysis will contribute to enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues relating to the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away from home, food prices, nutrition assistance programs, nutrition education, and food industry structure. Such understanding underpins the capacity to ensure equitable access to a wide variety of high-quality, affordable food. Examples will include:

- Provide economic analysis of the food marketing system to understand factors affecting the availability and affordability of food for American consumers.
- Provide enhanced annual estimates of the quantity of food available for human consumption and measures of disappearance and loss in the food system.
- Provide economic analysis of how people make food choices, including demands for more healthful, nutritious, and safer food; and of the determinants of those choices, including prices, income, education, and socio-economic characteristics.
- Conduct analysis of the benefits and costs of policies to change behavior to improve diet and health, including nutrition education, labeling, advertising, and regulation.
- Conduct evaluation and economic analysis of the impacts of the Nation's domestic food and nutrition assistance programs, including the Food Stamp Program; the Special Supplemental Nutrition Program for Women, Infants, and Children; the School Lunch Program; and the Child Nutrition Programs.
- Evaluate the dietary and nutritional outcomes of USDA's food and nutrition assistance programs.
- Conduct research on food program targeting and delivery to gauge the success of programs aimed at needy and at-risk population groups, and to identify program gaps and overlaps
- Conduct research on program dynamics and administration, focusing on how program needs change with local labor market conditions, economic growth and recession, and how changing State welfare programs interact with food and nutrition programs.

Future research and analysis will build on the successes of past performance, such as the examples cited above, to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy and decision makers. These activities, based on the objectives of USDA Strategic Goal 4, will include:

Food stamp program local office practices. The Food Stamp Program (FSP) caseload declined dramatically in the late 1990s, a period characterized by an unusually strong economy and by enactment of major changes in public assistance by the welfare reform legislation of 1996. To better answer the broad question of what factors influence FSP participation, ERS has been examining the role of local food stamp office policies and practices. Surveys of nationally representative samples of local FSP office administrators, as well as low-income applicants and eligible nonparticipating households, were conducted in 2000-2001. Some descriptive data have been released, and a final report detailing the findings will be published by fall of 2005.

Expert review panel examines food security measurement. In the 1990s, a Federal interagency working group developed a food security survey module to measure conditions and behaviors in U.S. households that face challenges in putting enough food on the table. A substantial body of survey data has been collected and used to conduct research on food security and hunger. Objectives of the Food and Nutrition Service's 2000-2005 Strategic Plan make use of food security statistics. At this 10-year anniversary of the inception of food security measurement, this project provides ERS with support for a National Academy of Sciences panel to review the conceptualization and methods for measuring food security for monitoring, evaluation, and related research purposes.

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Food assistance and nutrition research program. Through FANRP, ERS conducts studies and evaluations of the Nation's food and nutrition assistance programs. FANRP research is designed to meet the critical needs of USDA, Congress, program managers, policy officials, USDA program clients, the research community, and the public at large, concerning the design and effectiveness of food and nutrition assistance programs, diet quality, and nutrition education. FANRP research is conducted internally at ERS and through a portfolio of external research. Through partnerships with other agencies and organizations, FANRP is enhancing national surveys by adding a food and nutrition assistance dimension. FANRP's long-term research themes are dietary and nutritional outcomes, food and nutrition program targeting and delivery, and program dynamics and administration.

Strengthening the data infrastructure to understand food consumption and health outcomes in America. Food consumption-related responsibilities are shared by several USDA mission areas and encompass food assistance, nutrition guidelines and education, food safety, market promotion, and market information. Food consumption data is essential to effective program management and assessment of program outcomes and effectiveness, yet few resources are devoted to consumption data collection, development, or management. ERS has sponsored an assessment by the National Research Council's Committee on National Statistics of statistical approaches to strengthening USDA's food consumption data infrastructure. The panel held a workshop in May 2004, and will issue a workshop report in early FY 2005. A full deliberative study may follow. With an increased appropriation in FY 2005, ERS will develop and implement the Flexible Consumer Behavior Survey Module, a comprehensive data module focused on consumer behavior -- particularly dietary knowledge and attitudes, and awareness of diet-health relationships. The goal is to combine this behavioral module with the National Health and Nutrition Examination Survey (NHANES), managed by the National Center on Health Statistics, in order to link data on knowledge and attitudes with data on food intake, dietary status, and health outcomes. Ultimately, research based on the integrated data will inform the development of public strategies to improve the healthfulness of American diets and to reduce the prevalence of obesity.

Obesity and Nutrient Consumption. Existing research on the economic causes of the prevalence of obesity cites technological changes that have led to reduced food prices as well as reduction in calories expended through either work or leisure activities. Although studies develop comprehensive models that incorporate potential explanations from both sides of the energy balance equation (i.e. weight gain = calories in – calories out), none address the type and amount of foods that are consumed as a likely cause. USDA statistics show a remarkable rise in the total amount of calories consumed from refined grains (carbohydrates), a nutrient typically associated with obesity. Why do individuals consume more of a particular nutrient than is required to maintain health?

Protect and Enhance the Nation's Agricultural Resource Base and Environment

Research and analysis will contribute to enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to development of Federal farm, natural resource, and rural policies and programs to protect and maintain the environment while improving agricultural competitiveness and economic growth. Examples will include:

- Provide assessments of policies designed to exclude, monitor, and control invasive pests with regard to the economic efficiency of different prevention and control strategies for invasive species on public lands.
- Characterize changes in land management and shifts in agricultural land use—particularly the movement of land into and out of crop production—and the economic and environmental effects of these changes, including impacts on carbon sequestration, soil erosion, biodiversity, and nutrient management. Determine what economic and policy factors have prompted shifts between crop production and other land uses.
- Provide an assessment of the extent and spread of contracting and other structural change in production agriculture and outline the basic economics underlying why farmers and processors have made these changes. Summarize evidence on the environmental and economic effects of contracting and highlight emerging policy issues created by expanded contract use and structural change, including impacts on animal waste management.

Future research and analysis will build on the successes of past performance, such as the examples cited above, to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy and decision makers. These activities, based on the objectives of USDA Strategic Goal 5, will include:

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Program of Research on the Economics of Invasive Species Management (PREISM). The Program of Research on the Economics of Invasive Species Management (PREISM) funded 12 multi-year agreements through a peer-reviewed, competitive process with $1.5 million in FY 2003 and with $1.1 in FY 2004. Recipients of PREISM FY 2003 funding participated in a workshop to share their initial research findings with staff from ERS, APHIS, and other Federal agencies that manage invasive species. The program priority research areas, which were identified by ERS, in consultation with USDA's Animal and Plant Health Inspection Service and other USDA agencies and offices with programs related to invasive species, cover: the economics of trade and invasive species; bio-economic risk assessments; implications of alternative approaches to invasive pest exclusion, surveillance, and management; and decision tools for invasive species management.

Integrating USDA surveys to evaluate conservation programs: This ambitious project involves a joint effort between ERS, the National Agricultural Statistics Service, and the Natural Resources Conservation Service to integrate two major surveys based on different sampling frames. Once the integration is achieved, USDA will have a greatly improved capability to analyze the implications of USDA conservation programs, in addition to improving the cost-effectiveness of the departmental surveys and reducing respondent burden. For the Conservation Effects Assessment Project (CEAP), a National Resource Inventory-based conservation practice survey was designed to assist NRCS evaluate the environmental benefits of conservation programs funded through the 2002 Farm Bill. The Agricultural Resource Management Survey (ARMS) is a multiphased, field/farm-based survey used to support the ERS and NASS environmental and economic statistics programs. ERS researchers are contributing their expertise to developing a joint ARMS/CEAP questionnaire, which will be used in a 2004 pilot survey of wheat farms. The current plan calls for expanding the ARMS/CEAP integration process to the whole sample.

Conservation policy on working lands. The Farm Security and Rural Investment Act of 2002 redresses the past imbalance in USDA conservation programs toward land retirement, by providing a major increase in funds to promote stewardship on working lands. An ERS research project is identifying issues in the design of working land policies and the potential economic and environmental impacts of alternative designs. It also considers how the findings could apply to the implementation of the Environmental Quality Incentive Program, the prominent working land program to date, and the newly introduced Conservation Security program, the first-ever entitlement agri-environmental program. These two programs pursue similar environmental goals, but they differ in terms of eligibility, payment base, and incentive structure.

ERS supports the USDA Food Quality Protection Act activities and Integrated Pest Management and Related Programs crosscut through its research on how economic issues affect farmers' choices among alternative pest management practices and technologies. ERS supports the Invasive Non-Native Species crosscut by providing improved economic assessments of the risks posed by non-native weeds.

ERS supports the USDA Biotechnology Coordinating Council and interdepartmental efforts with the Food and Drug Administration and the Environmental Protection Agency in the USDA Biotechnology crosscut through research addressing both product impacts for farmers and industry behavior and potential impacts from industry concentration in this area. Research and related data collection efforts are designed to capture this rapidly emerging and turbulent technological change.

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Summary of Budget and Performance
Key Performance Outcomes and Measures

The long-term key performance outcome across USDA and agency goal areas is the successful execution of the ERS program of economic research and analysis to provide policymakers, regulators, program mangers, and those shaping the public debate on agricultural economic issues with timely, relevant, and high-quality economic research, analysis, and data to enhance their understanding of economic issues affecting food and agriculture. A general discussion of performance measurement follows.

Use of the Research and Development Investment Criteria at ERS
ERS research and management practices use many methods to apply the research and development investment criteria. These practices are designed to ensure that the direction of agency research activities reflects current and anticipated needs of ERS stakeholders and customers, that research and analysis produced by the agency adheres to disciplinary standards to ensure the highest possible quality, and that the agency's research products are delivered in a way that is accessible to customers.

The agency's budget decisions are also informed by an annual review of the Research, Education, and Economics mission area portfolio by the National Agricultural Research, Extension, Education, and Economics (NAREEE) Advisory Board (the Board). As required by statue, the Board conducts the portfolio review with regard to its relevance to priorities and adequacy of funding and considering funding allocation across research programs, as well as needed increases. The recommendations in the Board's spring 2004 report provided useful input to the REE mission area and ERS FY 2006 budget process.

Principal practices to ensure research quality
ERS staff publishes research and analysis in a variety of outlets such as research monographs, ERS periodicals, journals, and presentations outside ERS. For all products, the overriding objective is high-quality economic analysis and communication of findings. Review and clearance is a collaborative process that begins with defining the questions and hypotheses to be investigated and selecting the appropriate methodologies. Official review and clearance guidelines are designed to ensure high-quality analysis.

All products must meet disciplinary standards for quality and must receive substantive peer reviews by qualified experts who have the background, perspective, and technical competency to provide a meaningful assessment of the research design and findings. Reviewers are composed of a mix of individuals outside the author's immediate work unit and at least one from outside the agency. In addition, publications that involve other Federal programs must be reviewed by researchers/analysts from the relevant program agency.

ERS economic research and analysis includes two extramural research programs, the Food Assistance and Nutrition Research Program (FANRP), and the Program of Research on the Economics of Invasive Species Management (PREISM). FANRP's competitive grants and cooperative agreements fund research on strengthening economic incentives in food assistance programs; food assistance as a safety net; and obesity, diet quality, and health outcomes. PREISM examines the economic issues related to managing invasive pests in increasingly global agricultural markets. The ERS program focuses on national decision-making concerning invasive species of agricultural significance affecting, or affected by, USDA programs. Both programs are publicly announced and competitively awarded through the use of external peer review panels.

Economist and social scientist positions at ERS are subject to regular review under the Economic Position Classification System (EPCS) process. EPCS is a peer review process that examines the accomplishments of individual economists and social scientists to ensure their positions are classified properly. EPCS is based on the "impact of the person on the job" concept, which recognizes the fact that what a person does and how he or she does it can in fact alter the very nature of the job.

Principal practices to ensure research relevance
ERS interacts with stakeholders and customers in many ways to ensure that the research agenda focuses on topics relevant to public and private decision-makers. One example of such interaction centers on involving stakeholders in discussions of potential research issues relevant to a given area. ERS regularly convenes workshops, stakeholder sessions, or other meetings in which the results of recent agency research are discussed, upcoming policy issues are

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identified, and questions for future research are explored. In this way, interaction with stakeholders and customers helps sharpen the agency's research focus to better anticipate future needs for public and private decision-makers. Another method to ensure relevance of agency research and analysis centers on ERS strategic planning processes. Strategic planning processes at ERS involve discussions with stakeholders on retrospective assessment of research accomplishments and agency impact, identification of key policy areas for potential future impact, and establishing research program priorities. The NAREEE Advisory Board portfolio review with regard to relevancy and adequacy of funding also informs the formulation of the research agenda.

In addition to efforts to ensure the relevance of long-term research, ERS also asks customers to assess the relevance of staff analysis provided in response to policy or analytical questions posed directly to ERS by USDA or other government officials. ERS uses a short questionnaire to sample customers of staff analysis to gather feedback from them about relevance, usefulness, timeliness, and accessibility of the product delivered. The instrument provides valuable insight into the relevance of information from ERS in informing decisions by key policymakers.
The ERS magazine, *Amber Waves*, relates ERS research to current events in a way that highlights its usefulness and relevance. In 2004, the National Association of Government Communicators (NAGC) recognized *Amber Waves* as the best national magazine published by a Federal, State, or local government. NAGC sponsors an annual competition, the Blue Pencil (print) and Gold Screen (electronic) Awards, recognizing excellence in written, filmed, audio/videotaped, published, and photographed government information products. In a tough competition judged by experts in the communications field, *Amber Waves* received a first place award in its first year of publication.

Principal practices to assess performance: key performance measures
ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved.

Identifying external impacts of ERS research
An important indicator of a high-performing research institution is evidence of use of research findings among the agency's targeted customer base. Information about project impacts describes the major external uses or effects that can be traced to the project. Users of ERS research findings may discover valuable insights relevant to their needs, or may find their thinking on a topic stimulated in new ways. In short, impact information can help provide an indication of the effect that our research has on informing decision-makers. Examples of impacts show that the results of ERS research are either being adopted in the broader policy community, stimulating or informing related research outside of USDA, informing thinking and debate by others in the issue area, or otherwise contributing to better-informed discussion of agricultural policy issues.

Web analytics
The ERS website is the principal method for dissemination of research results, analysis, and data to agency customers in the public and private sectors. As such, it provides a vital link for communicating the results of research with external groups, providing access to agency data and analysis tools, and serving as a gateway to ERS experts. Website statistics, therefore, provide an important element of a broad effort to measure program activities. Currently, ERS uses web server log file analysis to provide a broad range of indicators on the effectiveness of the website in communicating ERS research and analysis. These include website visits, search terms, popular products, and external links to the site. In addition, ERS is supplementing this rich data source with a more comprehensive approach to web metrics. The analysis is organized around several key objectives for the website: reach, relevance, packaging, access and collaboration, quality, and operations. These website objectives are rooted in the mission of the agency and provide a link to indicate the effectiveness of the website in enabling the agency's mission. For each objective, ERS is developing a set of indicators designed to measure how well the website is contributing to these objectives in support of the ERS mission. Specific measurement instruments include:

- ERS asks a sample of website visitors to rate their satisfaction with the website. The survey, based on the American Customer Service Index, provides an indication of customer satisfaction with the relevance, quality, and performance of the website.
- The relevance of ERS research and analysis to external customers can be gauged by relating website statistics with specific, high-profile external events, such as the U.S. case of bovine spongiform encephalopathy, the discovery of soybean rust in the United States, hurricane damage to vegetable crops in Florida, etc. In this way, the relevance of ERS materials to public and private decisionmakers can be

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inferred as demand from external groups and can be shown to increase dramatically along with specific events that precipitate a need for information and understanding of an issue by decisionmakers.

- Performance and quality can be assessed through a set of website statistics to indicate web operations and effectiveness.

Process efficiencies

Another example of ERS program performance is the implementation of process efficiencies that streamline internal work functions and improve customer service. ERS continues to release more data and improved interactive databases via the ERS website. These products allow user-customized reporting for several of the databases. These data releases meet many important goals in support of the ERS mission and improved efficiency in program management. These include better achievement of the agency's mission, and key outcome, of informing and enhancing public and private decision-making on economic and policy issues related to agriculture, food, the environment, and rural development; improvement in customer service by increasing the ease and accessibility by ERS customers to data underlying the Economic Research and Analysis program; achievement of better program administration through more efficient use and sharing of data within ERS; delivery of data in accessible formats to allow ERS customers to manipulate data in a variety of electronic formats; and greater transparency of data sources to increase understanding of how data sources are used in ERS research and analysis.

Timeliness of staff analysis

Another example of ERS program performance is indication of response time for meeting requests from external customers for tailored information and analysis. ERS provides a broad range of data and research materials for public and private decision-makers to use in their analysis of economic issues affecting the food and agricultural sector. Throughout the year, policy officials from USDA agencies or outside of the department request that ERS provide analysis regarding a specific question of interest to the requestor. Such questions, referred to as staff analysis, provide policymakers with assessments relevant to their particular questions, and are typically requested on the basis of a quick turnaround. A measure of agency efficiency, and responsiveness to such customers, is the timeliness with which responses are provided to the customer. Over the last five years, ERS staff analysis has met predetermined deadlines for over 90 percent of all such requests. Target performance for FY 2006 is to complete 95 percent of staff analysis requests within pre-established deadlines.

Key Performance Target

Performance Measure: Requested analysis delivered by deadline	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Percent	94	94	95	94	95	96

Influence of the R&D investment criteria on management and budget decisions

The sections above summarize principal agency practices to ensure that the agency's management practices adhere to high standards of relevance, quality, and performance. This section summarizes the influence of the R&D investment criteria on management decisions and on formulation of the proposed budget initiative for FY 2006.

Interaction of agency management and economists with customers and stakeholders as part of strategic planning activities is one method used to ensure the relevance of ERS research. Through such activities, customers and stakeholders provide their judgment on the usefulness and applicability of ERS research and analysis to their needs for policy analysis or decision-making. Such interaction provides the opportunity to determine the degree of relevance of various programs of work to such key outside groups. Information and insight obtained is then used by agency management to refine the scope and direction of the ERS program of economic research and analysis. Interaction with stakeholders is used to help set research priorities for the FANRP and PREISM extramural research programs. In FY 2004, ERS management used information and insight from stakeholders and customers to refine core research areas to further enhance the relevance of agency research. As a result, to better reflect the needs for relevant research and analysis by agency customers, research activities in some areas were augmented either through hiring or the transfer of individuals. In other areas, the emphasis of agency resources was diminished or more moderately adjusted.

As noted above, several practices are used to ensure that agency research is produced to meet the highest disciplinary standards of quality. Peer review practices for agency research products provide an assessment of the adherence of ERS research to disciplinary standards. As such, peer reviews result in validation of research

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activities, highlight areas for modest revision, or provide direction for substantive clarifications, whether of findings or methods.

Research funding for the FANRP and PREISM programs use a merit-based process to allocate extramural research funds. The funds are allocated through use of external review panel assessment of research proposals. This process ensures that the highest standards of research quality are used to make judgments about allocation of extramural research funds.

Another method that is used to ensure high quality research is produced at ERS is the regular review of individual research positions. Through this process, research positions are reviewed to assess the impact of the individual on the job. Each year, through the reviews, a portion of all social scientist positions is assessed. All positions are reviewed at a maximum five-year interval. The result of the assessment is a determination of whether the contribution of the individual to the position since the prior review merits a change in the grade level classification of the position. Summary statistics of the review outcomes show that over time, the majority of positions tend to remain in the same grade, while the remainder is subject to promotion.

Several sources of information are used to make management decisions about the performance of the agency research program. Website statistics provide a wealth of information about the type of research that is being accessed over the Internet, along with general information about customer categories. Customers of agency staff analysis are sampled to obtain their assessment of the relevance, quality, and accessibility of ERS responses to their requests for analysis. Information on external impacts of agency research provides insight into how agency research is used by external customers. Data about the type of material and the method of delivery (print, web, staff analysis, etc.) are assessed to understand which elements contribute best to agency effectiveness. Insight obtained from analyzing such data is used to design new or improved communication and dissemination strategies and to refine the relevance of the research program activities. In FY 2004, for example, ERS launched *The Weekly Digest*, a weekly information service for top USDA officials to help them link ERS research to today's issues.

The budget proposal for FY 2006 includes $5.8 million for the Consumer Data, Marketing Surveillance, and Behavioral Research Initiative. This initiative will develop a Food Market Surveillance System and a Rapid Consumer Response Module to provide timely consumer information on a wide variety of economic and social phenomenon.

The proposed budget initiative was developed to strengthen the relevance, quality, and timeliness of ERS work. The initiative reflects customer priorities that were identified through consultation with stakeholders and in agency strategic planning activities. The initiative was developed out of a recognition that such data would contribute to the USDA and REE strategic goal 4: Improving the Nation's Nutrition and Health. The proposed budget initiative would meet stakeholder and customer goals for enhancing further the relevance of agency research by significantly expanding USDA's Consumer Data and Information System. This data and information would increase the quality and timeliness of research and analysis on economic issues affecting the nutrition and health of the U.S. population. These factors include insight related to food choices, consumption patterns at and away-from-home, food prices, food assistance programs, nutrition education, and food industry structure, all of which are issues of concern to public and private decision-makers alike.

ERS Performance Management Framework

Central to effective performance by ERS is successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to enhancing economic opportunities for agricultural producers. Effective performance of economic research and analysis can be assessed through an integrated suite of measures designed to provide an indication of different aspects of program performance. The key challenge for providing an overall assessment of research program performance is to integrate the measures in a way that, taken together, can provide a comprehensive view of program performance.

The framework for assessing the performance of the ERS economic research and analysis program centers on adherence to the R&D Investment Criteria principles of relevance, quality, and performance (described below). Agency assessment practices described above provide a broad framework for assessing success in achieving these criteria. The degree of success can be further assessed through application of a quantitative performance assessment

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tool that considers factors key to successful research, based on relevance, quality, and performance. The tool consists of a multi-category performance indicator to establish a point score across the categories. A key component of evaluating agency performance in these areas will be program evaluations conducted by outside review panels. Panels will assess relevance, quality, and performance of agency programs based on the assessment criteria discussed above and which are summarized below. These criteria, taken together, will provide an indication of agency performance. Both the panel reviews and the quantitative performance assessment process will be introduced in FY 2005.

ERS Performance Management Framework and the R&D Investment Criteria

Criteria	Assessment criteria	Supporting materials
Relevance	--Relevance of program objectives to national policy and customer needs through contribution of research to policy discussions --Identification of emerging issues through ERS research and analysis --Stakeholder and customer feedback/assessment of the usefulness, relevance, and accessibility of ERS research and analysis -- NAREEE portfolio review of relevance of REE programs to priorities	--Examples of external impacts of ERS research --Documentation of program plans, goals, and priorities --Feedback from staff analysis customers --Refinement of ERS core research area --Summary of interactions with stakeholders and customers --NAREEE assessments
Quality	--Research is peer-reviewed to ensure adherence to disciplinary standards --Competitive, merit-based process is used to allocate extramural research funds --Research positions are regularly reviewed to assess the impact of individual on the job --Cooperative research agreements promote and facilitate partnerships in support of research of mutual benefit to each party	--Agency peer review processes --Processes for awarding extramural research funds for the FANRP and PREISM initiatives --EPCS directives, guidelines, and summary statistics --Agreements, reports, and outcomes from collaboration with cooperators
Performance	--ERS material is available to and accessed by a larger number of public and private sector users seeking economic data and analysis --Efforts to gain efficiencies through internal process improvements --Effective dissemination of research and analysis in support of the agency mission --Staff analysis provides timely, useful, and high-quality information and analysis for policy officials	--Research program output indicators --Metrics to describe the reach, relevance, quality, and performance of ERS web dissemination --Website customer satisfaction --Project plans and milestones for process improvement activities --Feedback from website customers through online survey --Turnaround time for staff analysis requests

Goal 1: Enhance Economic Opportunities for Agricultural Producers
Key Outcome: Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues affecting the U.S. food and agriculture sector's competitiveness, including factors related to performance, structure, risk and uncertainty, marketing, and market and nonmarket trade barriers.

Key Performance Measures: ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved. Key performance measures include: identifying external impacts of ERS research, web analytics, process efficiencies, and timeliness of staff analysis. The performance assessment framework, consisting of outside panel reviews and the application of a quantitative assessment tool, will be introduced in FY 2005.

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Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Dollars	$20,948,072	$22,763,150	$25,736,361	$36,209,566	$35,773,000	$36,206,000
Units	N/A	N/A	N/A	Successful	Successful	Successful

To meet this goal, ERS will identify key economic issues relating to the competitiveness of U.S. agriculture; use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs and the effects of changing macroeconomic and market conditions on U.S. competitiveness; and effectively communicate research results to policymakers, program managers, and those shaping the public debate regarding U.S. agricultural competitiveness.

Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America
Key Outcome: Enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues affecting rural development, including factors related to farm finances and investments in rural people, businesses and communities, and of economic issues relating to the performance of all sizes of American farms.

Key Performance Measures: ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved. Key performance measures include: identifying external impacts of ERS research, web analytics, process efficiencies, and timeliness of staff analysis. The performance assessment framework, consisting of outside panel reviews and the application of a quantitative assessment tool, will be introduced in FY 2005.

Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Dollars	$13,082,761	$14,062,879	$14,249,049	$8,587,249	$8,426,000	$8,528,000
Units	N/A	N/A	N/A	Successful	Successful	Successful

ERS will identify key economic issues related to rural economic development and farm viability; use sound analytical techniques to understand the immediate and broader economic and social consequences of how alternative policies and programs and changing market conditions affect rural and farm economies; and effectively communicate research results to policymakers, program managers, and those shaping the public debate on rural economic conditions and performance of all sizes and types of farms.

Goal 3: Enhance Protection and Safety of the Nation's Agricultural and Food Supply
Key Outcome: Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs designed to protect consumers from unsafe food.

Key Performance Measures: ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved. Key performance measures include: identifying external impacts of ERS research, web analytics, process efficiencies, and timeliness of staff analysis. The performance assessment framework, consisting of outside panel reviews and the application of a quantitative assessment tool, will be introduced in FY 2005

Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Dollars	$3,817,341	$3,929,187	$3,981,205	$3,576,175	$3,743,000	$3,777,000
Units	N/A	N/A	N/A	Successful	Successful	Successful

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To meet this performance goal, ERS will identify key economic issues related to protecting consumers from unsafe food and to protecting the food supply from contamination; use sound analytical techniques to understand the immediate and long-term efficiency, efficacy, and equity consequences of alternative policies and programs aimed at ensuring a safe food supply; and effectively communicate research results to policymakers, program managers, and those shaping efforts to protect consumers from unsafe food.

Goal 4: Improve the Nation's Nutrition and Health
Key Outcome: Enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues relating to the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away from home, food prices, nutrition assistance programs, nutrition education, and food industry structure. Such understanding underpins the capacity to ensure equitable access to a wide variety of high-quality, affordable food.

Key Performance Measures: ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved. Key performance measures include: identifying external impacts of ERS research, web analytics, process efficiencies, and timeliness of staff analysis. The performance assessment framework, consisting of outside panel reviews and the application of a quantitative assessment tool, will be introduced in FY 2005.

Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Dollars	$15,460,997	$13,598,040	$9,626,228	$11,726,678	$15,424,000	$21,327,000
Units	N/A	N/A	N/A	Successful	Successful	Successful

To meet this performance goal, ERS will identify key economic issues affecting food prices and food consumption patterns; use sound analytical techniques to understand the immediate and broader economic and social consequences of the changing structure of the food industry and of policies and programs aimed at ensuring consumers equitable access to affordable food and to promote healthful food consumption choices; and effectively communicate research results to policymakers, program managers, and those shaping the public debate regarding healthful and nutritious diets.

Goal 5: Protect and Enhance the Nation's Agricultural Resource Base and Environment
Key Outcome: Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to development of Federal farm, natural resource, and rural policies and programs to protect and maintain the environment while improving agricultural competitiveness and economic growth.

Key Performance Measures: ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved. Key performance measures include: identifying external impacts of ERS research, web analytics, process efficiencies, and timeliness of staff analysis. The performance assessment framework, consisting of outside panel reviews and the application of a quantitative assessment tool, will be introduced in FY 2005.

Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Dollars	$12,327,661	$12,679,334	$14,826,902	$10,730,370	$10,804,000	$10,911,000
Units	N/A	N/A	N/A	Successful	Successful	Successful

To meet this goal, ERS will identify key economic issues related to the interactions among natural resources, environmental quality, and the agriculture production system; use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs to protect and enhance environmental quality associated with agriculture; and effectively communicate research results to policymakers, program managers, and those shaping public debate regarding agricultural resource use and environmental quality.

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Full Cost by the Secretary's Strategic Objectives

Strategic Objective 1.1: Expand International Marketing Opportunities.

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	13,958	15,584	15,584
	Pay Costs			329
	Indirect Costs	8,170	6,364	6,364
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.*			
	Effective performance of ecoocmic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 1.1			
	Total Costs (program, direct, and indirect)	22,128	21,948	22,277
	FTEs	192	196	196

Strategic Objective 1.2: Support International Economic Development and Trade Capacity Building

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	1,289	1,313	1,313
	Pay Costs			29
	Indirect Costs	723	682	682
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.*			
	Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 1.2			
	Total Costs (program, direct, and indirect)	2,012	1,995	2,024
	FTEs	17	18	18

Strategic Objective 1.3: Develop Alternative Markets for Agricultural Products and Activities.

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	1,289	1,313	1,313
	Pay Costs			29
	Indirect Costs	723	682	682
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.*			
	Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 1.3			
	Total Costs (program, direct, and indirect)	2,012	1,995	2,024
	FTEs	17	18	18

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

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	1,959	1,814	1,814
	Pay Costs			46
	Agricultural Resource Management Survey	6,450	6,450	6,450
	Data	500	500	500
	Indirect Costs	1,149	1,071	1,071
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 1.4			
	Total Costs (program, direct, and indirect)	10,058	9,835	9,881
	FTEs	27	27	27

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

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	3,018	3,015	3,015
	Pay Costs			51
	Indirect Costs	1,276	1,198	1,198
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 2.1			
	Total Costs (program, direct, and indirect)	4,294	4,213	4,264
	FTEs	30	30	30

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

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	3,018	3,015	3,015
	Pay Costs			51
	Indirect Costs	1,276	1,198	1,198
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 2.2			
	Total Costs (program, direct, and indirect)	4,294	4,213	4,264
	FTEs	30	31	31

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Strategic Objective 3.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry and Egg Products in the United States.

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	656	875	875
	Pay Costs			21
	Administrative Costs (direct)	122	110	110
	Contracts and Agreements	100	52	52
	Indirect Costs	468	442	442
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 3.1			
	Total Costs (program, direct, and indirect)	1,346	1,479	1,500
	FTEs	11	12	12

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

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	362	590	590
	Pay Costs			13
	Administrative Costs (direct)	236	210	210
	Contracts and Agreements	1,377	1,253	1,253
	Indirect Costs	255	211	211
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 3.2			
	Total Costs (program, direct, and indirect)	2,230	2,264	2,277
	FTEs	7	8	8

Strategic Objective 4.1: Improve Access to Nutrition Food.

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	2,074	2,135	2,135
	Pay Costs			31
	Indirect Costs	511	511	511
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 4.1			
	Total Costs (program, direct, and indirect)	2,585	2,646	2,677
	FTEs	17	18	18

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Strategic Objective 4.2: Promote Healthier Eating Habits and Lifestyles.

PROGRAM	PROGRAM ITEMS	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Economic Research and Analysis				
	Salaries and Expenses	3,364	3,451	4,051
	Pay Costs			41
	Data Acquisition		3,500	8,118
	Research Contracts and Agreements			600
	Indirect Costs	979	979	979
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 4.2			
	Total Costs (program, direct, and indirect)	4,343	7,930	13,789
	FTEs	23	25	29

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

PROGRAM	PROGRAM ITEMS	0 ($000)	0 ($000)	0 ($000)
Economic Research and Analysis				
	Salaries and Expenses	500	500	500
	Pay Costs			13
	Administrative Costs (direct)	134	167	167
	Research Contracts and Agreements	3,653	3,700	3,700
	Indirect Costs	511	481	481
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 4.3			
	Total Costs (program, direct, and indirect)	4,798	4,848	4,861
	FTEs	7	8	8

Strategic Objective 5.2: Improve Management of Private Lands.

PROGRAM	PROGRAM ITEMS	0 ($000)	0 ($000)	0 ($000)
Economic Research and Analysis				
	Salaries and Expenses	8,134	8,208	8,208
	Pay Costs			107
	Indirect Costs	2,596	2,596	2,596
	Performance measure: Successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate of economic issues related to the goal and that reflects the substance of related policy principles explicated in *Food and Agricultural Policy: Taking Stock for the New Century.* Effective performance of economic research and analysis can be indicated through the application of a quantitative performance measurement tool that considers factors key to successful research, including the Research and Development Investment Criteria of relevance, quality and performance. The ERS economic research and analysis will be evaluated for success in achieving these criteria using a multi-category quantitative performance assessment tool that assigns a point score related to application of the criteria to program activities.			
	Total for Strategic Objective 5.2			
	Total Costs (program, direct, and indirect)	10,730	10,804	10,911
	FTEs	61	64	64
	Total for Economic Research and Analysis			
	Total Costs (program, direct, and indirect)	70,830	74,170	80,749
	FTEs	439	455	459

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ECONOMIC RESEARCH SERVICE

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

Salaries and Expenses:

For necessary expenses of the Economic Research Service in conducting economic research and analysis, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, [74,768,000] $80,749,000.

ECONOMIC RESEARCH SERVICE

SALARIES AND EXPENSES

Appropriations Act, 2005		$74,768,000
Budget Estimate, 2006		80,749,000
Increase in Appropriation		5,981,000
Adjustments in 2005:		
Appropriations Act, 2005	$74,768,000	
Rescission under P.L. 108-447 a/	-598,000	
Adjusted Base for 2005		$74,170,000
Budget Estimate, 2006		80,749,000
Increase over adjusted 2005		6,579,000

a/ The amount is rescinded pursuant to Division J, Title 1, Sec. 122(a) of P.L. 108-447

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Consumer Data and Information System	$3,500,000	-	$5,818,000	$9,318,000
Homeland Security	$1,000,000	-	-	1,000,000
All Other	$69,670,000	$761,000	-	70,431,000
Total Available	74,170,000	761,000	5,818,000	80,749,000

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PROJECT STATEMENT
(On basis of appropriation)

	2004 Actual		2005 Estimated			2006 Estimated	
	Amount	Staff Years	Amount	Staff-Years	Increase or Decrease	Amount	Staff-Years
Economic Analysis and Research	$69,830,038	439	$73,170,000	455	$6,579,000	$79,749,000	459
Homeland Security	1,000,000		1,000,000		-	1,000,000	
Unobligated Balance	150,690		-		-	-	
Total, Available or Estimate	70,980,728	439	74,170,000	455	6,579,000	80,749,000	459
Rescission	421,272 a/		598,000 b/				
Total, Appropriation	71,402,000	439	74,768,000				

a/ Rescission pursuant to Section 168 (b) of Division H of P.L. 108-199.
b/ Rescission pursuant to Division J, Title 1, Sec. 122(a) of P.L. 108-447.

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Justification of Increases and Decreases

(1) An increase of $6,579,000 for economic analysis and research ($74,170,000 available in 2004) consisting of:

(a) An increase of $5,818,000 and 4 staff years to fund a Consumer Data, Marketing Surveillance, and Behavioral Research Initiative

Overview: This initiative will continue the development of the Consumer Data and Information System (CDIS). CDIS will be an integrated and comprehensive data and analysis framework of the food system beyond the farm-gate that will provide a basis for understanding, monitoring, tracking, and identifying changes in the food supply and consumption patterns. The FY 2005 appropriation provided funds for implementing one element of the system, the Flexible Consumer Behavior Survey Module (FCBSM). The FCBSM complements data from the National Health and Nutrition Examination Survey (NHANES) and will provide information needed to assess linkages between individuals' knowledge and attitudes about dietary guidance and food safety, their food-choice decisions, and their nutrient intakes. Combining the NHANES with this new module allows analysis of how individual attitudes and knowledge and healthful eating affect food choices, dietary status, and health outcomes.

The remaining components of the system are nationally representative consumer and retail surveys of food prices, retails sales, consumption and purchases of food for at-home and away-from-home eating, as well as additional data on consumer behavior, reactions, attitudes, knowledge, and awareness. This information system will provide market surveillance and insights into price changes, market demand, and consumer reactions to unforeseen events and disruptions such as the recent discovery of bovine spongiform encephalopathy (BSE). In addition, the data and analysis framework will provide intelligence on diets, knowledge and information levels and health status, help policymakers respond to current events, and provide information to trace commodity flows within the food system. Such understanding will provide a basis for ensuring that consumers enjoy a low-cost, safe, secure, and nutritious food supply, as well as will enhance their health and productivity, and will enable farmers to better understand and respond to diverse and ever-changing food markets.

Background: The proposed initiative targets collecting data and providing information to use in discussions of food and agricultural policy. The CDIS will improve and enhance the Department's knowledge of:

- Consumer responses to price changes, health and food safety concerns, new products, biotechnology, and other events such as the discovery of bovine spongiform encephalopathy (BSE).
- Consumption patterns, such as who is eating what foods, when, where, why, and how much.
- Relationships between food choices and adverse health outcomes, such as obesity and overweight, with emphasis on minority populations.

The Nation's food system touches the lives of everyone. America's consumers bear the ultimate effects of any acts, intentional or otherwise, that impact the food system. Potential threats to the nation's food supply through the intentional introduction of infectious agents, such as anthrax, foot and mouth disease, and other biological and chemical agents into human or livestock populations have been underscored. Disruption of the agricultural sector can cause profound effects on society, such as food shortages, rises in food prices, unemployment, illnesses and even deaths. A widespread-epidemic, or any outbreak that triggers the imposition or relaxation of trade restrictions, could result in significant supply changes in the affected plant or animal materials on domestic and

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international markets. Identifying consumers most likely affected and understanding their reactions is critical to successful management of an accidental or intentional introduction of contaminants.

Understanding consumer behavior is a black box. Relatively little is known about who adequately is eating what foods, when, where, why, and how much. Similarly, little is known about the impacts of food choices on adverse health outcomes, especially in minority populations. The response of consumers to price changes, health scares, new products, biotechnology, and other events and potential future situations is not often clear. Understanding these responses and issues requires an investment today. A nationally representative rapid response data and analysis system would enhance basic knowledge and build future capability that will guide policy solutions in the security, food, agriculture, health, and consumer arena.

Consumption, behavior, and consumer reaction and opinion data, as well as research are needed to better understand the determinants of food choices, including the influence of market events, policy interventions, and nutrition information. Such data and information will help the Department identify and develop consistent strategies for food producers, marketers, and consumers. Integrating policy across the entire food system can be effective in enhancing the Nation's food security and safety system, improving the Department's management and response to unforeseen events and disruptions, enhancing the nutritional literacy of the population, improving knowledge of the *Dietary Guidelines for Americans* and encouraging its use, improving the health status of the population, and lowering health care costs.

The Department currently monitors the production of food commodities at the farm level and food consumption at the individual level. However, there is no consensus on how to trace food commodities from the farm-gate to the dinner plate--through the production, manufacturing, and distribution systems to specific foods purchased at the store or at restaurants and eaten by individuals. Considerable investment is needed to consistently link these different levels of food production, preparation, marketing, and consumption. This linkage is vital for evaluating the impact of alternative agricultural research activities on food choices and nutrient intake as well as the impact of food choices on commercial agriculture.

Changing demographic patterns in the United States and other countries, rising incomes, and differing preferences for food safety and quality in the world are reshaping global food markets. Consequently, the initiative will seek to identify the economic, safety, physiological, and cultural factors that determine food choices. Biotechnology and information technology can promote cost reduction throughout the supply chain and facilitate product differentiation according to consumer tastes and preferences. At the same time, industrial reorganization may endanger competition, with possible harm to farmers. Business strategies and public policies that promote competition in farm and food markets will also be identified.

Research Activities and Specific Issues: Beginning in FY 2006, ERS requires an increase of $5.818 million in its annual funding to fully implement the CDIS. This information system has three unfunded components that will provide intelligence on the linkages across and within the food and agricultural complex:

$3.618 Million for a Food Market Surveillance System: This level of funding is required to initiate and support an integrated set of surveys and analysis concentrating on retail channels and final consumption patterns. The Food Market Surveillance System (FMSS) would consist of an integrated set of surveys and supporting analysis concentrating on linkages in food and agriculture beyond the farm-gate. The creation of this post harvest FMSS would be the foundation of a research and monitoring program designed to provide timely price, purchase, and sales data, identify food consumption patterns of consumers and how these change as people age, households change, new products are introduced, and new information is acquired; identify and develop consistent strategies to promote and implement the Dietary Guidelines for Americans; better

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understand the market dynamics of food safety and other consumer health issues; understand links between foods, physical activity and health outcomes; quickly survey consumers about new issues or developments; and measure and identify strategies for managing food losses and waste.

Another component of the FMSS will provide a basis for understanding, monitoring, tracking, and identifying changes in food-away-from-home consumption patterns, and how the marketing and distribution system influences food consumption. This data will fill a major gap in the Department's food monitoring network. The Department currently monitors commodity production at the farm level and food intake at the individual level. However, there is no consensus on how to trace raw agricultural commodities through the food production, manufacturing, and distribution systems to foods purchased at the store or at restaurants and to foods eaten by individuals. Investment is needed to consistently link these different levels of the food production, marketing, and consumer system. This linkage is vital for evaluating the effect of alternative agricultural research activities on food choices and nutrient intake, as well as of food choices on commercial agricultural.

$1.0 Million for a Rapid Consumer Response Module: This level of funding is required for development and execution of a Rapid Consumer Response Module (RCRM). This module would be integrated into several proprietary consumer data panels currently maintained by private vendors such as A. C. Nielsen, National Purchases Diary (NPD), and Information Resources, Inc. The RCRM would provide real-time information on consumer reactions to unforeseen events and disruptions, current market events, and government policies. Consumer reactions would be linked to actual food purchases, sales, consumption, and price information. For example, the module could be executed to gather information on consumer reactions to the recent discovery of bovine spongiform encephalopathy (BSE) in the United States and Canada. Measuring potential consumer reaction is valuable for understanding the effects of potential policy actions, such as trade restrictions.

$0.6 Million for Additional Research Staff: Funding is needed to support 4 additional staff (economists, survey designers, statisticians, and nutritionists and contractor support if needed) to ensure the successful design and implementation of the CDIS. The funding increase is also required to cover the direct costs of activities to assure adequate survey response rates: promotion and outreach initiatives for the surveys, training for survey interviewers to improve their understanding of the survey instrument, the uses of data, and methods to elicit cooperation from the survey participants. Finally, the additional funding will allow ERS to develop and implement, using contractor assistance, a web-based data dissemination program to make survey data more readily available and easily accessible to data users.

$0.6 Million for Extramural Behavioral Research: Funding is need to develop and support a behavioral economic research program to help identify and develop consistent strategies at the food marketing and consumer levels to accelerate the movement towards the Dietary Guidelines and enhance the effectiveness of the Nation's food security system. A program of competitive research grants will be established to encourage public-private partnerships that foster the integration of behavioral and human nutrition research for identifying, designing, delivering and communicating nutrition messages that motivate consumer changes towards more healthful diets.

Human nutrition research identifies the critical components of a healthy diet. Behavioral economic research identifies important determinants of individuals' food choices. Integrating these research efforts can be an effective tool for improving the nutrient content of the nation's food supply, improving the access of low-income consumers to nutritious food, enhancing the nutritional literacy of the population, expediting the movement towards the Dietary Guidelines, improving the health status of the population, and lowering health care costs.

Relationships to USDA and REE Goals and Objectives: The initiative contributes to the USDA and REE Strategic Goal 4: Improving the Nation's Nutrition and Health. The proposed budget

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initiative would significantly expand USDA's CDIS and increase the quality and timeliness of research and information on economic issues affecting the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away-from-home, food prices, food assistance programs, nutrition education, and food industry structure.

Relationship to ERS's Current Program: The budget request is fully consistent with ERS's mission to inform and enhance public and private decision-making on economic and policy issues related to agriculture, food, natural resources, and rural development. In particular, the initiative contributes to achieving ERS's Strategic Goal 4, which centers on enhanced understanding of economic issues relating to the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away-from-home, food prices, nutrition assistance programs, nutrition education, and food industry structure.

(b) **An increase of $761,000 to fund pay costs.**
This increase is necessary to maintain the current ERS program and to avoid a reduction in the university cooperative agreements programs. Cooperative agreements are critical for building links between university and ERS research and for strengthening USDA land-grant partnerships.

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ECONOMIC RESEARCH SERVICE

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004 Actual		2005 Estimated		2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$ 25,000	-	-	-	-	-
Alaska	25,000					
Arizona	215,000					
Arkansas	30,000	-	-	-	-	-
California	435,000	-	-	-	-	-
Colorado	500,000	-	-	-	-	-
District of Columbia	64,429,038	439	$ 74,170,000	455	$ 80,749,000	459
Florida	40,000	-	-	-	-	-
Hawaii	23,000	-	-	-	-	-
Illinois	397,000	-	-	-	-	-
Indiana	351,000	-	-	-	-	-
Iowa	209,000	-	-	-	-	-
Kansas	10,000	-	-	-	-	-
Louisiana	18,000	-	-	-	-	-
Maryland	913,000	-	-	-	-	-
Massachusetts	256,000	-	-	-	-	-
Michigan	203,000	-	-	-	-	-
Minnesota	313,000	-	-	-	-	-
Mississippi	189,000	-	-	-	-	-
Missouri	14,000	-	-	-	-	-
Montana	238,000	-	-	-	-	-
New Mexico	20,000	-	-	-	-	-
New Jersey	233,000	-	-	-	-	-
New York	179,000	-	-	-	-	-
North Carolina	18,000	-	-	-	-	-
Ohio	65,000	-	-	-	-	-
Oregon	43,000	-	-	-	-	-
Pennsylvania	60,000	-	-	-	-	-
Rhode Island	245,000					
Tennessee	145,000	-	-	-	-	-
Texas	191,000	-	-	-	-	-
Utah	5,000					
Vermont	20,000					
Virginia	297,000	-	-	-	-	-
Washington	25,000	-	-	-	-	-
Wisconsin	195,000	-	-	-	-	-
Wyoming	256,000	-	-	-	-	-
Subtotal, Available or Estimate	70,830,038	439	74,170,000	455	80,749,000	459
Unobligated balance	150,690	-	-	-	-	-
Total, Available or Estimate	70,980,728	439	74,170,000	455	80,749,000	459

Note: The distribution of 2005 and 2006 funds by State has not been determined at this time.

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ECONOMIC RESEARCH SERVICE

Classification by Objects
2004 Actual and Estimated 2005 and 2006

		2004	2005	2006
Personnel Compensation:				
Washington, D.C.				
11	Total personnel compensation	$38,626,295	$40,418,000	$41,676,000
12	Personnel benefits	7,992,618	8,392,000	8,710,000
13	Benefits for former personnel	14,700	11,000	11,000
	Total pers. comp. & benefits	46,633,613	48,821,000	50,397,000
Other Objects:				
21	Travel	732,393	750,000	750,000
22	Transportation of things	10,859	11,000	11,000
23.3	Communications, utilities, and miscellaneous charges	609,109	639,000	650,000
24	Printing and reproduction	224,296	250,000	250,000
25.2	Other services	2,355,615	5,856,000	10,248,000
25.3	Purchases of goods and services from Government accounts	10,555,915	9,100,000	9,100,000
25.4	Operation and maintenance of facilities	331,035	330,000	330,000
25.5	Research and development contracts and agreements	5,258,908	5,273,000	5,273,000
25.7	Operation and maintenance of equipment	283,399	300,000	300,000
25.8	Subsistence and support of persons	38,559	40,000	40,000
26	Supplies and materials	920,303	500,000	500,000
31	Equipment	1,534,710	1,100,000	1,100,000
41	Grants	1,316,266	1,200,000	1,800,000
42	Insurance claims and indemnities	25,000	0	0
43	Interest	58	0	0
	Total other objects	24,196,425	25,349,000	30,352,000
Total direct obligations		70,830,038	74,170,000	80,749,000
Position Data:				
Average Salary, ES positions		$145,600	$149,422	$151,103
Average Salary, GS positions		$87,053	$89,339	$90,344
Average Grade, GS positions		13.0	13.0	13.0

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ECONOMIC RESEARCH SERVICE

STATUS OF PROGRAM

Economic Research and Analysis Program

Enhance Economic Opportunities for Agricultural Producers
Current Activities:
Being competitive in the global economy means being able to create and sustain comparative advantages consistent with resource endowments and technical capabilities. The ERS program assesses policies and programs intended to break down trade barriers in order to capitalize on comparative advantage, and identifies and analyzes market structure and technological developments that affect efficiency and profitability. Research and analysis related to facilitating risk management by farmers and ranchers, and fostering economic growth and trade capacity building in developing countries, round out the diverse range of issues that enhance economic opportunities for agricultural producers. In this way, ERS activities provide a foundation of research, analysis, and data to support USDA goals.

On an ongoing basis, ERS develops and disseminates research and analysis on the U.S. food and agriculture sector's competitiveness. Key emphasis areas include issues relating to the World Trade Organization (WTO) and regional trade agreements; domestic policy reforms; the structure and performance of agricultural commodity markets; the sector's economic and financial structure; performance and viability of the farm sector and different types of farms; the state of global food security; and technological innovation. For example, ERS created an agricultural biotechnology patent database that will provide answers to some basic questions about innovations in this area, such as who is patenting and licensing what technologies. This research will help policymakers assess significant issues relating to innovation and to the potential effects of concentration on research and market power in the agricultural inputs industry.

ERS also monitors the structure and performance of the food marketing system, (food manufacturing, food wholesaling, food retailing, and food service); both as to how efficiently the system performs its role and, in the consumer-driven agricultural economy, how effectively it conveys market signals from consumers. Examples of current work in this food marketing area include: (a) research examining the characteristics and operating costs of supermarkets in low-income areas in comparison with those in higher income areas, including the empirical relationship between store characteristics and operating costs; and (b) an examination of current developments in supply chain initiatives in the grocery industry and an assessment of their impacts.

Selected Examples of Recent Progress:
Assessment of Agricultural Policy. ERS assesses the effects of farm policy on the food and agricultural sector. ERS led the development of analytical studies that responded to requests for USDA studies in the 2002 Farm Act. For example, the USDA report, *Economic Effects of U.S. Dairy Policy and Alternative Approaches to Milk Pricing*, provides a comprehensive assessment of the effects of current U.S. dairy programs that takes into account the ongoing structural change in consumer demand, farm structure, and the processing industry. Other reports on specific commodities where the 2002 Farm Act changed programs include *Policy Change and Adjustment in the U.S. Peanut Sector* and *Trends in the U.S. Sheep Industry*.

ERS research on agricultural policy extends beyond individual commodities and contributes to understanding the links between agricultural policy, the diverse set of U.S. agricultural producers, and the rural communities in which they live. A new briefing room on the ERS website, *Farm Policy, Farm Households, and the Rural Economy*, brings together research findings on the broad effects of policies and explores policy alternatives and adjustments associated with various alternatives. In May 2004, ERS and the National Center for Food and Agricultural Policy jointly organized a workshop that explored the wide

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range of policy effects on farm households and rural America, *Agricultural Policy Links to Farm Households and the Rural Economy.*

Market Analysis and Outlook. ERS continues to work closely with the World Agricultural Outlook Board (WAOB) and USDA agencies to provide short and long-term projections of U.S. and world agricultural production, consumption, and trade. Several initiatives have increased the accessibility, timeliness, and breadth of the data and analysis. ERS launched a new, dynamic feature that offers the latest outlook information, data, and links through a central location on the ERS website. In addition, USDA's agricultural baseline projections are now released as soon as the components are completed.

Global Markets for High-Value Foods. ERS research on high-value product markets have produced initial findings that lay the foundation to support future research into understanding the complex trade patterns for these products. The report, *International Evidence on Food Consumption Patterns*, provides statistical evidence of global food consumption patterns across levels of income and products. The report's findings quantify the degree to which the demand for high-value products increases with income, and also their relative sensitivity to price changes across income groups. Among high-value products, trade in fruits and vegetables has increased rapidly in recent years in response to consumer demand for fresh products and variety. Analysis of trade flows in the report, *Global Trade Patterns in Fruits and Vegetables*, documents the importance of regional markets centered on Europe, Asia, and the Western Hemisphere, as well as the growth in exports from Southern Hemisphere countries in juices and off-season fresh fruits.

WTO and Regional Trade Agreement Negotiations. ERS research findings on the level of global agricultural tariffs and the relative impact of different components of the WTO Agreement on Agriculture that were presented in reports published in 2001 (*Profiles of Tariffs in Global Agricultural Markets* and *The Road Ahead: Agricultural Policy Reform in the WTO*), continue to be used by policymakers in speeches and cited by key agricultural stakeholders in their analysis of the benefits of further trade liberalization through WTO negotiations in the Doha Development Agenda. In March 2004, ERS released a comprehensive analysis of the economic effects of the Free Trade Agreement of the Americas. In addition to published reports, ERS continues to provide economic analysis of specific issues related to both the WTO and several regional trade agreements directly to agricultural trade negotiators at the Foreign Agricultural Service and the Office of the U.S. Trade Representative.

Agricultural Biotechnology Patent Database. In summer 2004, ERS released a web-based database of agricultural biotechnology intellectual property, which provides an unprecedented compilation of information to inform research on agricultural R&D and intellectual property. For over 11,000 U.S. utility patents issued between 1976 and 2000, the database includes detailed patent ownership histories that allow users to compare R&D across sectors (U.S. and non-U.S., private, nonprofit, public) and to track patent ownership through an extremely active period of industry mergers and acquisitions in the 1990s. Patents are also categorized into over 60 technology classes and subclasses. In addition, the database includes information on over 7,000 U.S. plant patents and on nonpatent intellectual property such as plant variety protection certificates and regulatory release approvals.

The private sector now accounts for a greater share of investment in agricultural R&D than the public sector, especially in the area of biotechnology. Preliminary analysis of the database shows that patenting in agricultural biotechnology has outpaced the overall upward trend in U.S. patents. In each of nine technology classes, the number of patents issued has increased sharply in recent years. The largest number of U.S. agricultural biotechnology patents belongs to Commercial firms. Database ownership information shows that concentration in ownership of agricultural biotechnology patents has increased since 1995, a result that is clear only after accounting for industry mergers and acquisitions.

Increasing Access to Agricultural Resource Management Survey. The Agricultural Resource Management Survey (ARMS), USDA's annual national survey of farms, is the primary source of information about the financial condition, production practices, use of resources, and economic well-being of America's farmers and farm households. This year, ERS and NASS developed and released an interactive web-based system

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with multi-tiered security to enhance the public's ability to access, understand, and use the ARMS data, while protecting the confidentiality of the data contributors. The tool targets researchers in cooperative relationships with ERS, but has the potential to expand to other users, including the general public, with further security, performance and scalability enhancements. The system provides two types of data access: a basic tabulation tool and a set of advanced tools for multivariate analysis. Access to the system is governed by the newly implemented USDA eAuthentication procedures.

A wide range of data are available in the ARMS, including information on farm and operator household financial management, crop production practices, commodity costs of production, as well as new information for the 15 major agricultural States. ARMS is a powerful data source for direct answers to key questions from USDA policy officials, Congress, and other decisionmakers within and outside the Federal Government about the differential impacts of alternative policies and programs across the farm sector and among farm families.

U.S. Fresh Produce Markets: Marketing Channels, Trade Practices, and Retail Pricing Behavior. Retail consolidation, technological change in production and marketing, and changing consumer demand have altered the traditional market relationships between producers, wholesalers, and retailers. Increasingly, produce suppliers are asked to provide additional marketing services and incentives in exchange for volume purchases and other commitments by buyers. This study synthesized the results from a multiphase project that examined the dynamics of produce marketing, the produce shipper-retailer relationship, and how changes in the produce market affect the relative market influence of producers, retailers, and consumers.

The Effect of Information on Consumer Demand for Biotech Foods: Evidence from Experimental Auctions. When a food item might be genetically modified (GM) and divergent information about risks and benefits exists, do U.S. consumers value information provided by the label? How is consumer willingness to pay for GM and standard-labeled food items impacted by the divergent information? This study addressed these questions by designing and conducting an experimental auction to elicit consumers' willingness to pay for GM-labeled and standard-labeled foods under different information regimes. The evidence gathered for vegetable oil, tortilla chips, and potatoes show that labels do matter. In particular, under all information treatments, consumers discounted, on average, by 14 percent food items labeled GM. While gender, income, and other demographic characteristics appear to have only a slight impact on consumer willingness to pay for GM foods, information from interested parties and third-party (independent) sources are found to have strong impacts.

Estimating the Public Value of Conflicting Information: The Case of Genetically Modified Foods. Much controversy has been associated with the introduction of GM foods. One important controversy relates to tolerance levels -- the impurity rate that is tolerated before a commodity must be labeled as GM. Currently, the United States has not defined a specific tolerance or threshold level for GM foods. This paper uses data from experimental auctions to test whether consumers prefer non-GM foods with zero, 1-percent, or 5-percent tolerance levels for genetically modified material. We conclude that consumers would pay less for food that tolerates GM material, but the discount is not significantly different for foods with 1-percent and 5-percent GM content.

Support Increased Economic Opportunities and Improved Quality of Life in Rural America
Current Activities:
ERS research explores how investments in rural people, business, and communities affect the capacity of rural economies to prosper in the new and changing global marketplace. The agency analyzes how demographic trends, employment opportunities and job training, Federal policies, and public investment in infrastructure and technology enhance economic opportunity and quality of life for rural Americans. Equally important is our commitment to help enhance the quality of life for the Nation's small farmers who are increasingly dependent on these rural economies for their employment and economic support.

ERS continues to monitor changing economic and demographic trends in rural America, with particular attention to the implications of these changes for the employment, education, income, and housing patterns

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of low-income rural populations. ERS uses the most up-to-date information on current conditions and trends affecting rural areas and provides a factual base for rural development program initiatives. The rural development process is complex and sensitive to a wide range of factors that, to a large extent, are unique to each rural community. Nonetheless, ERS assesses general approaches to development to determine when, where, and under what circumstances rural development strategies will be most successful.

Selected Examples of Recent Progress:

Understanding Rural Diversity. The economies of individual rural areas differ, as do their resources and the opportunities and challenges they face. ERS recently released a new county classification (typology) that captures the broad economic and social diversity among rural areas. These typologies are widely used by policy analysts and public officials to determine eligibility for and the effectiveness of Federal programs to assist rural America. The new typology identifies six discrete economic types of nonmetro counties based on the primary economic activity of the county—farming, manufacturing, mining, service, Federal/State government, and other. The typology also identifies seven county types that distinguish important policy themes, including persistent poverty, persistent population loss, housing stress, retirement destination, recreation, low education, and low employment. The ERS county typology, along with newly revised Rural-Urban Continuum Codes and the Urban Influence Codes, underlie the development of Federal policies and programs designed to enhance the capacity of rural residents, their communities, and their businesses to prosper. These typologies will form the basis for an analytical study to assess the determinants and consequences of diversity in rural America.

Measurement, Determinants, and Consequences of Poverty. An ERS study examines the effects of major changes in demographic and economic conditions as well as government policy on rural poverty during the 1990s. During this period, welfare reform simultaneously scaled back the social safety net and increased the incentives towards achieving self-sufficiency for the poor. Also during the 1990s, the rural population grew and both the U.S. and rural economies experienced one of the longest periods of economic expansion. These factors had important implications for changing poverty rates in rural areas. Throughout the history of recording poverty rates, the incidence of rural poverty has been consistently higher than urban poverty. This analysis provides empirical support for the argument that poverty-reduction programs and policies need to include components to target nonmetro areas, and that different policies may be appropriate for different areas. Policies focused on mitigating extreme poverty and providing on-the-job training may be of more value in metro areas, while policies focused on supplemental income assistance for the elderly and disabled may be more effective in nonmetro areas.

Income, Wealth, and the Economic Well-Being of Farm Households. Agricultural policy is rooted in the notion, dating from the 1930s, that providing transfers of money to the farm sector translates into increased economic well-being of farm families. ERS analysis shows that neither change in income for the farm sector nor for any particular group of farm business can be presumed to reflect changes confronting farm households. Farm households draw income from various sources, including off-farm work, other businesses operated and, increasingly, nonfarm investments. Similarly, focus on a single indicator of well-being, such as income, overlooks other indicators such as the wealth held by the household and the level of consumption expenditures for health care, food, housing, and other items. Using an expanded definition of economic well-being, ERS finds that farm households as a whole are better off than the average U.S. household, but that 6 percent remain economically disadvantaged.

Rural Development Strategic Planning and Performance Indicators. USDA's Rural Development (RD) mission area operates a variety of programs designed to help improve the economy and quality of life in rural areas. RD administers financial programs to support essential public facilities and services, such as water and sewer systems and housing; business loan programs to promote local economic development; and technical assistance programs to help rural areas undertake community empowerment programs. ERS provides assistance useful for program planning and evaluation. For example, ERS continues to work with RD staff to define indicators of program success and to identify appropriate data sources to measure performance outcomes and outputs. In 2003, ERS developed a web-based mapping utility used by Rural Business-Cooperative Service (RBS) field staff to determine eligibility for RBS loan programs. ERS

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advised the RD Under Secretary and senior staff on the effects of changes in the Office of Management and Budget definition of nonmetropolitan and metropolitan areas for RD program eligibility. Also, ERS conducted a regulatory impact analysis of a proposed rule to charge an annual fee on loans made under the Business and Industry Loan Guarantee Program.

Enhance Protection and Safety of the Nation's Agricultural and Food Supply
Current Activities:
ERS food safety research focuses on enhancing methodologies for valuing societal benefits associated with reducing food safety risks, understanding consumer willingness to pay for safer food, assessing industry incentives to enhance food safety through new technologies and supply chain linkages, and evaluating regulatory options and change. ERS is working with economists at the Food Safety and Inspection Service to answer certain practical economic questions that arise in the design and implementation of food safety performance standards for meat and poultry.

The Geo-Spatial Economic Analysis (GSEA) team builds on earlier ERS homeland security programs (SAS-USA) and on ERS's economic, data, and geographic information systems (GIS) capabilities to analyze the economic effects of enhanced security and the potential impacts of accidental or intentional problems in the Nation's agricultural and food sectors. Analysis conducted by the GSEA team uses current data and information about the U.S. agricultural and food systems, including resource use, production, processing, distribution, and consumption, which is enhanced by GIS. To prepare for a wide range of analytical requests and to accomplish the specific analysis across a range of businesses in the food and agriculture sectors, GSEA uses a broad database of agricultural production and food industry business information. The database facilitates timely staff analysis, situation and outlook activities, and long-term research and analysis. The information system data allows ERS to perform complex and difficult analyses that support policy decisions made within the Department, as well as to conduct basic research about economic relationships within the U.S. agricultural and food sectors.

ERS research is designed to support food safety decisionmaking in the public sector and to enhance the efficiency and effectiveness of public food safety policies and programs. The program focuses on valuing the societal benefits of reducing and preventing illnesses caused by microbial pathogens; assessing the costs of alternative food safety policies; studying industry's incentives, through private market forces and government regulation to adopt food safety innovations; and analyzing consumer demand for food safety and the roles of consumer information, attitudes, and behaviors.

Selected Examples of Recent Progress:
Traceability. Food traceability is a salient issue in discussions ranging from homeland security, food safety, country-of-origin labeling, and genetically engineered foods. In March 2004, ERS released a widely cited study that examined the use of traceability in the U.S. food system. The study explored the private and public sector rationale for adapting traceability schemes and provided details of how food firms and the government sector are using traceability systems to meet consumer needs. The findings indicate that mandatory traceability—possibly a one-size-fits-all regulation—can be costly (since firms already trace many food attributes) and that other approaches may be better targeted toward enhancing traceback for food safety. If mandatory systems fail to allow for variations in traceability systems, they will likely end up forcing firms to make adjustments to already efficient systems or to create parallel systems.

HACCP, Food Safety Technologies, and Food Safety Performance. In May 2004, ERS released the results of a nationally representative survey of meat and poultry slaughter and processing plants, designed to collect data on the costs of implementing Hazard Analysis and Critical Control Point (HACCP) requirements and firms' post-HACCP investments in food safety technologies. Continuing research involves linking the new survey data with plant food safety performance data to (1) examine technology effectiveness, e.g. by linking the data to *Salmonella* and HACCP performance data; and (2) create a baseline technology level which could be used to develop an index of food safety. The index may then be linked to food safety performance data to study how changes in technology lead to changes in food safety performance.

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Food Safety and International Trade. Food safety and international trade are increasingly intertwined as new food safety challenges have emerged and as trade has expanded and changed to meet global demand. In November 2003, ERS released a study that examined the conceptual relationships between food safety and international trade, and analyzed empirical examples from the meat and poultry, produce, food crop, and seafood sectors.

Geo-Spatial Economic Analysis Team (formerly known as SAS-USA)
In FY 2004, the ERS GSEA team developed a standalone information system for the USDA- Homeland Security Office to provide spatially oriented economic and production information during emergencies. The user system interface can be used without the participation of ERS experts. The GSEA information system is used to depict the U.S. agriculture/food supply chain, using a description based on existing databases that are spatially enhanced to the sub-county level. GSEA uses economic modeling to connect the various components of the agriculture/food supply chain and to describe its upstream and downstream linkages with other economic sectors (e.g., energy, chemical, etc.), as well as to U.S. food consumers and to international markets.

Improve the Nation's Nutrition and Health
Current Activities:
ERS studies the relationships between the many factors that influence food choices, eating habits, and outcomes. The roles of income, aging, race and ethnicity, household structure, diet and health knowledge, and nutritional information are of particular interest. Obesity—including understanding its costs to individuals and society, how income and knowledge affect obesity status, and considering private versus public roles in reducing obesity—is an important focus of the current ERS program.

Through the Food Assistance and Nutrition Research Program (FANRP), and working closely with the Food and Nutrition Service, ERS conducts studies and evaluations of the Nation's food and nutrition assistance programs. FANRP research is designed to meet the critical information needs of USDA, Congress, program managers, policy officials, clients, the research community, and the public at large. FANRP research is conducted internally at ERS and through a portfolio of external research. Through partnerships with other agencies and organizations, FANRP also enhances national surveys by adding a nutrition and food assistance dimension. The program's long-term research themes are dietary and nutritional outcomes, food program targeting and delivery, and program dynamics and administration.

The program provides policymakers, regulators, program managers, and those shaping public debate with timely and high-quality analysis and data to enhance the understanding of economic issues affecting the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns, food prices, food security, food assistance programs, nutrition education, and the structure of the food industry. Such understanding underpins the capacity to understand and react to issues surrounding obesity, homeland security, and the ability of the food system to respond to consumer demands in a timely, effective manner.

Selected Examples of recent Progress:
Women, Infant's and Children (WIC) and the Supermarket Retail Prices for Infant Formula. Rebates from infant formula manufacturers to State WIC agencies support over one-quarter of all WIC participants. However, concerns have been raised that WIC and its infant formula rebate program may significantly affect the infant formula prices faced by non-WIC consumers. ERS conducted the most comprehensive national study to date of infant formula prices at the retail level. For a given set of wholesale prices, WIC and its infant formula rebate program resulted in modest increases in the supermarket price of infant formula, especially in States with a high percentage of WIC formula-fed infants. This work from FY 2004 extends an earlier ERS Report to Congress that examined infant formula prices and availability. Research is continuing on factors that affect the wholesale prices established by infant formula manufacturers.

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Understanding the Nation's Nutrition Assistance Programs. Several important studies were completed in FY 2003 and FY 2004 that provide policymakers, program agencies, and others with information to improve the USDA nutrition assistance programs. Research on program dynamics and administration resulted in a report that examined changes over time in families' income and Food Stamp Program (FSP) participation, finding that monthly incomes of participating households vary substantially less than incomes of eligible nonparticipating households, many of whom experience a short-term drop in income. Another report on program administration examined such outcomes as staff workload, client access, and quality control errors following the experiences of four States that adopted FSP options made available in the 2002 Farm Act. To improve the usefulness and cost-effectiveness of research on nutrition assistance programs, a set of reports was completed on data-development proposals that examined the possibility of linking various databases, including administrative databases of program participants.

Another major theme in the agency's research portfolio is examination of various outcomes of government assistance programs. One study measured the effect of food stamps on children's overall well-being, based on various poverty measures. Another examined the labor market impacts of the "welfare-to-work" provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Research on changes in food insecurity conditions over time for a set of families with children resulted in the first longitudinal analysis of food insecurity and hunger, finding that families who were food insecure and receiving food stamps were more likely to remain food insecure if they left the FSP. ERS also continued to publish successive issues of *The Food Assistance Landscape*, a semi-annual periodical that highlights information and research on USDA's food assistance efforts.

Economics of Obesity. The United States has experienced rapid growth in overweight and obesity since the mid-1970s, raising national concerns about the health and well-being of affected individuals. In April 2003, ERS hosted a workshop with top health economists from around the Nation, designed to take stock of the current state of research on the economic causes and consequences of obesity. Topics included the role of technological change in explaining both the long- and short-term trends in obesity; the role of maternal employment in child obesity; the impact of obesity on wages and health insurance; behavioral economics as applied to obesity; and the challenges in measuring energy intakes and physical activity. The workshop also discussed policy implications and future directions for obesity research. In May 2004, ERS published a comprehensive, non-technical synthesis of the workshop, *The Economics of Obesity: A Report on the Workshop Held at USDA's Economic Research Service*.

Understanding America's Food Choices. Combating obesity will require better knowledge of why people make the food choices they do. A number of projects were completed that enhance understanding of food choices and of potential policy interventions designed to influence them. In FY 2004, ERS published *Low-Income Households' Expenditures on Fruits and Vegetables*, which examined how spending by low-income households would change if they received marginal amounts of additional income. In FY 2004, ERS also completed a study of how a hypothetical tax on consumption of salty snacks would affect calorie intake and tax revenues.

Protect and Enhance the Nation's Agricultural Resource Base and Environment
Current Activities:
ERS is expanding its research program on invasive species that affect livestock and crop production and programs to control them. This activity contributes to Departmental efforts to prevent or control invasive species. An important concern is reducing the economic risks of invasive species to U.S. agriculture, while preserving economic gains from trade and travel. ERS and the Animal and Plant Health Inspection Service created an Invasive Species Working Group to suggest how economic analyses can better contribute to pest risk assessments and control decisions by both the public and private sectors. ERS continues to evaluate the research being produced through its external grants program.

One important aspect of the Farm Bill is the shift in emphasis in conservation support from land retirement to conserving while farming the land. Recognizing this shift, ERS has launched a research project to examine the two primary working lands programs – the Environmental Quality Incentives Program (EQIP)

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and the new Conservation Security Program (CSP) – individually and in combination. That project will fill a large gap in the knowledge base relating to the implications of the myriad decisions necessary to design a working lands program. Many decisions needed to implement current working land programs have yet to be made or may be revisited over the next few years. Importantly, this project will focus on coordination between EQIP and CSP, an issue that has yet to be addressed in research or in the policy process.

In addition, ERS is continuing to contribute to the Department's efforts to improve the science behind Federal water quality and air quality regulations and programs. As part of its analysis of environmental regulations and conservation incentive policies, ERS is evaluating the coordination of policies to achieve multiple goals from agricultural operations. ERS is continuing to explore the benefits of coordinating environmental quality policies across different media (e.g., air and water) when pollutants originate from the same source (e.g., confined animal feeding operations). ERS research continues to provide insights into the development of policies for controlling non-point source pollution.

Selected Examples of Recent Progress:

Invasive Species. ERS research on invasive species focuses on informing USDA decisionmakers about the economic effects of alternative policies and programs. An analysis of soybean rust in FY 2004, *Economic and Policy Implications of Wind-Borne Entry of Asian Soybean Rust into the United States*, examined how the economic impacts of the potential establishment of an invasive species – soybean rust – would depend on the timing, location, spread, and severity of rust infestation and on how soybean and other crop producers, livestock producers, and consumers of agricultural commodities respond to this new pathogen. This report provided decisionmakers with timely research and analysis in light of the discovery of soybean rust in the United States later in 2004.

Conservation Reserve Program (CRP). Anecdotal evidence suggests the USDA Conservation Reserve Program (CRP), a land retirement program established in 1986, has negatively affected some rural communities. For a Congressionally-mandated study, ERS statistically evaluated county socioeconomic trends before and after CRP was implemented and found the aggregate impacts of the CRP on rural communities to have been limited. The ERS report found that high CRP enrollment did not significantly affect rural population trends. Furthermore, while CRP enrollment was associated with some loss of jobs in rural counties between 1986 and 1992, this negative relationship did not persist throughout the 1990s. ERS found no statistically significant evidence that CRP participation encourages absentee ownership, or that CRP participation affected local government services or tax burdens in a systematic way. ERS research also indicated that the CRP's effects on wildlife and water quality led to an increase in expenditures on outdoor recreation of as much as $300 million per year.

Environmental Compliance. ERS released a report on USDA compliance mechanisms, *Environmental Compliance in Agriculture: Past Performance and Future Potential*. Since 1985, U.S. agricultural producers have been required to practice soil conservation on highly erodible cropland and conserve wetlands as a condition of farm program eligibility. Evidence suggests that these compliance mechanisms – Conservation Compliance, Sodbuster, and Swampbuster – have helped reduce soil erosion and preserve wetlands. Extending compliance to nutrient management in crop production could yield additional environmental gains.

Regulations for Land Application of Manure from Confined Animal Feeding Operations. ERS served an important role in the design of recent EPA water quality regulations for confined animal feeding operations. As a result of ERS analysis of the cost-effectiveness of alternative options for restrictions on land application of animal waste, EPA shifted to a more cost-effective option in its final regulations. The ERS researchers were awarded high-level recognition from both EPA (Bronze Medal) and from USDA (Secretary's Honor Award).

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2006 Explanatory Notes
National Agricultural Statistics Service

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Purpose Statement

The National Agricultural Statistics Service (NASS) was established by Secretary's Memorandum No. 1446, Supplement 1, of April 3, 1961, under Reorganization Plan No. 2 of 1953 and other authorities. The mission of the agency is to provide timely, accurate, and useful statistics in service to U.S. agriculture.

The statistical data provided by NASS are essential to both the public and private sectors for making effective policy, production, and marketing decisions on a wide range of agricultural commodities. Every 5 years the Census of Agriculture provides comprehensive national, State, and county data as well as selected data for Puerto Rico, Guam, the U.S. Virgin Islands, and Northern Mariana Islands. The USDA published its first crop report in 1863, and further strengthened this responsibility in 1905 by creating the Crop Reporting Board, now the Agricultural Statistics Board, and by receiving responsibility beginning in fiscal year 1997 for conducting the Census of Agriculture, formerly conducted by the Bureau of the Census, Department of Commerce. NASS's responsibilities are authorized under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and the Census of Agriculture Act of 1997, Public Law 105-113 (7 U.S.C. 2204g).

- **Agricultural Estimates Program** – NASS State Statistical Offices regularly survey thousands of operators of farms, ranches, and agribusinesses who provide information on a confidential basis. These scientifically-designed surveys provide the basis for developing estimates of production, supply, price, and other aspects of the agricultural economy. Official USDA national, State, and county estimates and reports are issued relating to the number of farms and land in farms; acreage, types, and production of farm crops; number of livestock on farms and of livestock products; stocks of agricultural commodities; value and utilization of farm products; farm labor; prices received and paid by farmers; agricultural chemical use; and on other subjects as needed. The State Offices forward the estimates to NASS headquarters where they are combined and released at scheduled times to the press and public through the Agricultural Statistics Board. Annually, NASS publishes over 400 national reports, which cover more than 120 crops and 45 livestock items, and which are complemented by additional State reports. These basic and unbiased data are necessary to maintain an orderly association between the consumption, supply, marketing, and input sectors of agriculture.

- **Census of Agriculture** – The Census of Agriculture is taken every 5 years and provides comprehensive data on the agricultural economy, including data on the number of farms, land use, production expenses, value of land and buildings, farm size and characteristics of farm operators, market value of agricultural production sold, acreage of major crops, inventory of livestock and poultry, and farm irrigation practices. Results of the 2002 Census of Agriculture, released in February 2004, provide national, State, and county level detailed data. Data for Puerto Rico, Guam, the U.S. Virgin Islands, and the Northern Mariana Islands were also released in 2004. Preparations for the 2007 Census of Agriculture are currently underway.

- **Work Performed for Others** – NASS conducts surveys for and lends technical expertise to other Federal agencies, State governments, and private organizations on a reimbursable basis. NASS provides support and assistance in the areas of questionnaire and sample design, data collection and editing, and analysis of survey results and training. NASS also provides technical consultation, support, and assistance for international programs under participating agency service agreements.

The National Agricultural Statistics Service maintains a central office in Washington, D.C., and a network of 46 field offices, serving all 50 States and Puerto Rico, that operate through cooperative agreements with State Departments of Agriculture or universities. As of September 30, 2004, NASS had 1,107 permanent full-time employees and 21 part-time employees throughout the U.S.

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GAO Reports

#450344 10/23/04 Data Transparency – Census of Agriculture

#360476 12/01/04 Availability of Data to Support Ecological Indicators

#310184 01/04 GAO-04-154 Information Security – Further Efforts needed to Address Serious Weaknesses at USDA

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Available Funds and Staff Years
2004 Actual and Estimated 2005 and 2006

Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
National Agricultural Statistics Service	$128,922,000	999	$129,480,000	1,246	$145,159,000	1,277
Rescission	-760,640	--	-1,036,000	--	--	--
Carryover	1,560,432	--	3,357,000	--	--	--
Total, Salaries and Expenses	129,721,792	999	131,801,000	1,246	145,159,000	1,277
Obligations under other USDA appropriations:						
Agricultural Marketing Service for pesticide work, and data on milk prices, export certification, and base month series	257,825	1	267,934	2	246,000	2
Agricultural Research Service for assistance on food consumption data, and Nutrient Data Laboratory	171,791	1	172,685	1	172,700	1
Animal and Plant Health Inspection Service for animal health monitoring system	865,000	5	1,350,000	8	550,000	4
Cooperative State Research Education, and Extension Service for data on small farms	135,154	--	180,685	--	180,700	--
Economic Research Service for an agricultural resource management and small farms data	6,504,313	42	6,512,384	44	6,512,434	45
Farm Service Agency for data on feed grain county estimates	2,600,000	23	2,600,000	24	2,600,000	25
Forest Service for data on grazing fees and a woodland owners survey	95,000	--	95,000	1	95,000	1
Natural Resources Conservation Service for NRI survey	3,065,000	6	4,681,000	5	6,315,000	5
Risk Management Agency for data on county estimates	764,000	5	870,000	5	870,000	5
World Agricultural Outlook Board for printing and lock-up support and cotton objective yield	82,867	--	41,500	--	11,500	--
Total, Other USDA Appropriations	14,540,950	83	16,771,188	90	17,553,334	88
Total, USDA Appropriations	144,262,742	1,082	148,572,188	1,336	162,712,334	1,365
Other Federal Funds:						
Commerce, Department of, for UDOC/BOC	98,000	--	88,000	--	88,000	--
Interior, Department of, for BLM grazing fees survey	52,500	--	52,500	--	52,500	--
Foreign Agricultural Service (from AID) for training, technical assistance, equipment and prsonnel detail	729,143	8	775,800	8	725,800	8
Florida Department of Citrus for a citrus survey	0	--	200,000	--	--	--
National Science Foundation for data collection	80,000	--	80,000	--	80,000	--
Total, Other Federal Funds	959,643	8	1,196,300	8	946,300	8
Non-Federal Funds:						
State Agencies for survey work	2,098,877	17	2,514,746	19	2,480,706	19
Miscellaneous Contributed Funds for distribution of agricultural reports and diskettes and for data on almonds, aquaculture, cherries, grapes, hops, horses, malting barley, potatoes, pistachios, walnuts, and wheat and miscellaneous mailings	401,837	3	370,500	3	370,500	3
Total, Non-Federal Funds	2,500,714	20	2,885,246	22	2,851,206	22
Total, National Agricultural Statistics Service	147,723,099	1,110	152,653,734	1,366	166,509,840	1,395

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Permanent Positions by Grade and Staff Year Summary
2004 Actual and Estimated 2005 and 2006

Grade	2004 Wash. DC	2004 Field	2004 Total	2005 Wash. DC	2005 Field	2005 Total	2006 Wash. DC	2006 Field	2006 Total
Senior Executive Service	10	--	10	10	--	10	10	--	10
SL	1	--	1	1	--	1	1	--	1
GS-15	22	17	39	21	20	41	21	20	41
GS-14	59	44	103	62	52	114	62	52	114
GS-13	179	62	241	187	83	270	183	88	271
GS-12	32	131	163	39	157	196	48	159	207
GS-11	16	82	98	20	98	118	20	102	122
GS-10	7	--	7	11	--	11	11	--	11
GS-9	30	60	90	22	74	96	22	74	96
GS-8	28	43	71	35	46	81	35	46	81
GS-7	34	137	171	30	165	195	35	175	210
GS-6	7	72	79	10	109	119	10	110	120
GS-5	3	27	30	9	64	73	9	64	73
GS-4	1	1	2	4	34	38	4	34	38
GS-3	1	1	2	--	3	3	--	--	--
GS-2	--	-	-	--	--	--	--	--	--
Total Permanent Positions	430	677	1,107	461	905	1,366	471	924	1,395
Unfilled Positions end-of-year	-17	7	-24	--	--	--	--	--	--
Total, Permanent Employment, end-of-year	413	670	1,083	461	905	1,366	471	924	1,395
Staff-Year Estimate	430	677	1,107	461	905	1,366	471	924	1,395

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NATIONAL AGRICULTURAL STATISTICS SERVICE

SIZE, COMPOSITION AND COST OF AGENCY MOTOR VEHICLE FLEET

The 2006 Budget Estimate proposes the replacement of three passenger motor vehicles but no purchases of additional motor vehicles. The passenger motor vehicles of the National Agricultural Statistics Service are used for necessary field travel in carrying out the mission of the agency and ensure accurate data are being reported and collected. All motor vehicles are located at various field offices. While all 46 NASS field offices require the use of motor vehicles, it is often cost-effective to acquire vehicles through existing cooperative agreements with the State Departments of Agriculture, through leases from State motor pools, or via rental agreements. Therefore, NASS only owns a fleet of 39 motor vehicles.

Replacement of passenger motor vehicles. Replacement of three vehicles now in operation is proposed for 2006. These vehicles are located in the field locations and are necessary to meet the transportation requirements necessary to carrying out the agency's program. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration. There have been no significant changes in the size or cost of the NASS vehicle fleet since the beginning of the current administration.

Size, composition and cost of motor vehicle fleet as of September 30, 2004, are as follows:

Size, Composition and Annual Cost
(in thousands of dollars)
Number of Vehicles by Type

Fiscal Year	Sedans & Station Wagons	Light Trucks 4X2	Light Trucks 4X4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Costs ($ in thous)
FY 2003	19	6	14	0	0	0	0	39	$337
Change	0	0	0	0	0	0	0	0	$7
FY 2004	19	6	14	0	0	0	0	39	$344
Change	0	0	0	0	0	0	0	0	$7
FY 2005	19	6	14	0	0	0	0	39	$351
Change	0	0	0	0	0	0	0	0	$7
FY 2006	19	6	14	0	0	0	0	39	$358

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

The NASS strategic goals are in perfect alignment with the Department's strategic goals. The agency has seven strategic objectives in support of four of these goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers	**Agency Goal 1**: Enhance Economic Opportunities for Agricultural Producers		Agricultural Estimates Census of Agriculture	Key Outcome 1: Ensure timely release of data
Objective 1.1: Expand International Marketing Opportunities		Objective 1.1: Provide agricultural markets with unbiased data to operate efficiently with fair and equitable price discovery.		Key Outcome 2: Ensure high quality statistics for stakeholders
Objective 1.2: Support International Economic Development and Trade Capacity Building		Objective 1.2: Support international economic development and trade capacity building through technical assistance.		Key Outcome 3: Ensure data are relevant and useful to stakeholders
Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers		Objective 1.4: Provide statistical data for risk management programs and as a financial tool for decision-making in agriculture.		

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USDA Strategic Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America Objective 2.1: Expand Economic Opportunities Through USDA Financing of Businesses	**Agency Goal 2:** Support Increased Economic Opportunities and Improved Quality of Life in Rural America	Objective 2.1: Provide statistically sound information for economic and business decision-making at the local level in rural communities.	Census of Agriculture	Key Outcome 1: Ensure timely release of data
USDA Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply Objective 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks	**Agency Goal 3:** Enhance Protection and Safety of the Nation's Agriculture and Food Supply	Objective 3.2: Provide chemical usage statistics to enable informed decisions using sound science risk analysis.	Agricultural Estimates	Key Outcome 2: Ensure high quality statistics for stakeholders
USDA Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment Objective 5.2: Improve Management of Private Lands	**Agency Goal 5:** Protect and Enhance the Nation's Natural Resource Base and Environment	Objective 5.2: Provide statistical data for improved management of soil, air, and water.	Agricultural Estimates Census of Agriculture	Key Outcome 3: Ensure data are relevant and useful to stakeholders

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Strategic Objective and Funding Matrix
(On basis of appropriation)

Strategic Objectives and Funding Matrix

Strategic Objective 1.1: Expand International Marketing Opportunites

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

Strategic Objective 2.1: Expand Economic Opportunities Through USDA Financing of Businesses

Strategic Objective 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks

Strategic Objective 5.2: Improve Management of Private Lands

	2004 Actual		2005 Estimated			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Strategic Objective1.1: Agricultural Estimates Program	$90,125,506	740	$93,865,000	1,030	+$7,953,000	$101,818,000	1,039
Strategic Objective 1.4: Agricultural Estimates Program	6,668,000	51	6,615,000	51	+1,873,000	8,488,000	56
Strategic Objective 2.1: Census of Agriculture	25,129,854	264	22,226,000	237	+6,889,000	29,115,000	252
Strategic Objective3.2: Agricultural Estimates Program	2,670,000	25	2,670,000	25	0	2,670,000	25
Strategic Objective 5.2: Agricultural Estimates Program	3,568,000	30	3,068,000	23	0	3,068,000	23
Total Available	128,161,360	1,110	128,444,000	1,366	16,715,000	145,159,000	1,395

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Selected Accomplishments Expected at the FY 2006 Proposed Resource Level:

- Agricultural Estimates Program – A FY 2006 funding request to restore and modernize the NASS core statistical program will allow the agency to build on FY 2004 and FY 2005 initiatives towards ensuring high quality statistics expected by all data users, including Congress and OMB.

- Census of Agriculture – The Census of Aquaculture data collection, analysis and processing will occur in FY 2006. Additionally preparations for the 2007 Census of Agriculture will continue. Maximizing the amount of production actually reported by respondents will continue to be a focal point. Funding will be used in the development of the 2007 Census of Agriculture questionnaire content, mail list development and processing system upgrades and maintenance. Input will be sought through data user meetings, advisory committees, industry input, and external peer review.

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NATIONAL AGRICULTURAL STATISTICS SERVICE
Summary of Budget and Performance
Key Performance Outcomes and Measures

NASS has developed performance measures based on the R&D Investment Criteria in the President's Management Agenda and the NASS mission to provide timely, accurate, and useful agricultural statistics. Each goal of the USDA Strategic Plan to which NASS contributes has a measure for each of the Investment Criteria: Usefulness (relevance), accuracy (quality), and timeliness (performance). The NASS key outcomes and long term performance measures are consistent across all goals and are stated here only once for efficiency.

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

Key Outcome 1: Ensure timely release of data.

Longterm Performance Measure: Percent of time official reports are released on the date and time prespecified to data users.

Key Outcome 2: Ensure high quality statistics for stakeholders.

Longterm Performance Measure: Percent of key survey estimators meeting predefined levels of precision.

Key Outcome 3: Ensure data are relevant and useful to stakeholders.

Longterm Performance Measure: Alignment of commodity inclusion and coverage with stakeholders needs.
Key Performance Targets Associated with the FY 2006 Budget

Performance Measure	2003 Actual	2004 Estimate	2005 Target	2006 Target
Accuracy - Percent of key survey estimates meeting target coefficient of variations				
a. Units	49	71	75	83
b. Dollars	$69,000,000	$73,800,000	$76,481,000	$83,526,000
Accuracy - Percent of county estimates in the 42 relevant States based on probability based surveys				
a. Units	N/A	N/A	N/A	33
b. Dollars	$3,600,000	$3,600,000	$3,600,000	$5,473,000

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Summary of Budget and Performance
Full Cost by Strategic Objective

Objective 1.1: Expand International Marketing Opportunities

PROGRAM	PROGRAM ITEMS	AMOUNT ($000)		
		FY 2004	FY 2005	FY 2006
	Salary expenses	$56,433	$59,665	$61,118
	Contracts	22,872	22,900	27,613
	Travel	1,633	1,699	1,880
	Printing	114	128	137
	Hardware/software	4,140	4,328	5,681
	Postage/Shipping/Contingencies	3,270	3,443	3,613
	Indirect	1,664	1,702	1,776
	Total Costs	$90,126	$93,865	$101,818
	FTEs	740	1,030	1,039
	Performance measure: Percent of key survey estimates meeting statistical precision targets.			
	Units	71	75	83

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

PROGRAM	PROGRAM ITEMS	AMOUNT ($000)		
		FY 2004	FY 2005	FY 2006
	Salary expenses	$4,164	$4,060	$4,988
	Contracts	1,689	1,704	2,363
	Travel	123	128	163
	Printing	9	10	12
	Hardware/software	312	326	494
	Postage/Shipping/Contingencies	246	259	314
	Indirect	125	128	154
	Total Costs	$6,668	$6,615	$8,488
	FTEs	51	51	56
	Performance measure: Percent of counties in the 42 relevant States based on probability based surveys.			
	Units	N/A	N/A	33
	Total Cost (program, direct, indirect)	$96,794	$100,480	$110,306
	FTEs	791	1,081	1,095

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Objective 2.1: Expand Economic Opportunities Through USDA Financing of Businesses

PROGRAM	PROGRAM ITEMS	AMOUNT ($000)		
		FY 2004	FY 2005	FY 2006
	Salary expenses	$19,131	$18,135	$23,166
	Data processing	2,884	1,161	2,518
	Printing	659	1,051	211
	Hardware/Software	2,176	883	2,078
	Travel/transportation	1,192	494	1,073
	Indirect	648	502	69
	Total Costs	$26,690	$22,226	$29,115
	FTEs	264	237	252
	Total Cost (program, direct, indirect)	$26,690	$22,226	$29,115
	FTEs	264	237	252

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

PROGRAM	PROGRAM ITEMS	AMOUNT ($000)		
		FY 2004	FY 2005	FY 2006
	Salary expenses	$1,368	$1,424	$1,482
	Data collection	893	875	833
	Travel	15	13	12
	Printing	33	27	25
	NASDA	280	250	240
	Indirect	81	81	78
	Total Costs	$2,670	$2,670	$2,670
	FTEs	25	25	25
	Total Cost (program, direct, indirect)	$2,670	$2,670	$2,670
	FTEs	25	25	25

Objective 5.2: Improve Management of Private Lands

PROGRAM	PROGRAM ITEMS	AMOUNT ($000)		
		FY 2004	FY 2005	FY 2006
	Salary expenses	$1,714	$1,112	$1,191
	Contracts	1,692	1,662	1,662
	Travel	13	18	16
	Hardware/software	61	92	72
	Postage/Shipping/Contingencies	34	99	69
	Indirect	54	85	58
	Total Costs	$3,568	$3,068	$3,068
	FTEs	30	23	23
	Total Cost (program, direct, indirect)	$3,568	$3,068	$3,068
	FTEs	30	23	23

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Salaries and Expenses:

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

> For necessary expenses of the National Agricultural Statistics Service in conducting statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvements, marketing surveys, and the Census of Agriculture, as authorized by 7 U.S.C. 1621-1627 and 2204g, and other laws, [$129,480,000] $145,159,000, of which up to [$22,405,000] $29,115,000 shall be available until expended for the Census of Agriculture.

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NATIONAL AGRICULTURAL STATISTICS SERVICE

LEAD-OFF TABULAR STATEMENT

Appropriations Act, 2005			$129,480,000
Budget Estimate, 2006			145,159,000
Increase in Appropriation		+	15,679,000
Adjustments in 2005:			
Appropriations Act, 2005	$129,480,000		
Rescission under P.L. 108-447 a/	- 1,036,000		
Adjusted base for 2005			128,444,000
Budget Estimate, 2006			145,159,000
Increase over adjusted 2005		+	16,715,000

a/ The amount is rescinded pursuant to Section 122 (a) of Division J, Title I of P.L. 108-447.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated		Pay Costs		Program Changes	2006 Estimated
Agricultural Estimates	$102,618,000	+	$908,000	+	$7,045,000	$110,571,000
Small Area Estimation	3,600,000		--	+	1,873,000	5,473,000
Census of Agriculture	22,226,000	+	389,000	+	6,500,000	29,115,000
Total Available	128,444,000	+	1,297,000	+	15,418,000	145,159,000

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NATIONAL AGRICULTURAL STATISTICS SERVICE

Project Statement
(On basis of appropriation)

	2004 Actual		2005 Estimated			Increase	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years		or Decrease	Amount	Staff Years
RECAP:								
1. Agricultural Estimates	$102,823,477	846	$106,218,000	1,129	+	$9,826,000	$116,044,000	1,143
2. Census of Agriculture	25,129,854	264	22,226,000	237	+	6,889,000	29,115,000	252
Unobligated Balance Lapsing	208,029							
Total Available or Estimate	128,161,360	1,110	128,444,000	1,366	+	16,715,000	145,159,000	1,395
Rescission	760,640	--	1,036,000	--				
Total, Appropriation	128,922,000	1,110	129,480,000	1,366				

NATIONAL AGRICULTURAL STATISTICS SERVICE

Project Statement
(On basis of available funds)

	2004 Actual		2005 Estimated			Increase	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years		or Decrease	Amount	Staff Years
1. Agricultural Estimates	$102,823,477	846	$106,218,000	1,129	+	$9,826,000	$116,044,000	1,143
2. Census of Agriculture	23,333,076	264	25,583,000	237	+	3,532,000	29,115,000	252
Unobligated balance lapsing	208,029	--	--	--		--	--	--
Unobligated balance forward to next year	3,357,210	--	--	--		--	--	--
Total Available or Estimate	129,721,792	1,110	131,801,000	1,366	+	13,358,000	145,159,000	1,395
Unobligated balance forward from prior year	-1,560,432	--	-3,357,000	--				
Rescission	760,640	--	1,036,000	--				
Total, Appropriation	128,922,000	1,110	129,480,000	1,366				

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Justification of Increases and Decreases

(1) An increase of $9,826,000 for agricultural estimates ($106,218,000 available in 2005) consisting of:

To help accomplish strategic goal 1, the agency is requesting:

(a) An increase of $7,045,000 and 10 staff years to ensure the National Agricultural Statistics Service (NASS) continues to provide State, regional, and national level estimates of sufficient precision, quality, and detail to meet the needs of a broad customer base.

This initiative supports Objective 1.1 of the Department's Strategic Plan by providing unbiased data to ensure that agricultural markets operate efficiently with fair and equitable price discovery. Specifically, this initiative addresses the process performance measure on quality.

Funding of this initiative will allow NASS to continue progress towards reaching precision target levels over 83 percent of the time for major survey indications, an increase of over 12 percentage points since 2004. Escalating survey expenses, increasing staff costs and declining response rates have forced adjustments to many of the Agency's survey and estimates programs. These actions have led to reductions in the quality of the survey data on which NASS estimates are based.

The Agricultural Estimates Restoration and Modernization project is a continuation of FY 2004 and FY 2005 initiatives. Continuation of this initiative will allow NASS to fulfill its mission of providing timely, accurate and useful agricultural statistics. The funds will be used to meet the needs of data users at an acceptable level of precision for State, regional and national level estimates. Producers, farm organizations, agribusinesses, lawmakers and government agencies all rely heavily on the information produced by NASS. For example, policy decisions, such as upcoming farm bill discussions, utilize analysis conducted with these data.

This initiative has three components: (1) provide funding to restore sample sizes for greater statistical defensibility and allow NASS to work more closely with respondents to provide service and secure cooperation; (2) provide staff needed to manage surveys, review and summarize reported data, and prepare and disseminate official estimates; and (3) provide funds for research, training, travel, supplies and other direct expenses related to producing quality statistics. Funding for this initiative will permit NASS to adhere to the data quality guideline requirement in Section 515 of the Treasury and General Government Appropriations Act (2001) and OMB Final Guidelines issued February 22, 2002.

NASS provides data to a wide range of customers meeting an equally wide range of data needs. Cash receipts to America's farms and ranches exceed $200 billion annually and the daily business decisions made by these farms and ranches require high quality agricultural statistics. Incorrect information adversely impacts pricing mechanisms, results in poorly timed marketing decisions, can lead to bad business decisions, and hinders risk management. It is crucial for farmers and ranchers that NASS produce the best possible agricultural statistics.

(b) An increase of $1,873,000 and 4 staff years to provide data acquisition of the annual integrated Small Area Estimation Program.

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This initiative supports Objective 1.4 of the Department Strategic Plan in general, and the performance measure on quality in particular, by ensuring statistical data are available for Risk Management Programs. Funding is needed to allow follow-up data collection activities covered under this program. Specifically, this level of funding will result in statistically defensible results for one-third of these counties.

USDA uses of small area (county) statistics continue to expand, magnifying the need for statistically defensible survey precision for these estimates. The Risk Management Agency utilizes the NASS county estimates to develop and administer many of their insurance programs. These estimates are used to develop actuarial models, as transition yields in policies, and as triggers to initiate payment of policies. Additionally, the Farm Service Agency also uses these data in administering many of their programs. For example, the Farm Security and Rural Investment Act of 2002 emphasized the importance of these data by allowing producers to update base acreage and yields, in part by considering the county-wide averages established by NASS. USDA Livestock Indemnity Payments were also calculated using NASS livestock county estimates. While the county estimates program continues to grow in importance for federally administered farm programs, the overall cost of the program, including this funding request, is less than one-tenth on one percent of the federal outlays associated with the Farm bill and other risk management tools linked to the data. Due to limited funding, current estimates are derived through a survey process that does not allow for full data collection activities needed to support the probability design that produces statistically defensible survey precision.

(c) An increase of $908,000 to fund pay costs.

This increase is critically important to NASS in order to perform the agency's mission and to meet the growing need for agricultural statistics. Approximately 70 percent of NASS's budget is in support of personnel compensation. NASS can only absorb this increase by reducing staff. A staff reduction would result in less coverage for the current statistical program or the elimination of some statistical program components.

(2) A net increase of $6,889,000 for the Census of Agriculture ($22,226,000 available in 2005) consisting of:

To help accomplish strategic goal 2, the agency is requesting:

(a) An increase of $6,500,000 and 15 staff year ($22,226,000 available in 2005) for the Census of Agriculture.

This increase reflects the normal activity levels resulting from to the cyclical nature of the 5-year Census of Agriculture program. Without the necessary funding for adequate preparation, the 2007 Census of Agriculture would be delayed and/or provide an unacceptable level of coverage.

Funding will be used to prepare for the 2007 Census of Agriculture and to conclude analysis and publication of the Census of Aquaculture in December 2006. The increase will be used to finalize questionnaire content for the 2007 Census of Agriculture. Development, field testing and evaluation phases of the questionnaire content are scheduled to be completed during the first quarter of FY 2006. Mail list development activities will continue during FY 2006 with the assistance of locally employed enumerators. Contract employees will aid in updating and streamlining the census processing systems needed for conducting the Census of Agriculture

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and its follow-on surveys. Finally, hardware and software will be upgraded to allow for testing and implementation of the processing systems.

(b) An increase of $389,000 to fund pay costs.

This increase is critically important to NASS in order to perform the mission of the agency and to meet the growing need for agricultural statistics. Approximately 70 percent of NASS's budget is in support of personnel compensation. NASS can only absorb this increase by reducing staff. A staff reduction would result in less coverage for the current statistical program or the elimination of some statistical program components.

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Geographic Breakdown of Obligations and Staff Years
2004 and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$1,289,117	14	$1,344,000	19	$1,520,000	19
Alaska	165,360	2	$173,000	3	$195,000	3
Arizona	880,327	10	$918,000	13	$1,038,000	13
Arkansas	1,705,866	16	$1,772,000	21	$1,999,000	21
California	3,539,220	32	$3,675,000	42	$4,150,000	44
Colorado	1,335,367	24	$1,407,000	31	$1,604,000	33
Delaware	34,271	1	$36,000	1	$42,000	1
District of Columbia	56,456,893	404	$59,873,000	437	$62,986,000	458
Florida	1,787,411	17	$1,859,000	23	$2,100,000	23
Georgia	1,754,865	17	$1,825,000	23	$2,062,000	25
Hawaii	783,137	10	$818,000	13	$927,000	13
Idaho	1,507,468	16	1,570,000	21	1,774,000	21
Illinois	2,362,714	19	2,458,000	25	2,763,000	25
Indiana	2,499,903	19	2,598,000	25	2,919,000	26
Iowa	1,957,402	20	2,036,000	26	2,301,000	27
Kansas	1,932,367	18	2,007,000	23	2,266,000	23
Kentucky	1,598,375	18	1,667,000	24	1,887,000	24
Louisiana	1,476,296	14	1,535,000	19	1,734,000	19
Maryland	943,748	12	985,000	15	1,115,000	15
Michigan	1,641,638	19	1,712,000	25	1,938,000	26
Minnesota	1,995,449	19	2,074,000	25	2,343,000	25
Mississippi	1,729,108	16	1,796,000	21	2,027,000	21
Missouri	3,420,705	17	3,528,000	22	3,964,000	22
Montana	1,488,212	14	1,547,000	19	1,747,000	19
Nebraska	2,096,855	19	2,178,000	25	2,458,000	25
Nevada	293,236	4	305,000	4	343,000	4
New Hampshire	1,272,069	18	1,331,000	23	1,510,000	23
New Jersey	1,075,424	12	1,121,000	16	1,268,000	16
New Mexico	774,651	9	808,000	12	915,000	12
New York	1,306,530	17	1,367,000	23	1,551,000	23
North Carolina	2,067,291	18	2,146,000	24	2,423,000	24
North Dakota	1,571,754	16	1,635,000	21	1,846,000	21
Ohio	1,684,512	17	1,752,000	22	1,978,000	22
Oklahoma	1,694,040	15	1,799,000	20	1,984,000	20
Oregon	1,637,834	17	1,706,000	23	1,929,000	23
Pennsylvania	1,347,404	19	1,411,000	25	1,601,000	25
South Carolina	1,007,724	13	1,053,000	17	1,193,000	17
South Dakota	1,762,091	17	1,831,000	22	2,067,000	22
Tennessee	1,361,820	16	1,421,000	21	1,607,000	21
Texas	3,746,650	31	3,887,000	42	4,385,000	43
Utah	738,258	11	775,000	15	881,000	15
Virginia	1,180,894	15	1,234,000	20	1,397,000	20
Washington	1,863,424	16	1,934,000	21	2,181,000	21
West Virginia	659,537	9	690,000	12	782,000	12
Wisconsin	1,680,513	18	1,749,000	23	1,977,000	23
Wyoming	1,059,417	12	1,105,000	16	1,250,000	16
U.S. Territories	197,435	3	206,000	3	232,000	3
Subtotal, Available or Estimate	126,364,582	1,110	131,801,000	1,366	145,159,000	1,395
Unobligated balance	3,357,210	—	—	—	—	—
Total, Available or Estimate	129,721,792	1,110	131,801,000	1,366	145,159,000	1,395

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NATIONAL AGRICULTURAL STATISTICS SERVICE
CLASSIFICATION BY OBJECTS
2004 Actual and Estimated 2005 and 2006

		2004	2005	2006
Personnel Compensation:				
Washington, D. C.		$27,867,614	$33,442,760	$34,181,114
Field		44,404,277	40,431,240	41,323,887
11	Total personnel compensation	72,271,891	73,874,000	75,505,000
12	Personnel Benefits	17,603,273	19,653,000	18,047,000
13	Benefits for former personnel	17,440	17,000	17,000
Total pers. comp. & benefits		89,892,604	93,544,000	93,569,000
Other Objects:				
21	Travel	2,522,667	2,596,000	2,067,000
22	Transportation of things	589,615	891,000	549,000
23.1	GSA rental payments	0	0	0
23.2	Rental payments of others	58,172	57,000	68,000
23.3	Communications, utilities, and misc. charges	4,909,306	5,099,000	5,071,000
24	Printing and reproduction	331,991	583,000	256,000
25.1	Advisory and assistance services	80,700	81,000	81,000
25.2	Other services	11,291,489	11,059,000	24,520,000
25.3	Purchases of goods and service service from Government Accounts	8,015,375	9,101,000	9,027,000
25.4	Operation and maintenance facilities	66,632	86,000	112,000
25.5	Research and development contracts	508,800	508,000	561,000
25.7	Operation and maintenance of equipment	2,535,982	2,530,000	2,648,000
26	Supplies and materials	1,235,615	1,567,000	1,509,000
31	Equipment	4,325,094	4,099,000	5,121,000
42	Insurance claims and indemenities	-477	-1,000	-1,000
43	Interest and dividends	1,017	1,000	1,000
44	Rentals	0	0	0
	Total other objects	36,471,978	38,257,000	51,590,000
Total direct obligations		126,364,582	131,801,000	145,159,000
Position Data:				
Average Salary, ES positions		$144,285	$144,285	$144,285
Average Salary, GS positions		$60,009	$61,970	$64,149
Average Grade, GS positions		11.6	11.6	11.6

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NATIONAL AGRICULTURAL STATISTICS SERVICE

STATUS OF PROGRAM

The National Agricultural Statistics Service's (NASS) mission is to provide timely, accurate, and useful statistics in service to U.S. agriculture. To achieve this, NASS administers the U.S. Department of Agriculture's (USDA) program of collecting and publishing current national, State, and county agricultural statistics. The census of agriculture, conducted every 5 years, provides comprehensive, local level data about agricultural communities across America. The statistical data provided by NASS are essential to both the public and private sectors for making effective policy, production, and marketing decisions on a wide range of agricultural commodities.

NASS programs are organized into the following three major areas: (1) agricultural estimates, (2) census of agriculture, and (3) work performed for others.

AGRICULTURAL ESTIMATES

Current Activities:

The NASS agricultural statistics program is conducted through 45 State Statistical Offices (SSOs) serving all 50 States, and a Puerto Rico field office. Scientifically designed surveys of farmers, ranchers, agribusinesses, and others provide the basis for developing estimates of production, supply, price, and many other aspects of the agricultural economy. These surveys are supplemented by field observations, objective yield counts and measurements, and other data to provide reliable information. Administrative data available from other USDA agencies and State Departments of Agriculture are also used to produce statistical reports, including monthly livestock and poultry slaughter, egg production, and dairy products reports.

Official USDA national and State reports are issued relating to the number of farms and land in farms; acreage, yield, production, and stocks of grains; production of hay, oilseeds, cotton, potatoes, tobacco, fruits, vegetables, floriculture, nursery, and selected specialty crops; inventories and production of hogs, cattle, sheep and wool, goats and mohair, mink, catfish, trout, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage inventories; agricultural chemical use; and other related items that affect the agricultural economy. The NASS field offices forward the estimates to the Headquarters office in Washington, D.C., where they are combined, analyzed, and released at scheduled times to the media and public through free published reports on the NASS Website, http://www.usda.gov/nass/. Annually, NASS publishes more than 400 national reports, covering over 120 crop and 45 livestock items, complemented by more than 8,000 additional State reports. These basic and unbiased data are critical to maintain an orderly association between the consumption, supply, marketing, and input sectors of agriculture.

Selected Examples of Recent Progress:

NASS provides timely and accurate agricultural statistics that are used throughout the agricultural sector to evaluate supplies and determine competitive prices for world marketing of U.S. commodities. These statistics promote a level playing field in production agriculture with impartial information available to everyone at a predetermined and publicized date and time.

Statistical data are also provided on chemical use and biotechnology for use in monitoring and evaluating risk assessment to both food safety and food security. Data on agricultural practices,

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farm and ranch irrigation practice trends, and the geographic information system cropland data layer provide meaningful information on the Nation's resource base and environment.

NASS continues to keep abreast of information needs through a variety of means, including data user meetings, advisory committees, attending industry meetings, and sponsoring outreach activities. Even though most NASS reports consist of specific data series, improvements to reports and databases are constantly being made in terms of additional data breakouts, improved coverage, and improved timeliness. Special reports or additional categories within existing reports are added to best summarize the constantly changing character of agriculture, within the budget available to the agency.

New and Expanded Agricultural Statistics published by NASS.

- The following publications were released as a result of the 5-year historical revision process following the 2002 Census of Agriculture. A copy of each report is available in printed or electronic form.

NASS-SB993	Agricultural Land Values and Cash Rents-Final Estimates 1999-2003	03//12//04
NASS-SB989	Cattle - Final Estimates 1999-2003	04//30//04
NASS-SB980	Chickens and Eggs - Final Estimates 1998-2002	04//29//04
NASS-SB997	Citrus Fruits - Final Estimates 1997-2002	08//20//04
NASS-SB999	Crop Values - Final Estimates 1997-2002	10//15//04
NASS-SB991	Farms and Land in Farms - Final Estimates 1998-2002	02//27//04
NASS-SB982	Field Crops - Final Estimates 1997-2002	03//17//04
NASS-SB986	Hogs and Pigs - Final Estimates 1998-2002	03//22//04
NASS-SB992	Honey - Final Estimates 1998-2002	04//29//04
NASS-SB1002	Livestock Operations - Final Estimates 1998-2002	04//30//04
NASS-SB995	Meat Animals, PDI - Final Estimates 1998-2002	05//21//04
NASS-SB988	Milk Cows and Production - Final Estimates 1998-2002	04//30//04
NASS-SB996	Milk Disposition and Income - Final Estimates 1998-2002	05//21//04
NASS-SB985	Noncitrus Fruits and Nuts - Final Estimates 1997-2002	05//21//04
NASS-SB998	Potatoes and Sweet Potatoes - Final Estimates 1997-2002	08//20//04
NASS-SB994	Poultry Production and Value - Final Estimates 1998-2002	04//29//04
NASS-SB984	Rice Stocks - Final Estimates 1998-2003	03//17//04
NASS-SB990	Sheep and Goats - Final Estimates 1999-2003	04//30//04
NASS-SB983	Stocks of Grains, Oilseeds, and Hay - Final Estimates 1998-2003	03//17//04
NASS-SB981	Turkeys - Final Estimates 1998-2002	04//29//04
NASS-SB987	Vegetables - Final Estimates 1998-2003	05//28//04

- Sweet rice acreage, yield, and production was included as short grain rice in the *Crop Production - 2003 Summary.*

- The corn objective yield survey program was expanded by adding samples in Kansas, Missouri, and South Dakota. The soybean objective yield survey program was expanded by adding samples in Arkansas, Kansas, North Dakota, and South Dakota.

- A special report, *Licensed Dairy Herds*, was issued in February 2004. This report contains the annual average number of dairy operations that were licensed to sell milk during 2002 and 2003, by State and United States. NASS will begin publishing this data series annually in the 2005 February *Milk Production* report.

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- A new annual report, *Price Reactions - Livestock Reports*, was issued in February 2004. This report contained annual average and monthly cattle and hog price reactions to the USDA-NASS monthly *Cattle on Feed* and *Quarterly Hogs and Pigs* reports.

- A special report, *Livestock Operations, 2003 Summary,* was issued in April 2004. This report contained the operations estimates originally included in each of the respective cattle, hog, and sheep annual reports. Subsequently, this report and the *Farms and Land in Farms* report will be combined into a new publication titled, *Farms, Land in Farms, and Livestock Operations* published in January of each year.

- A new table, "Supply and Utilization of Milk, United States," calculating butterfat and nonfat solids was added to the *Dairy Products 2003 Summary* released in April 2004. The butterfat and solids nonfat equivalence table will replace the "U.S. Supply and Utilization of Whole and Skim Milk" tables beginning with the *Dairy Products 2004 Summary* in April 2005.

- Monthly U.S. sour cream production was added to the *Dairy Products 2003 Summary,* released in April 2004.

- The combined *U.S. and Canadian Cattle* report for July was expanded to include historical data. Combined and individual country data from 2000 to the present were included in this report.

- A new report, *Livestock Track Records*, issued in September 2004 contained track records of U.S. Livestock and Poultry production. These track records measure the difference between the first and final estimates for cattle, dairy, hogs, sheep, broilers, turkeys, and eggs.

- An updated *U.S. Breeding Herd Structure* report was released in September 2004. This is an update from the previous version released in September 2002.

- The Agricultural Resources Management Survey (ARMS) program was expanded to permit release of economic data for 15 States. NASS did not create individual State estimates for 2003, but plans to publish estimates for the expanded 15 States in the July 2005 *Farm Production Expenditures* release. ARMS is conducted through cooperative efforts between NASS and the Economic Research Service (ERS) to provide a comprehensive picture of agricultural business practices, economic well-being, and farm household information.

- NASS and ERS jointly released an on-line query system to allow users to customize tabulations, which meet the rules for disclosure, of the ARMS data.

- An integrated questionnaire version was developed for overlapping samples between the Conservation Effects Assessment Program (CEAP) and the ARMS, which NASS conducts in cooperation with ERS. Besides addressing respondent burden, ERS will explore use of the integrated survey to conduct some longitudinal studies for these overlapping samples.

- A shortened questionnaire version of the ARMS was developed and mailed to one-fourth of the sample in early Spring 2004. This was the first large scale test of a mail questionnaire to collect economic data. Response rates and data quality were similar to results of the personally enumerated shortened version. Based on these findings, all core samples will receive the questionnaire by mail in 2005. This will result in an increase in efficiency and a reduction in respondent burden.

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Chemical Use.

- In March 2004, NASS released its annual *Agricultural Chemical Usage Postharvest Applications* report featuring corn and soybeans as the target crops. The next Postharvest report will feature oranges.

- In May 2004, NASS released its annual *Agricultural Chemical Usage 2003 Field Crops Summary* report featuring the following target crops: barley, corn, fall potatoes, sorghum, and upland cotton.

- The biennial *Agricultural Chemical Usage 2003 Fruit Summary* was released in August. Funding for this report is provided by the USDA Pesticide Data Program. This report targeted 24 fruit crops in 12 States. It is the seventh report in this series.

- The *Agricultural Chemical Usage 2003 Nursery and Floriculture Summary* was released in September 2004. Releases are scheduled on a 3 year cycle and cover six major producing States. This was the second report in this series.

- The annual *Agricultural Chemical Usage - Restricted Use Summary* report was released October providing a summary of pesticides classified by the U.S. Environmental Protection Agency (EPA) as requiring certified applicators.

Security and Contingency Planning

- All of the major application systems and general support systems in NASS have gone through Phase I of the Certification and Accreditation (C&A) process and are proceeding through Phase II, with the intent of completing all activities by the Spring of 2005.

- In an ongoing process, security clearances were conducted for the Computer Security Staff, the IT development staff responsible for NASS's most sensitive agricultural estimates, and IT system administrators.

- Security awareness has again been emphasized through training for all employees, and specialized training for the Computer Security Team, as well as special briefings with special groups within the Agency and new employees.

- Our Agency Intrusion Detection System (IDS) has been implemented to alert us to potential attacks on our network. We have established a contract with a monitoring firm for 24 hour coverage of the IDS and our Agency Firewalls.

- A Disaster Recovery (DR) plan and a Continuity Of Operations Plan (COOP) have both been designed. Hardware has been procured for the various sites involved in both plans. Implementation has begun and is expected to be completed within fiscal year 2005.

Cropland Data Layer (CDL).

- NASS continues to provide a crop specific and publicly available geographic information system (GIS) data layer for AR, IA, IL, IN, MO, MS, ND, NE, and WI. Examples can be found on the NASS Website at http://www.nass.usda.gov/research/Cropland/SARS1a.htm. This product is very popular with the public. Applications include farm real estate, global change, water quality/soils/environmental and animal habitat assessments, and crop insurance. The CDL is

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produced through a variety of resource leveraging partnerships with State governments and universities.

Farm Bill.

- NASS estimated on-farm and off-farm stocks of dry edible beans, Austrian winter peas, and chickpeas in December 2003 and June 2004. These new stocks items were published in support of the 2002 Farm Bill.

Data Users Meeting.

- The October 2004 meeting for data users in Chicago, Illinois, provided NASS with requests for data series changes. NASS is currently reviewing these requests. This annual meeting was hosted by NASS, ERS, the Agricultural Marketing Service (AMS), the World Agricultural Outlook Board, the Foreign Agricultural Service (FAS), and the Foreign Trade Division of the Bureau of the Census. Each participating agency provided a mission overview and summary of changes and new products, followed by an open forum for questions and answers.

Advisory Committee on Agriculture Statistics

- In February 2004, a meeting was held in Washington, D.C. to debrief the committee on the 2002 Census of Agriculture results and survey methodology. In addition, the committee discussed legislation on data sharing between agencies and confidentiality, a subcommittee report on minority and small farms, and other issues requested by committee members.

- At the request of industry representatives, a subcommittee of the Advisory Committee on Agriculture Statistics was formed to look at the current chemical use program. This included discussing data gaps, future data needs, and strategies for data users to mine the pesticide data. Input from this subcommittee is being reviewed in preparation for their next meeting.

American Customer Satisfaction Index.

- NASS utilized the American Customer Satisfaction Index (ACSI), a standard customer satisfaction measure used throughout the government and private sector, to analyze the usefulness of its website. The ACSI was measured on a rolling sample of website visitors during the period of October 2003 through October 2004. Overall satisfaction scores ranged from 62 to 72 during that time (which is benchmarked to an ACSI score of 70 for all government agencies). Detailed analysis of the information obtained in the survey has been and will be used to make improvements to the usefulness of NASS data.

eGovernment.

- NASS updated its eGovernment plan for FY 2004 to reflect changes in funding and reporting requirements and to provide a more consolidated, higher level view of our eGovernment activities.

- NASS officially deployed to full production our Electronic Data Reporting (EDR) system in 2004. This system meets the requirements of the Government Paperwork Elimination Act by providing respondents the ability to electronically complete the data collection process. Many NASS survey instruments are now available to agricultural producers for web data collection. This additional mode of data collection will potentially reduce their reporting burden and

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automate the data collection process. Plans are to complete the system with the electronic availability of the 2007 Census of Agriculture.

- NASS has initiated its Enterprise Architecture (EA) activities in an effort to comply with requirements and best practices regarding EA and to provide a more robust environment for executing our mission. Our efforts during FY 2004 have been to define basic policy and procedures and begin applying EA precepts, practices, and methods to our Information Technology activities.

McGovern-Dole Food for Education Program (also referred to as the Global Food for Education Program).

- NASS designed a biannual survey to allow USDA to monitor the McGovern-Dole Food for Education Program. The survey provides data on food rations distributed and school enrollment and promotions to the next grade level. The data have proven to be reliable and are used by USDA officials to highlight successes in the trade policy arena.

CENSUS OF AGRICULTURE

Current Activities:

The census of agriculture is taken every 5 years and provides comprehensive data at the national, State, and county level on the agricultural economy, including the number of farms, characteristics of farm operators, land use, production expenses, value of land and buildings, farm size, market value of agricultural production sold, acreage of major crops, inventory of livestock and poultry, and farm irrigation practices. The 2002 Census of Agriculture was released in the Spring of 2004. Enhancements from prior censuses included for the first time data on demographic information for up to three operators, enhanced data on agricultural activity on American Indian Reservations, acreage of organically produced crops, and information on production contracts used in agriculture. Additionally, agriculture census results were statistically adjusted to provide coverage of all U.S. farms instead of just those represented on the census mail list. Census data were also released for agriculture census programs in Puerto Rico, Guam, and the Commonwealth of the Northern Mariana Islands. All of these results are available at http://www.nass.usda.gov/census/.

Selected Examples of Recent Progress:

Information from the Census of Agriculture provides periodic detailed data down to the county level which facilitates locality-based policy and business decisions affecting the agricultural industry and rural residents.

2002 Census of Agriculture.

- In February, a preliminary census report was released covering U.S. and State level data for selected operator characteristics. These selected demographic data portray the American farmers and ranchers who are the source of U.S. agricultural production. One of the primary focuses for this release was the new information collected for multiple farm operators.

- NASS released the complete agriculture census results in June. Data were coverage adjusted to the county level for the first time in the history of the census program. NASS utilized an independent area frame to identify farms not on the census mail list and to form estimates for how

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many farm operations were missed and the characteristics of those farms. Census respondents with similar characteristics were expanded to account for mail list incompleteness. In addition to data about farms with more than one operator, new items on the census included types of and income from production contracts, sales of organic products, acres of application of manures, and computer usage.

- Census data releases included expanded capability for querying and downloading data. Internet access provided the capability to download the entire census publication. Also, a query interface was provided to allow data users to search selected items by different geographic levels.

- A pilot project expanded statistics about agricultural activity on American Indian Reservations. This project focused on reservations in Montana, North Dakota, and South Dakota. Selected characteristics of farms and farm operators were released for each reservation. Historically, only a single aggregated report was completed for each reservation and individual farm and farm operator characteristics were not available.

- NASS provided historic links to previous census data. Because of the methodological change to account for all farms in the 2002 census results, it was necessary to provide a bridge of comparable historic links to the 1997 Census of Agriculture. All State and county level data for the 1997 Census of Agriculture were re-tabulated using the current methodology.

- A new disclosure process was developed and implemented for protecting the confidentiality of individual operators. Programs were updated and modified in order to offset changes brought about by coverage adjustment.

- State, county, and Congressional District Profiles were made available via the Internet at www.usda.gov/nass/census. These products are snapshots of the agricultural activity at the State, county, and Congressional District level. The Congressional District Rankings report was also released on the Internet. This release provides a Congressional District's ranking for selected agricultural products.

- 2002 Census of Agriculture data were used to help prepare the first annual report to Congress on USDA program participation by socially disadvantaged farmers and ranchers. NASS provided census data at the county level on race, ethnicity, and gender for use by the USDA in preparing the report.

Census of Agriculture for Puerto Rico, Guam, and the Commonwealth of the Northern Mariana Islands.

- The 2002 Puerto Rico Census of Agriculture was released in February 2004. This was the first time that data for Puerto Rico were released with a comparable reference (January - December) as U.S. statistics. Since the Puerto Rican government identified this as a goal 4 years ago, NASS has been working with the Puerto Rico Planning Board and the Puerto Rico Department of Agriculture to make it a reality. Data products contain information in both Spanish and English.

- A census of agriculture was completed and released for Guam and the Commonwealth of the Northern Mariana Islands. Statistics for each of these areas are gathered in cooperation with the local governments.

Farm and Ranch Irrigation Survey.

- A sample of farms (25,000) reporting irrigation during the census of agriculture were canvassed as part of the 2003 Farm and Ranch Irrigation Survey (FRIS). The National Processing Census,

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Census Bureau, performed the mail out, collection, and data capture activity under contract beginning in December 2003. All special processing and editing activities were conducted during the past year. FRIS results were finalized and released in November 2004.

2007 Census of Agriculture.

- NASS continues on-going work to maintain and build a mailing list which covers farm and ranch operators throughout the country. Primary emphasis remains on large and socially disadvantaged farm and ranch operators. During the past year, a new Agricultural Identification Survey was planned to gather and update information about prospective farm operators. Details were developed for the collection instruments and processing procedures.

- Increased efforts on identifying American Indian operators in the Southwest are being explored to continue enhanced data on American Indian reservations. The results of this study will be expanded to other areas of the U.S. in an attempt to provide data similar to that released in 2002 for reservations in Montana, North Dakota, and South Dakota.

- NASS collected and reviewed comments for the 2007 Census of Agriculture content. Draft versions of the 2007 data collection instrument have been conceptualized and will be tested and finalized during 2005.

WORK PERFORMED FOR OTHERS

Current Activities:

NASS conducts surveys for and lends technical expertise to other Federal agencies, State governments, and private organizations on a reimbursable basis. NASS provides support and assistance in the areas of questionnaire and sample design, data collection and editing, analysis of survey results, and training. NASS also provides technical consultation, support, and assistance to foreign countries desiring to enhance their statistical programs.

Selected Examples of Recent Progress:

NASS performs services and statistical consultation for other Federal and State agencies and private commodity organizations on a reimbursable basis. Statistics generated meet special needs not covered by the National Agricultural Statistics Program. In addition, statistical consultation by NASS staff members contributes to improvements in the overall quality and consistency of statistical information produced for the needs of other organizations.

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Special Surveys Conducted in FY 2004 by State Statistical Offices, by Survey Type:

Survey Type	Number of Surveys
Seeds, Field Crops, Vegetables	24
Fruits and Nuts	8
County Estimates	7
Cropping Practices, Pesticide Use	18
Livestock, Poultry	6
Safety, Health, Disability	3
Nursery and Floriculture	4
Farm Finance, Land Values	9
Miscellaneous	59
TOTAL	138

Conservation Effects Assessment Project (CEAP).

- NASS, in cooperation with the Natural Resources Conservation Service (NRCS) and the Farm Service Agency, conducted the Conservation Effects Assessment Project (CEAP) in all States except for Alaska and Hawaii, in the Fall of 2003. The project is expected to continue through 2007. The principal focus of the CEAP is to produce a national assessment of environmental benefits of conservation programs to support policy decisions and program implementation under the 2002 Farm Security and Rural Investment Act. NRCS will produce annual conservation progress reports from CEAP. The initial progress report will be released in April 2005.

Wildlife Damage Survey.

- NASS conducted a survey for the Animal and Plant Health Inspection Service (APHIS), Wildlife Services, to study the loss of commercial catfish to wildlife in 13 States. The collection was coordinated with the January Catfish Inventory Survey. NASS services included sample selection, questionnaire development, data collection, data keying, editing and summarization. NASS published a report on predator losses for APHIS in March 2004.

Minority Childhood Injury and Occupational Health Survey.

- NASS conducted a survey in 50 States to study childhood injuries and adult occupational health issues on U.S. farms operated by minorities. The study was conducted under contract for the Centers for Disease Control (CDC), National Institute of Occupational Safety and Health (NIOSH). NASS provided statistical services such as sample selection, questionnaire and CATI instrument development, data collection, data keying, and data editing. NASS will publish a press release highlighting some of the study's findings and a final detailed report will be published by NIOSH in 2005.

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National Animal Health Monitoring System (NAHMS) Non-Ambulatory Cattle Survey.

- NASS conducted a survey for the APHIS National Animal Health Monitoring System (NAHMS) to study non-ambulatory cattle on farms. This is a continuation of a series of surveys sponsored by NAHMS, an information gathering and dissemination organization within APHIS. NASS provided statistical services such as questionnaire development, data collection, data keying, data editing, and summarization. Plans are to publish non-ambulatory cattle data after collection in January 2005.

National Animal Health Monitoring System (NAHMS) Backyard Flock Project.

- NASS conducted a survey for APHIS to gain consent from commercial poultry producers on NASS's list sampling frame to provide the location of their poultry houses to APHIS veterinarians. The veterinarians used the locations of the consenting poultry producers as a starting point for identifying and locating backyard poultry flocks within a one mile radius of commercial operations in 18 poultry States.

ARS Nutrient Data Laboratory.

- NASS provided continued statistical consultation to the ARS Nutrient Data Laboratory (NDL) which consisted of designing, implementing and analyzing national level plans for sampling retail foods and beverages for the laboratory's National Food and Nutrient Analysis Program (NFNAP). NASS developed and implemented: 1) a revised sample design for NFNAP for the collection of food samples from retail outlets for nutrient analysis to reflect the most current population statistics in support of the laboratory's Nutrient Data Bank System; 2) a nationwide sampling design for the determination of the concentration and variability of fluoride in the U.S. food and water supply; and 3) numerous small scale sampling plans for individual foods. Using mixed model statistical analysis techniques NASS obtained national and regional estimates of the content and variability of fluoride in the U.S. drinking water supply. These results are scheduled for publication in 2005 in the *Journal of Food Composition and Analysis*. In addition, NASS is providing expert statistical guidance with the design and analysis of a national database for dietary supplements.

International Technical Assistance Provided.

- NASS provided technical assistance and training to improve agricultural statistics programs in nine countries. Short-term assignments supported work in Brazil, China, El Salvador, Guatemala, Kazakhstan, Mexico, Nepal, Russia, and Ukraine. In addition, NASS coordinated and/or conducted training programs in the U.S. for 219 visitors representing 24 countries. These assistance and training activities promote better quality data and improved access to data from other countries, which allows US analysts to better understand the world supply and demand situation. Improved analysis supports trade more efficient marketing of U.S. agricultural products.

PART Assessment: The NASS program, including the agricultural estimates and the census of agriculture, underwent a PART assessment for the FY 2006 budget process. The overall program rating was "Moderately Effective." Specifically, the findings gave NASS a perfect score for "program purpose & design" and "program management." The lack of a recent independent, external evaluation of the NASS program was the only factor keeping NASS from also receiving a perfect score in "strategic planning." NASS has implemented a plan for an external review following the release of each quinquennial census of agriculture. The "program results" section of the PART indicated the need for improved demonstration of NASS achieving its long-term and annual performance goals. The American Customer Satisfaction Index (ACSI) will be conducted annually and be used to demonstrate progress in these areas.

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2006 Explanatory Notes
Food Safety and Inspection Service

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FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

The Food Safety and Inspection Service (FSIS) was established by the Secretary of Agriculture on June 17, 1981, pursuant to legislative authority contained in *5 U.S.C. 301* that permits the Secretary to issue regulations governing the United States Department of Agriculture (USDA). The mission of FSIS is to ensure that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged, as required by the Federal Meat Inspection Act (FMIA), the Poultry Products Inspection Act (PPIA), and the Egg Products Inspection Act (EPIA). FSIS is composed of two major inspection programs: (1) Meat and Poultry Inspection and (2) Egg Products Inspection.

1. The Meat and Poultry Inspection Program is authorized by the FMIA and the PPIA. The program ensures the safety and wholesomeness of meat and poultry by uniformly applying procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection including the scientific examination of meat and poultry products for disease, pathogen contamination, or other forms of adulteration. The program is also responsible for assessing the effectiveness of State inspection programs to assure that standards at least equal to those under the Federal Acts are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported products at ports of entry to assure that standards equal to those under FMIA and PPIA are applied to meat and poultry exported to the United States.

2. The Egg Products Inspection Program is authorized by the EPIA. The program ensures the safety and wholesomeness of egg products through continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products to ensure that products sold are wholesome, unadulterated, and truthfully labeled. This program also controls imported egg products to ensure that U.S. requirements are met.

During 2004, the agency maintained central offices in the Washington metropolitan area; 15 district offices; the Technical Service Center in Omaha, Nebraska; three laboratories at Athens, Georgia, St. Louis, Missouri, and Alameda, California; the Financial Processing Center in Des Moines, Iowa; the Personnel Operations Branch in Minneapolis, Minnesota; the Training Center in College Station, Texas; and a nationwide network of inspectors in approximately 6,300 establishments (including official import facilities and egg plants) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Included are 364 establishments operating under the Talmadge-Aiken Cooperative Agreement. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. As of September 30, 2004, the agency employment totaled 9,125 permanent full-time employees and 788 part-time or temporary employees. Of these, 679 permanent full-time employees and 70 part-time or temporary employees were located in the central offices, and 333 permanent full-time and 7 part-time or temporary employees were in district offices. The balance of 8,113 permanent full-time employees and 711 part-time or temporary employees were in field locations.

OIG Reports

24601-03-CH, September 30, 2004, Use of Food Safety Information Systems
24001-4-At, September 13, 2004, Food Safety and Inspection Service Follow-up Audit on the Inspector General's Food Safety Initiative of Fiscal Year 2000
24601-3-HY, June 29, 2004, Evaluation of FSIS Effectiveness Checks for the Pilgrim's Pride Recall of RTE Products
24601-2-HY, June 9, 2004, Oversight of the *Listeria* Outbreak in the Northeastern U.S.
50601-7-CH, March 31, 2004, FY2002 Supplemental Funds for Homeland Security Efforts

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50601-9-At, March 24, 2004, Controls Over Chemical and Radioactive Materials at U.S. Department of Agriculture Facilities
50601-10-At, March 8, 2004, Follow-up Report on the Security of Biological Agents at USDA Laboratories
50401-53-FM, November 15, 2004, U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2004 and 2003
24501-1-FM, November 24, 2004, Application Control Review of PBIS
50601-12-At, January 2005, Survey of International Food and Trade Programs
24601-5-At, February 2005, HACCP-Compliance by Very Small Plants
33601-3-At, May 2005, Implementation of the Listed Agents or Toxins Regulations (Phase II)
24601-3-KC, September 2005, BSE Surveillance Program -Phase II
50601-10-KC, September 2005, Monitoring BSE Expanded Surveillance Program Implementation – Phase III

GAO Reports

GAO-04-548, May 27, 2004, Data Mining: Federal Efforts Cover a Wide Range of Uses
GAO-04-791, July 26, 2004, Information Technology: Training Can Be Enhanced by Greater Use of Leading Practices
GAO-04-679, July 16, 2004, Human Capital: Selected Agencies' Use of Alternative Service Delivery Options for Human Capital Activities
GAO-04-664, July 13, 2004, Federal Acquisition: Increased Attention to Vehicle Fleets Could Result in Savings
GAO-04-490, May 24, 2004, Antibiotic Resistance: Federal Agencies Need to Better Focus Efforts to Address Risk to Humans from Antibiotic Use in Animals
GAO-04-328, May 19, 2004, Federal Advisory Committees: Additional Guidance Could Help Agencies Better Ensure Independence and Balance
GAO-04-699T, April 21, 2004, Critical Infrastructure Protection: Establishing Effective Information Sharing with Infrastructure Sectors
GAO-04-558T, March 30, 2004, Federal Food Safety and Security System: Fundamental Restructuring Is Needed to Address Fragmentation and Overlap
GAO-04-38, March 10, 2004, Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results
GAO-04-367 , February 27, 2004, Competitive Sourcing: Greater Emphasis Needed on Increasing Efficiency and Improving Performance
GAO-04-49, February 11, 2004, Information Technology Management: Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved
GAO-04-247 February 2, 2004, Humane Methods of Slaughter Act: USDA Has Addressed Some Problems But Still Faces Enforcement Challenges
GAO-04-375, October 19, 2004, Information Technology: Major Federal Networks That Support Homeland Security Functions
GAO-05-51, October 20, 2004, Food Safety: USDA and FDA Need to Better Ensure Prompt and Complete Recalls of Potentially Unsafe Food
GAO-04-877, November 1, 2004, Emerging Infectious Diseases: Review of State and Federal Disease Surveillance Efforts
130210, January 2005, Worker Safety and Health in the Meatpacking Industry
360456 February 2005, Federal Food Safety Overlap
360460, February 2005, Food Safety: Food Experiences

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FOOD SAFETY AND INSPECTION SERVICE
Available Funds and Staff-Years
2004 Actual and Estimated 2005 and 2006

Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses:						
Appropriation	$784,511,000	9,237	$823,760,000	9,590	$710,717,000	7,512
Proposed user fees	--		--		139,000,000	2,000
Subtotal, salaries and expenses	784,511,000	9,237	823,760,000	9,590	849,717,000	9,512
Rescission from Appropriation	-4,628,615		-6,590,000	-100		
Unobligated balance forward from prior years	12,291,132					
Transfer from Departmental Administration for Congressional Relations	250,000					
Total, Salaries and Expenses	792,423,517	9,237	817,170,000	9,490	849,717,000	9,512
Obligations under other USDA appropriations:						
Allocation from:						
Hazardous Waste Management	100,000	--	50,000	--	50,000	--
APHIS for blood samples (MPI)	425,000		425,000		425,000	--
Total, Agriculture Appropriations	792,948,517	9,237	817,645,000	9,490	850,192,000	9,512
Non-Federal Funds:						
Reimbursements for Meat, Poultry and Egg Products Inspection	115,366,456	228	116,500,000	232	119,000,000	232
Reimbursements for Accredited Labs	180,000	4	180,000	4	550,000	4
Trust Funds for Meat and Poultry Inspection	3,170,000	34	3,250,000	35	3,328,000	35
Total, Non-Federal Funds	118,716,456	266	119,930,000	271	122,878,000	271
Total, Food Safety and Inspection Service	911,664,973	9,503	937,575,000	9,761	973,070,000	9,783

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FOOD SAFETY AND INSPECTION SERVICE

Permanent Positions by Grade and Staff Year Summary
2004 Actual and Estimated 2005 and 2006

Grade	2004			2005			2006		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	26	0	26	26	0	26	26	0	26
Senior Level	6	1	7	6	1	7	6	1	7
GS-15	60	26	86	61	26	87	61	26	87
GS-14	98	72	170	100	73	173	100	73	173
GS-13	208	369	577	211	375	586	211	375	586
GS-12	97	1027	1,124	99	1043	1,142	99	1,043	1,142
GS-11	32	280	312	33	284	317	33	284	317
GS-10	2	459	461	2	466	468	2	488	490
GS-9	57	1971	2,028	58	2002	2,060	58	2,002	2,060
GS-8	31	965	996	31	980	1,011	31	980	1,011
GS-7	74	3278	3,352	75	3330	3,405	75	3,330	3,405
GS-6	11	50	61	11	51	62	11	51	62
GS-5	14	313	327	14	318	332	14	318	332
GS-4	3	51	54	3	52	55	3	52	55
GS-3	1	1	2	1	1	2	1	1	2
Ungraded Positions	0	0	0	0	0	0	0	0	0
Total Permanent Positions	720	8,863	9,583	731	9,002	9,733	731	9,024	9,755
Positions end-of-year	32	426	458	32	426	458	32	426	458
Total Permanent Full-Time Employment, end-of-year	688	8,437	9,125	699	8,576	9,275	699	8,598	9,297
Staff Year Ceiling	713	8,790	9,503	730	9,031	9,761	730	9,053	9,783

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Size, composition and cost of agency motor vehicle fleet as of September 30, 2004 are as follows:

Size, Composition, and Annual Cost
(in thousands of dollars)

Agency: Food Safety and Inspection Service

Fiscal Year	Number of Vehicles by Type*						Total Vehicles	Annual Operating Costs
	Sedans	Light Trucks 4x4	Light Trucks Pick-up	Cargo Trucks	Minivans	Food Safety Mobile		
FY 2003	1,351	7	8	1	14	1	1,382	$5,795
Change	32						32	$211
FY 2004	1,383	7	8	1	14	1	1,414	$6,006
Change	36						36	$491
FY 2005	1,419	7	8	1	14	1	1,450	$6,497
Change	-30						-30	$500
FY 2006	1,389	7	8	1	14	1	1,420	$6,997

*These numbers include vehicles that are owned by the agency, leased from commercial sources, and leased from GSA.

FSIS inspects over 5,000 meat, poultry and egg products plants located throughout the United States. A large number of FSIS inspection personnel have responsibilities in multiple plants and work "patrol/relief assignments" travelling from plant to plant on a daily basis.

In fiscal year 2002 all FSIS vehicles were leased from GSA's fleet. However, in fiscal year 2003 FSIS purchased a recreational-style vehicle to be used as a mobile Food Safety exhibit. The Food Safety Mobile travels throughout the United States visiting schools, state fairs, and similar local events. The Mobile educates consumers about the risks associated with mishandling food and steps they can take to reduce their risk of foodborne illness.

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FOOD SAFETY AND INSPECTION SERVICE
Summary of Budget and Performance
Statement of Goals and Objectives

The Food Safety and Inspection Service (FSIS) has one strategic goal and two strategic objectives that contribute to one of the Department's Strategic Goals and one of the Department's Strategic Objectives.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply. **USDA Strategic Objective 3.1:** Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.	**Agency Goal 1:** Enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation.	**Objective 1.1:** FSIS inspection systems and workforce will utilize science and technology to allocate resources based on potential hazards to public health whether microbial, chemical, physical, intentional adulteration, or misbranding, resulting in safe, wholesome meat, poultry and egg products. **Objective 1.2:** FSIS will use all available means to provide consumers with information for making educated decisions about safe handling, preparation and consumption of meat, poultry, and egg products.	Federal Food Safety and Inspection State Food Safety and Inspection International Food Safety and Inspection Field Automation and Information Management Codex Alimentarius	**Key Outcome 1:** Reduce the Incidence of Foodborne Illness Related to Meat, Poultry, and Egg Products in the U.S.

Strategic Objective and Funding Matrix
(On basis of available funds)

USDA Strategic Objective 3.1: Reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the United States.

	2004 Actual		2005 Budget		Increase or Decrease	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Meat, Poultry, and Egg Products Inspection	$785,557	9,237	$817,170,000	9,490	$32,547,000	$849,717,000	9,512

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Selected Accomplishments Expected at the FY 2006 Proposed Resource Level:

Pathogen Reduction/Hazard Analysis and Critical Control Points (PR/HACCP) allows for the use of science, research, technology, and data disclosure in the development of improved food safety. The Pathogen Reduction/HACCP regulations apply to about 6,300 federally inspected and 2,100 State-inspected slaughter and processing plants in the United States. Countries that export meat and poultry products to the United States must also meet the requirements of the rule. Egg products are not covered by the rule, but FSIS has developed a strategy that will include HACCP to improve the safety of eggs and egg products.

In 2005 and 2006 FSIS expects to continue the improved control over two critical pathogens, *Listeria* and *E. coli* O157:H7 as a result of strengthened procedures introduced since fiscal 2003, the better training and education supplied to the inspection force, and the reorientation of the frontline workforce toward public health. The agency will continue to develop, submit for review, and publish risk assessments as the basis for further refinement of control procedures. Agency laboratories are being upgraded to make analyses swifter and more accurate. Food safety messages will reach more food handlers and consumers, especially groups that have been underserved. Under the Food and Agriculture Defense Initiative, critical information will be supplied to the Department of Homeland Security.

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

Summary of Budget and Performance
Key Performance Outcomes and Measures

Agency Goal: Enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation.

Key Outcome: Reduce the incidence of foodborne illness related to meat, poultry, and egg products in the United States by ensuring customers with safe and wholesome meat, poultry, and egg products. The FSIS inspection program reduces the likelihood of foodborne illnesses.

PART information: For the FY 2004 budget, the assessment (PART) found that the program responsible for the key outcome, FSIS, rated high in purpose and planning because it has a clear and significant role in protecting the Nation's food supply. In addition, this program's outcome goals meaningfully reflect the purpose of this program. However, the program received lower scores in management and accountability. Even though, over the last few years, the program has undertaken several initiatives to improve resource management efficiencies and cost effectiveness, it still does not have tangible incentives or procedures in place to measure cost effectiveness. In addition, the assessment found that the program has been effective in reducing incidences of foodborne illness. However, the program is not optimally designed to address food safety, which resulted in lower program result scores.

Implementation of a new risk-based inspection system should be further evaluated to determine whether it would help FSIS meet their strategic and performance goals and should improve efficiencies and cost effectiveness. To address these findings, FSIS will evaluate the impact of implementing a riskbased inspection system beyond the current pilot program.

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Key Performance Measures:

Measure #1: **Pathogen Reduction (Food Inspection)**
a. Prevalence of *Salmonella* on broiler chickens.
b. Prevalence of *Listeria monocytogenes* in ready-to-eat meat and poultry products.
c. Prevalence of *E. coli* 0157:H7 on ground beef.

Measure #2: **Public Health Outreach & Education**
a. Millions of viewings of food safety messages (mixed media -- e.g., USDA Food Safety Mobile, USDA Meat and Poultry Hotline).

Measure #1, pathogen reduction, relates directly to USDA's strategic objective by targeting for control three of the most common and dangerous pathogens. The presence of safe and wholesome food products, however, does not gurantee that after purchase food will be stored, handled, and prepared to maintain safety. For this reason, FSIS has been conducting a vigorous public education campaign to communicate safe preparation methods to the public.

Performance Measure One: Pathogen Reduction	**FY 2001 Actual**	**FY 2002 Actual**	**FY2003 Actual**	**FY 2004 Actual**	**FY 2005 Target**	**FY 2006 Target**
Prevalence of *Salmonella* on broiler chickens	11.90%	11.50%	11.70%	13.60%	11.70%	11.70%
Prevalence of *Listeria monocytogenes* in ready-to-eat meat and poultry products	1.26%	1.03%	0.90%	0.89%	0.80%	0.80%
Prevalence of *E. coli* O157:H7 on ground beef	0.59%	0.77%	0.37%	0.19%	0.37%	0.37%
Cost ($000)	N/A	N/A	743,232	773,297	803,116	835,423
Per capita cost:	N/A	N/A	N/A	$2.60	$2.60	$2.60
Performance Measure Two: Consumer Education						
The number of consumers reached with food safety messages.	N/A	N/A	90 million viewings	92 million viewings	94 million viewings	94 million viewings
Cost ($000)	N/A	N/A	11,589	12,260	14,054	14,294
Per capita cost:	N/A	N/A	N/A	$0.04	$0.05	$0.04

Strategies for achieving performance in FY 2004 and 2005:
Strategy a: Sustain USDA's Pathogen Reduction/Hazard Analysis and Critical Control Point regulations in meat and poultry slaughter and processing plants.
Strategy b: Conduct Risk Analysis (i.e., Risk Assessment, Risk Management).
Strategy c: Continue intensive training of front-line employees in food safety.
Strategy d: Continue Public Health Outreach and Education (e.g., Risk Communication).

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Summary of Budget and Performance
Full Cost by Strategic Goal

Goal: Enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation.

Objective 1.1: FSIS inspection systems and workforce will utilize science and technology to allocate resources based on potential hazards to public health whether microbial, chemical, physical, intentional adulteration, or misbranding, resulting in safe, wholesome meat, poultry and egg products.

Program	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Federal Food Safety and Inspection			
Total direct cost	576,911	627,965	655,140
Indirect costs	114,682	95,737	99,804
Total Costs	691,593	723,703	754,944
Cost per capita, U.S. population	$2.33	$2.34	$2.35
State Food Safety and Inspection			
Total direct cost	40,721	44,139	46,997
Indirect costs	8,095	6,729	7,159
Total Costs	48,816	50,868	54,156
Cost per capita, U.S. population	$0.16	$0.16	$0.17
International Food Safety and Inspection			
Total direct cost	15,632	16,356	16,950
Indirect costs	3,107	2,494	2,582
Total Costs	18,739	18,850	19,532
Cost per capita, U.S. population	$0.06	$0.06	$0.06
FAIM Project			
Total direct cost	11,542	7,038	4,091
Indirect costs	-	-	-
Total Costs	11,542	7,038	4,091
Cost per capita, U.S. population	$0.04	$0.02	$0.01
Codex			
Total direct cost	2,175	2,306	2,343
Indirect costs	432	352	357
Total Costs	2,607	2,657	2,700
Cost per capita, U.S. population	$0.01	$0.01	$0.01
Total, Objective 1.1	**773,297**	**803,116**	**835,423**
FTE, Objective 1.1	**9,150**	**9,404**	**9,426**
Cost per capita, U.S. population	$2.60	$2.60	$2.60

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Objective 1.2: FSIS will use all available means to provide consumers with information for making educated decisions about safe handling, preparation and consumption of meat, poultry, and egg products.

Program	2004 Amount ($000)	2005 Amount ($000)	2006 Amount ($000)
Federal Food Safety and Inspection	9,146	10,989	11,209
State Food Safety and Inspection	646	772	804
International Food Safety and Inspection	248	286	290
FAIM Project	183	123	70
Codex	34	40	40
Total direct cost	10,257	12,211	12,414
Indirect costs	2,003	1,843	1,880
Total Costs	12,260	14,054	14,294
Cost per capita, U.S. population	$0.04	$0.05	$0.04
Total, Objective 1.2	**12,260**	**14,054**	**14,294**
FTE, Objective 1.2	**87**	**86**	**86**
Cost per capita, U.S. population	$0.04	$0.05	$0.04
	Total for Strategic Goal		
Total Costs (program, direct, indirect)	**785,557**	**817,170**	**849,717**
FTE	**9,237**	**9,490**	**9,512**

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FOOD SAFETY AND INSPECTION SERVICE

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

Salaries and Expenses:

For necessary expenses to carry out services authorized by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, including not to exceed $50,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [$823,760,000], $710,717,000 of which no less than [$742,305,000] $630,031,000 shall be available for Federal food safety inspection; and in addition, $1,000,000 may be credited to this account from fees collected for the cost of laboratory accreditation as authorized by section 1327 of the Food, Agriculture, Conservation and Trade Act of 1990 (7 U.S.C. 138f): Provided, [That no fewer than 63 full time equivalent positions above the fiscal year 2002 level shall be employed during fiscal year 2005 for purposes dedicated solely to inspections and enforcement related to the Humane Methods of Slaughter Act: Provided further, That of the amount available under this heading, notwithstanding section 704 of this Act, $3,000,000, available until September 30, 2006, shall be obligated to include the Humane Animal Tracking System as part of the Field Automation and Information Management System following notification to the Committees on Appropriations, which shall include a detailed explanation of the components of such system: Provided further,] That of the total amount made available under this heading, no less than $20,653,000 shall be obligated for regulatory and scientific training: Provided further, 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.

The first change proposes deletion of language which appropriates funds available until the end of FY 2006. The language is therefore unnecessary for 2006.

Legislative Proposal:

In addition, such funds as may be deposited to the Food Safety Inspection User Fee Account may be transferred to this account, to be merged with and available for the same purposes as this account, to remain available until expended.

This change allows income from second-shift reimbursements to be obligated in the same way as appropriated funds.

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SALARIES AND EXPENSES

Appropriations Act, 2005		$823,760,000
Budget Estimate, 2006:		
Appropriation	710,717,000	
Proposed User Fees	139,000,000	
		849,717,000
Increase over 2005 Appropriations		+25,957,000

Adjustments in 2005:		
Appropriations Act, 2005	823,760,000	
Rescission under P.L. 108-447 a/	-6,590,000	
Adjusted Base for 2005		817,170,000
Budget Estimate, 2006		849,717,000
Increase over adjusted 2005		+32,547,000

a/ The amount is rescinded pursuant to Section 122(a) of P.L. 108-447 .

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Federal Food Safety and Inspection	$736,367,000	+$11,659,000	+$19,958,000	$767,984,000
State Food Safety and Inspection	51,758,000	+1,853,000	+1,345,000	54,956,000
International Food Safety and Inspection	19,180,000	+303,000	+386,000	19,869,000
Field Automation and Information Management Project	7,161,000	--	-3,000,000	4,161,000
Codex Alimentarius	2,704,000	+43,000	--	2,747,000
Total Available	817,170,000	+13,858,000	+18,689,000	849,717,000

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FOOD SAFETY AND INSPECTION SERVICE

PROJECT STATEMENT - CURRENT LAW

(On basis of appropriation)

	2004 Actual		2005 Estimated			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Federal Food Safety and Inspection	$693,086,212	9,043	$736,367,000	9,284	+$31,617,000 (1)	$767,984,000	9,306
2. State Food Safety and Inspection	49,589,770	28	51,758,000	33	+3,198,000 (2)	54,956,000	33
3. International Food Safety and Inspection	18,737,966	159	19,180,000	166	+689,000 (3)	19,869,000	166
4. Field Automation and Information Management Projec	11,725,000	--	7,161,000	--	-3,000,000 (4)	4,161,000	--
5. Codex Alimentarius	2,650,065	7	2,704,000	7	+43,000 (5)	2,747,000	7
Unobligated balance lapsing	4,343,372		--	--	--	--	--
Total Available or Estimate	780,132,385	9,237	817,170,000	9,490	+32,547,000	849,717,000 b/	9,512
Transfer from Departmental Administration for Congressional Relations activities	-250,000	--	a/	--			
Rescission	4,628,615		6,590,000	100			
Total Appropriation	784,511,000	9,237	823,760,000	9,590			

a/ Amount to be determined.

b/ Includes $139 million to be derived from proposed new user fees. An estimated 2,000 staff years are associated with proposed new user fees.

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PROJECT STATEMENT - CURRENT LAW
(On basis of availability)

	2004 Actual		2005 Estimated			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Federal Food Safety and Inspection	$700,101,902	9,043	$737,185,371	9,284	+$30,798,629 (1)	$767,984,000	9,306
2. State Food Safety and Inspection	49,931,592	28	51,758,000	33	+3,198,000 (2)	54,956,000	33
3. International Food Safety and Inspection	18,867,127	159	19,180,000	166	+689,000 (3)	19,869,000	166
4. Field Automation and Information Management Projec	13,988,371	--	8,865,450	--	-4,704,450	4,161,000	--
5. Codex Alimentarius	2,668,332	7	2,704,000	7	+43,000 (4)	2,747,000	7
Total Obligations	785,557,324	9,237	819,692,821	9,490	+30,024,179	849,717,000	9,512
Unobligated balance lapsing	4,343,372	--	--	--	--	--	--
Unobligated balance forward from prior years	-12,291,132	--	-2,522,821	--	+2,522,821	--	--
Unobligated balance forward to next year	2,522,821	--	--	--	--	--	--
Total Available or Estimate	780,132,385	9,237	817,170,000	9,490	+32,547,000	b/ 849,717,000	9,512
Transfer from Departmental Administration for Congressional Relations activities	-250,000	--	a/	--			
Rescission	4,628,615		6,590,000				
Total Appropriation	784,511,000	9,237	823,760,000	9,490			

a/ Amount to be determined.

b/ Includes $139 million to be derived from proposed new user fees. An estimated 2,000 staff years are associated with proposed new user fees.

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Justification of Increases and Decreases

A total increase of $32,547,000 ($817,170,000 available in 2005) and an increase of 22 staff years to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation.

(1) An increase of $31,617,000 and 22 staff years for Federal Food Safety and Inspection ($736,367,000 available in 2005) consisting of:

(a) A total increase of $13,858,000 for pay costs ($2,266,000 funded through mandatory receipts from fees), of which $11,659,000 is for Federal Food Safety and Inspection, which includes $5,214,000 for annualization of the 2005 pay raise, and $6,445,000 for the anticipated FY 2006 pay increase.

The increase for pay costs assumes an FY 2006 salary increase of 2.3 percent and annualization of the 3.5 percent salary increase in 2005. FSIS' permanent statutory obligations to provide continuous inspection of meat, poultry and egg products is a labor intensive mandate, thereby making its salary costs relatively inflexible.

Currently, 28 States participate in cooperative meat and poultry inspection programs while FSIS provides 50 percent of the costs. These State programs are similar to the Federal program in that they are very labor intensive and full pay and benefit cost increases are necessary to maintain an adequate staffing level. An increase for the State inspection program is requested to provide for the 2.3 percent pay raise for State employees in fiscal year 2006 (the same as for Federal employees) to assure that the States are provided sufficient funds to maintain "equal to" programs. Failure to provide the full amount for pay and benefit costs jeopardizes the effectiveness of State programs and weakens food safety.

(b) An increase of $2,236,000 and 22 staff years for more effective front-line inspection workforce ($366,000 funded through mandatory receipts from fees) for Federal Food Safety and Inspection.

Maturation of FSIS' HACCP-based inspection has been widening the scope of front-line inspection duties. While slaughter food inspectors have largely retained their traditional tasks, other front-line staff have taken on more difficult, complex, higher graded responsibilities related to public health – among others, food safety assessments, food security monitoring, documentation and analysis to support detentions, recalls, and other enforcement actions. In particular, FSIS intends to make more extensive use of of its Veterinary Public Health Officers' scientific skills -- critical thinking, systems analysis, epidemiology, biostatistics, microbiology, pathology, and toxicology -- to promote public health. FSIS has accordingly been revising veterinary work assignments so that 25 percent of their time focuses on public health assessment and assurance.

FSIS is requesting the resources these highly-trained front-line supervisors need to take full advantage of their training, experience, and responsibilities. The veterinary officers need assistance with required administrative duties so that they can perform the more complex and higher graded responsibilities, often at multiple sites. Therefore, FSIS plans to fill relief positions and utilize these relief employees to take over certain duties currently being performed by veterinary officers, thereby enabling the agency to better employ the knowledge and technical skills of its veterinary officers which include routine personnel supervisory and administrative duties. Freeing up this critical veterinarian time will require filling 22 vacant GS-10 relief positions for Consumer Safety Officers. The agency and the public will benefit from full performance of expanded public health activities through more effective utilization of the technical knowledge and skills of Enforcement Investigations and Analysis Officers (EIAO) trained veterinarians.

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This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards — whether microbial, chemical, physical, intentional adulteration, or misbranding — resulting in safe, wholesome meat, poultry and egg products.

(c) A total increase of $19,453,000 for support of a food and agriculture defense initiative ($3,181,000 funded through mandatory receipts from fees), of which $17,722,000 is for Federal Food Safety and Inspection.

Food contamination, animal and plant diseases, and infestations can have catastrophic effects on human health and the economy. USDA, the Department of Health and Human Services and the Department of Homeland Security are working together to create a comprehensive food and agriculture policy that will improve the Government's ability to respond to the dangers of disease, pests and poisons, whether natural or intentionally introduced.. This budget proposes $19.5 million to further improve FSIS' ability to detect and respond to intentional contamination in the food supply.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards -- whether microbial, chemical, physical, intentional adulteration, or misbranding -- resulting in safe, wholesome meat, poultry and egg products.

i. A total increase of $13,016,000 for the Food Emergency Response Network (FERN) ($2,128,000 funded through mandatory receipts from fees), of which $11,846,000 is for Federal Food Safety and Inspection.

The FERN will enable FSIS to rely upon state and local laboratories to participate in handling the numerous samples that will be required to be tested in the event that a terrorist attack on the food supply involves a meat, poultry or egg product. This request will support additional state labs to work uniformly with FDA and FSIS in developing the FERN group to protect the food supply from terrorist attacks. Eventually 100 laboratories will comprise the network. FSIS plans to equip and prepare 10 to 26 additional state labs for testing chemical, biological, and radiological samples as well as develop surveillance testing program.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards — whether microbial, chemical, physical, intentional adulteration, or misbranding — resulting in safe, wholesome meat, poultry and egg products.

ii. A total increase of $2,512,000 for two data systems to support FERN -- the electronic laboratory exchange network (eLEXNET), and a repository of analytic methods ($411,000 funded through mandatory receipts from fees). Of the total, $2,286,000 is for Federal Food Safety and Inspection.

The electronic laboratory exchange network (eLEXNET) is a national, web-based, electronic data reporting system that allows analytical laboratories to rapidly report and exchange standardized data. This system is currently operational in nearly 100 food-testing, public health, and veterinary diagnostic laboratories across the country. Combined data is then readily available to approved laboratories and key decision-makers. The eLEXNET system is a key component of the Food Emergency Response Network (FERN) that is made up of analytical laboratories from across the country. The funding will be used to make eLEXNET

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available to additional FERN and other food-testing laboratories. This will require eLEXNET system management, travel, on-site computer programming, and training.

Access to current, properly validated methods used for screening, confirmation, and forensic analysis is critical to all laboratories. FSIS is working with FDA to develop a web-based repository of analytical methods compatible with eLEXNET. Access to these methods will greatly enhance the ability of FERN and other laboratories to respond to emergencies, to discover new methodologies and technologies, to enhance efficiency, and to trouble-shoot problems. The requested funding will be used to enhance the repository and to populate the repository with numerous methods that will be solicited from analytical laboratories.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards -- whether microbial, chemical, physical, intentional adulteration, or misbranding -- resulting in safe, wholesome meat, poultry and egg products.

iii. A total increase of $417,000 for biosurveillance ($68,000 funded through mandatory receipts from fees), of which $375,000 is for Federal Food Safety and Inspection.

The requested funding will allow FSIS to continue efforts to expand the protection of vulnerable food products and processes begun in Fiscal Year 2005. Funding will continue linkage of data systems between USDA and Department of Homeland Security.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards — whether microbial, chemical, physical, intentional adulteration, or misbranding — resulting in safe, wholesome meat, poultry and egg products.

iv. A total increase of $2,500,000 to enhance laboratory capabilities ($409,000 funded through mandatory receipts from fees), of which $2,278,000 is for Federal Food Safety and Inspection.

The requested funding will be used to purchase equipment that will provide the FSIS laboratories with the capability and capacity to perform the toxin and chemical testing that will be standardized across all FERN laboratories so that FSIS laboratories can properly lead the FERN effort against threats to meat, poultry, and egg products. The FSIS laboratories will also purchase additional state of the art technologies that will be used to detect potential bioterrorism-associated pathogens. These include equipment compatible with the Select Agent Program and Laboratory Response Network of the Centers for Disease Control: Perkin-Elmer Victor Biowarfare systems, Luminex multiple analysis systems, and improved mass spectrometry systems.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards -- whether microbial, chemical, physical, intentional adulteration, or misbranding -- resulting in safe, wholesome meat, poultry and egg products.

v. A total increase of $1,008,000 to conduct follow-on bio-security training ($165,000 funded through mandatory receipts from fees), of which $937,000 is for Federal Food Safety and Inspection.

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The biosecurity awareness of the workforce must be refreshed on an ongoing basis to protect public health as threat agents become better known and countermeasures are worked out. Upon successful implementation of this initiative, the FSIS workforce will have the necessary skills and knowledge to respond expeditiously to threats against the food supply, resulting in greater security and safety of meat, poultry, and egg products.

This initiative supports the Agency's single strategic goal: to enhance the safety and wholesomeness of meat, poultry, and egg products through effective inspection and policy implementation; and its objective of allocating resources to public health based on potential hazards -- whether microbial, chemical, physical, intentional adulteration, or misbranding -- resulting in safe, wholesome meat, poultry and egg products.

(2) An increase of $3,198,000 for State Food Safety and Inspection ($51,758,000 available in 2005) consisting of:

(a) A total increase of $13,858,000 for pay costs ($2,266,000 funded through mandatory receipts from fees), of which $1,853,000 is for State Food Safety and Inspection, which includes $366,000 for annualization of the 2005 pay raise, and $452,000 for the anticipated FY 2006 pay increase.

Currently, 28 States participate in cooperative meat and poultry inspection programs while FSIS provides 50 percent of the costs. These State programs are similar to the Federal program in that they are very labor intensive and full pay and benefit cost increases are necessary to maintain an adequate staffing level. An increase for the State inspection program is requested to provide for the 2.3 percent pay raise for State employees in fiscal year 2006 (the same as for Federal employees) to assure that the States are provided sufficient funds to maintain "equal to" programs. Failure to provide the full amount for pay and benefit costs jeopardizes the effectiveness of State programs and weakens food safety.

(b) A total increase of $19,453,000 for support of a food and agriculture defense initiative ($3,181,000 funded through mandatory receipts from fees), of which $1,345,000 is for State Food Safety and Inspection.

i. A total increase of $13,016,000 for the Food Emergency Response Network (FERN) ($2,128,000 funded through mandatory receipts from fees), of which $910,000 is for State Food Safety and Inspection.

ii. A total increase of $2,512,000 for two data systems to support FERN -- the electronic laboratory exchange network (eLEXNET), and a repository of analytic methods ($411,000 funded through mandatory receipts from fees). Of the total, $168,000 is for State Food Safety and Inspection.

iii. A total increase of $417,000 for biosurveillance ($68,000 funded through mandatory receipts from fees), of which $34,000 is for State Food Safety and Inspection.

iv. A total increase of $2,500,000 to enhance laboratory capabilities($409,000 funded through mandatory receipts from fees), of which $162,000 is for State Food Safety and Inspection.

v. A total increase of $1,008,000 to conduct follow-on bio-security training ($165,000 funded through mandatory receipts from fees), of which $71,000 is for State Food Safety and Inspection.

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(3) An increase of $689,000 for International Food Safety and Inspection ($19,180,000 available in 2005) consisting of:

(a) A total increase of $13,858,000 for pay costs ($2,266,000 funded through mandatory receipts from fees), of which $303,000 is for International Food Safety and Inspection, which includes $135,000 for annualization of the 2005 pay raise, and $168,000 for the anticipated FY 2006 pay increase.

(b) A total increase of $19,453,000 for support of a food and agriculture defense initiative ($3,181,000 funded through mandatory receipts from fees), of which $386,000 is for International Food Safety and Inspection.

i. A total increase of $13,016,000 for the Food Emergency Response Network (FERN) ($2,128,000 funded through mandatory receipts from fees), of which $260,000 is for International Food Safety and Inspection.

ii. A total increase of $2,512,000 for two data systems to support FERN -- the electronic laboratory exchange network (eLEXNET), and a repository of analytic methods ($411,000 funded through mandatory receipts from fees). Of the total, $58,000 is for International Food Safety and Inspection.

iii. A total increase of $417,000 for biosurveillance ($68,000 funded through mandatory receipts from fees), of which $8,000 is for International Food Safety and Inspection.

iv. A total increase of $2,500,000 to enhance laboratory capabilities ($409,000 funded through mandatory receipts from fees), of which $60,000 is for International Food Safety and Inspection.

(4) A decrease of $3,000,000 for the FAIM Project ($7,161,000 available in 2005) consisting of:

(a) A total decrease of $3,000,000 for the Humane Animal Tracking (HAT) System.

Funding was provided in the Fiscal Year 2005 Appropriations Act for Fiscal Year 2005 and 2006 is available until September 30, 2006. This extended funding availability makes it unnecessary to maintain funding in the 2006 Budget for HAT.

(5) An increase of $43,000 for Codex Alimentarius ($2,704,000 available in 2005) consisting of:

(a) A total increase of $13,858,000 for pay costs ($2,266,000 funded through mandatory receipts from fees), of which $43,000 is for Codex Alimentarius, which includes $19,000 for annualization of the 2005 pay raise, and $24,000 for the anticipated FY 2006 pay increase.

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FOOD SAFETY AND INSPECTION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2004 Actual and Estimated 2005 and 2006

	FY 2004		FY 2005		FY 2006	
	Amount	Staff Yrs	Amount	Staff Yrs	Amount	Staff Yrs
Alabama	27,023,511	422	28,197,787	434	29,231,000	435
Alaska	491,607	6	512,969	6	532,000	6
Arizona	2,190,133	22	2,285,303	23	2,369,000	23
Arkansas	38,069,637	587	39,723,910	603	41,179,000	605
California	36,806,444	506	38,405,826	520	39,813,000	521
Colorado	12,855,840	177	13,414,476	182	13,906,000	182
Connecticut	1,415,945	19	1,477,473	20	1,532,000	20
Delaware	6,843,822	112	7,141,212	115	7,403,000	115
District of Columbia	161,264,136	707	168,271,685	725	174,436,000	728
Florida	8,581,284	125	8,954,174	128	9,282,000	129
Georgia	50,561,439	712	52,758,529	732	54,691,000	733
Hawaii	2,086,130	27	2,176,780	28	2,257,000	28
Idaho	3,281,608	48	3,424,207	49	3,550,000	49
Illinois	20,549,865	217	21,442,836	223	22,228,000	223
Indiana	8,855,872	113	9,240,694	116	9,579,000	116
Iowa	26,487,735	399	27,638,729	410	28,651,000	411
Kansas	18,729,199	267	19,543,055	274	20,259,000	275
Kentucky	9,635,221	159	10,053,909	163	10,422,000	164
Louisiana	7,537,333	92	7,864,859	95	8,153,000	95
Maine	1,109,471	12	1,157,682	12	1,200,000	12
Maryland	26,351,145	242	27,496,204	249	28,503,000	249
Massachusetts	1,834,170	26	1,913,872	27	1,984,000	27
Michigan	7,168,556	102	7,480,057	105	7,754,000	105
Minnesota	21,981,622	299	22,936,808	307	23,777,000	308
Mississippi	22,894,896	349	23,889,768	359	24,765,000	359
Missouri	22,728,230	315	23,715,860	324	24,585,000	324
Montana	2,013,312	18	2,100,799	18	2,178,000	19
Nebraska	23,270,958	359	24,282,170	369	25,172,000	370
Nevada	568,464	8	593,166	8	615,000	8
New Hampshire	512,880	7	535,167	7	555,000	7
New Jersey	5,820,091	77	6,072,996	79	6,295,000	79
New Mexico	1,270,253	12	1,325,451	12	1,374,000	12
New York	14,387,243	179	15,012,425	184	15,562,000	184
North Carolina	28,856,406	408	30,110,328	419	31,213,000	421
North Dakota	1,720,617	20	1,795,385	21	1,861,000	21
Ohio	12,399,287	106	12,938,084	109	13,412,000	109
Oklahoma	8,306,005	105	8,666,933	108	8,984,000	108
Oregon	4,474,640	55	4,669,081	57	4,840,000	57
Pennsylvania	26,186,859	369	27,324,779	379	28,326,000	380
Rhode Island	659,528	9	688,187	9	713,000	9
South Carolina	9,030,256	124	9,422,655	127	9,768,000	128
South Dakota	3,995,148	50	4,168,753	51	4,321,000	51
Tennessee	9,052,320	142	9,445,679	146	9,792,000	146
Texas	39,424,365	536	41,137,506	551	42,644,000	553
Utah	3,705,825	41	3,866,857	42	4,008,000	42
Vermont	861,040	4	898,455	4	931,000	4
Virginia	13,477,003	200	14,062,631	205	14,578,000	206
Washington	6,840,659	104	7,137,912	107	7,399,000	107
West Virginia	2,590,898	28	2,703,483	29	2,803,000	29
Wisconsin	15,263,837	166	15,927,110	171	16,510,000	171
Wyoming	313,679	-	327,310	-	339,000	-
Guam	38,268	-	39,931	-	41,000	-
Northern Mariana Islands	296	-	309	-	-	-
Puerto Rico	3,074,931	47	3,208,548	48	3,326,000	48
Samoa	21,261	-	22,185	-	23,000	-
Virgin Islands	86,142	1	89,885	1	93,000	1
Subtotal, Available or Estimate	785,557,324	9,237	819,692,821	9,490	849,717,000	9,512
Unobligated Balance	-5,424,939		-2,522,821		-	
Total, Available or Estimate	780,132,385		817,170,000		849,717,000	

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FOOD SAFETY AND INSPECTION SERVICE
CLASSIFICATION BY OBJECTS
2004 Actual and Estimated 2005 and 2006

Personnel Compensation:	2004	2005	2006
Washington, D. C.	$50,228,717	$52,548,000	$54,160,000
Field	424,053,580	443,187,000	456,783,000
11 Total personnel compensation	474,282,297	495,735,000	510,943,000
12 Personnel benefits	151,166,616	159,530,000	164,317,000
13 Benefits for former personnel	1,322,803	1,288,000	1,288,000
Total pers. comp. & benefits	626,771,716	656,553,000	676,548,000
Other Objects:			
21 Travel	31,472,400	35,959,000	36,564,000
22 Transportation of things	4,616,999	5,191,000	5,267,000
23.1 Rent payments to GSA	1,007,060	835,000	835,000
23.2 Rental payments to others	972,105	2,392,000	2,392,000
23.3 Communications, utilities and miscellaneous charges	10,120,201	4,192,000	2,551,000
24 Printing and reproduction	896,208	1,345,000	1,345,000
25.1 Advisory and assistance services	1,963,531	2,133,000	2,133,000
25.2 Other services	18,946,356	22,295,000	28,076,000
25.3 Other purchases of goods and services from Government accounts	18,223,006	22,673,000	22,863,000
25.4 Operation and maintenance of facilities	720,107	675,000	675,000
25.5 Research and development contracts		1,509,000	1,581,000
25.7 Operation and maintenance of equipment	842,345	483,000	489,000
25.8 Subsistence and support of persons	521	1,000	1,000
26 Supplies and materials	10,615,683	12,704,000	14,370,000
31 Equipment	14,391,406	6,124,821	8,229,000
32 Land and structures	113	--	--
41 Grants, subsidies and contributions	43,477,400	44,254,000	45,424,000
42 Insurance claims and indemnities	523,203	371,000	371,000
43 Interest and dividends	21,991	10,000	10,000
44 Refunds	-25,027	-7,000	-7,000
Total other objects	158,785,608	163,139,821	173,169,000
Total direct obligations	785,557,324	819,692,821	849,717,000
Position Data:			
Average Salary, ES positions	$141,322	$145,562	$148,473
Average Salary, GS positions	$50,526	$52,042	$53,083
Average Grade, GS positions	8.90	8.95	9.00

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Food Safety and Inspection Service
Status of Program

CURRENT ACTIVITIES
MEAT, POULTRY, AND EGG PRODUCTS INSPECTION

Program responsibilities include:

1. Inspecting, before and after slaughter, those birds and animals intended for human food, and verifying the further processing of meat and poultry products to assure food safety by appropriately focusing Agency resources on risk-based activities that enhance public health and food security.
2. Ensuring that meat, poultry, and egg products are safe, secure, wholesome, and properly labeled; and preventing the movement or sale in commerce of unsafe, adulterated, unwholesome, or mislabeled meat, poultry or egg products.
3. Inspecting, before and after breaking, those eggs intended for further processing and to be used as human food to assure food safety and security.
4. Performing pathological, microbiological, chemical and other scientific examination on samples of meat, poultry and egg products for disease, infection, extraneous materials, drug and other chemical residues, or other types of adulteration.
5. Conducting emergency responses, including retention, detention, and/or voluntary recall of meat, poultry and egg products containing chemical, microbial, or other adulterants.
6. Conducting epidemiological investigations based on reports of foodborne health hazards and disease outbreaks.
7. Designing and implementing cooperative strategies to prevent food safety health hazards associated with animal production practices.
8. Reviewing and assessing the effectiveness of State inspection programs to ensure that standards at least equal to those under the Inspection Acts apply to plants under State jurisdiction.
9. Auditing and evaluating foreign inspection systems, including determinations of initial equivalence, and facilities that export meat, poultry, and egg products to the United States to ensure that standards are equivalent to those in the United States; and reinspecting imported meat, poultry and egg products to ensure that they meet federal standards.
10. Monitoring allied industries to prevent uninspected, unwholesome, or mislabeled meat, poultry, and egg products from illegally entering channels of commerce.
11. Providing training and technical information to inspection program personnel in order for them to accurately and consistently assure food safety.
12. Providing for the enhanced use of innovation regarding slaughter and processing techniques through the review of new technologies.
13. Providing special outreach to small and very small establishments in order to facilitate their ability to meet regulatory requirements.
14. Providing public information to ensure the safe handling of meat, poultry and egg products by food handlers and consumers.
15. Coordinating U.S. participation in the Codex Alimentarius Commission and other international food safety fora, and informing the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission.
16. Certifying meat, poultry and egg products for export by assuring that all U.S. and foreign country requirements are met. Resolving technical inspection issues with foreign inspection officials to prevent disruptions.
17. Developing risk assessments to guide the establishment of science-based policies that reduce the risk of illness from foodborne hazards associated with meat, poultry, and egg products.
18. Conducting and updating vulnerability assessments of domestic and imported products and developing appropriate countermeasures ("food shields") for the vulnerabilities.

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SELECTED EXAMPLES OF RECENT PROGRESS

Meat and Poultry. During FY-2004, FSIS had 7,587 full-time inspection personnel in 5,921 federally inspected establishments nationwide. Since FY 1987, the amount of inspected poultry has doubled from 25.7 billion to 52.8 billion pounds in FY 2004 while red meat has risen from 36.3 billion pounds to 43.6 billion pounds. In FY 2004, FSIS also conducted 1,700,000 procedures to verify that establishment systems maintained food safety and wholesomeness.

Egg Products. During FY 2004, FSIS' 91 full-time inspectors (including 9 State inspectors) inspected and certified as wholesome about 4 billion pounds of liquid egg products in 70 federally inspected egg product plants.

Import Inspections. In FY 2004, approximately 4.2 billion pounds of meat and poultry and approximately 12.1 million pounds of egg products were presented for import inspection at U.S. ports and borders. Currently there are 74 import inspectors performing inspections at approximately 135 official import establishments located at ports-of-entry.

TRENDS IN FOODBORNE ILLNESS AND PATHOGEN REDUCTION

Centers for Disease Control and Prevention. FY 2004 marked the ninth year of the Foodborne Diseases Active Surveillance Network (FoodNet) agreement between FSIS, the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), and State partners. FoodNet conducted active surveillance for foodborne diseases in ten states in the U.S. in FY2004. Data on the incidence of infections with foodborne pathogens presented in a CDC publication in April, 2004 revealed significant declines from 1996 to 2003 in infections caused by *Escherichia coli* O157:H7 (down 42 percent), *Salmonella* (down 17 percent), *Campylobacter* (down 28 percent) and *Yersinia* (down 49 percent). Infections with *Salmonella Typhimurium* (typically associated with meat and poultry) decreased by 38 percent. Most significantly, between 2002 and 2003, illnesses caused by *E. coli* O157:H7, typically associated with ground beef, dropped by 36 percent. This decline paralleled declines in the frequency of *E. coli* O157:H7 contamination of ground beef reported by FSIS in FY2003 when compared to FY 2002. The reduction in *E. coli* O157:H7 illnesses brings the U.S. very close to achieving the 'Healthy People 2010' goal of 1.0 case per 100,000 people.

Salmonella. In August 2004, FSIS released regulatory sampling data showing a continued downward trend in positive tests for *Salmonella*. The Pathogen Reduction/Hazard Analysis and Critical Control Point (PR/HACCP) rule, implemented July 25, 1996, established *Salmonella* performance standards in seven categories of meat and poultry products: broilers; market hogs; cows/bulls; steers/heifers; ground beef; ground chicken; and ground turkey. As one part of its science-based food safety system, FSIS collects and analyzes *Salmonella* samples to verify compliance with HACCP requirements. Since the testing program was designed to track establishment performance, it may not reflect the nationwide prevalence of *Salmonella* in these products.

Despite minor yearly fluctuations in individual categories, *Salmonella* rates in all classes of products have decreased to levels well below the pre-HACCP baseline prevalence estimates. Of the random regulatory samples collected and analyzed by FSIS in CY 2003, 3.8 percent tested positive for Salmonella, as compared with 10.65 percent in CY 1998; 7.26 percent in CY 1999; 5.31 percent in CY 2000; 5.03 percent in CY 2001; and 4.29 percent in CY 2002.

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Regulatory sampling results (percent positive samples) for CY 2003 as compared to the performance standard established in the PR/HACCP rule:

	Results (percent positive)	Performance Standard (percent positive)
Broilers	12.8	20.0
Market hogs	2.5	8.7
Cows/bulls	1.5	2.7
Steer/heifer	0.4	1.0
Ground beef	1.7	7.5
Ground chicken	35.5	44.6
Ground turkey	25.4	49.9

Since 2000, all classes of meat and poultry plants have been subject to *Salmonella* testing. To ensure that yearly variations in the proportion of samples collected from the seven categories were not responsible for the overall decline in the percentage of positive samples, FSIS weighted the four years of data against the proportion of samples by category in the year 2000. The results show a steady decrease in positive samples in each year of HACCP verification testing. The data can be found at http://www.fsis.usda.gov/science/microbiology.

While the prevalence of *Salmonella* in regulatory samples across all seven product categories continued to decrease in 2003, FSIS is concerned that the percentage of positive *Salmonella* tests (all sizes of establishments combined) increased slightly in three poultry categories. The Agency will be examining *Salmonella* testing data from 1998 to the present in order to clearly identify those plants displaying negative performance trends. Enforcement Investigations and Analysis Officers will then conduct in-depth HACCP and sanitation verification reviews at those facilities to help ensure that this one year increase does not continue.

Listeria monocytogenes. In October 2003, new regulations associated with the control of *L. monocytogenes* in post-lethality exposed ready-to-eat (RTE) meat and poultry products were implemented (9 CFR 430 and FSIS Directive 10,240.4). FSIS prepared an extensive amount of guidance documents and training materials, and completed workshops nationwide attended by industry and FSIS inspection personnel. FSIS has revised its procedures for conducting verification testing of RTE products for this pathogen, and held a training course in environmental and food contact surface sampling for *L. monocytogenes*. In September 2004, approximately 30 additional Enforcement Investigations and Analysis Officers were trained to collect environmental samples. This was the second training course for these methods. By the end of FY 2004, FSIS laboratories had analyzed over 850 samples collected under the intensified sampling programs specifically designed to let specially trained personnel objectively assess the sanitary operation of the environment in which RTE products are produced.

At the beginning of CY 2004, FSIS initiated two new sampling projects for testing Ready-To-Eat (RTE) meat and poultry products for *L. monocytogenes* and other pathogens. Between January 1 and September 30, a project covering all RTE products found *L. monocytogenes* in 0.68 percent of product samples. A second project emphasizing the sampling of higher risk categories of products defined in the 2003 rulemaking found 0.99 percent of samples positive for *L. monocytogenes*. While the difference is not statistically significant, it may be due to the difference in risk of contamination for the products sampled. FSIS initiated the project to sample all RTE product in order to have an index for comparing results from both previous and future years. Data from sampling RTE products in previous years show that *L. monocytogenes* was found in 0.76 percent of samples in 2003; 1.03 percent in 2002; 1.32 percent in 2001; 1.45 percent in 2000; 1.91 percent in 1999; 2.54 percent in 1998; 2.25 percent in 1997; 2.91 percent in 1996; and 3.02 percent in 1995.

In January 2004, FSIS assembled a team to assess and measure the effectiveness of the new regulation to control *L. monocytogenes* in ready-to-eat (RTE) meat and poultry products. The *Listeria monocytogenes (L.*

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monocytogenes) Assessment Team (hereafter referred to as the Team) was charged with identifying these measures of effectiveness as well as making recommendations for further evaluations. This report presents the major findings and recommendations of the Team. This information will be considered in finalizing the interim final rule. The Team also began planning for long term Agency initiatives in the areas of retail sampling, RTE shelf life and public health issues. The 28-member Team represented staff organizations from the Agency. The Team established an overall project plan and assigned members to smaller Project Assessment Teams (PAT). Each PAT designated a project leader, developed its own project assessment plan, and prepared a report of findings and recommendations for its assigned area addressing one of the seven aspects of the rule. This Summary Report presents the major findings and recommendations as prioritized by the Team. There are additional findings and recommendations with prescriptive suggestions for implementation in each of the PAT's individual reports.

In general, the Team found that the *L. monocytogenes* interim final rule demonstrated a continual positive impact during its short implementation period from October 2003 to June 2004. Sampling based upon risk has begun and a process is in place to improve the scientific basis for sample selection. Plans are underway to continually improve the Agency's efforts to assure that all size establishments and consumers, especially those at risk, are aware of the necessary actions needed to assure RTE products are produced, labeled, and consumed in a safe manner.

On December 2, 2004, FSIS announced in the *Federal Register* (69 FR 70051) the availability of the report "Assessing the Effectiveness of the *Listeria monocytogenes* Interim Final Rule." The report was written by the Agency's *Listeria monocytogenes* Assessment Team and presents the findings and recommendations of the Team which was responsible for assessing and measuring the effectiveness of the regulation to control *L. monocytogenes* in certain ready-to-eat (RTE) meat and poultry products. FSIS has requested comments on the report, which must be submitted by January 31, 2005. FSIS will consider the report and the comments on it, along with the comments that we receive on the interim final rule itself, in deriving a final rule on *L. monocytogenes.*

***E. coli* O157:H7 in Raw Ground Beef.** FSIS published several policy directives and implemented new procedures for the verification of control procedures to coincide with the beginning of the high prevalence season for this pathogen (FSIS Directives 5000.2, 6420.2, and 10,010.1 Revision 1). FSIS prepared an extensive number of guidance documents and training materials, and completed eleven workshops nationwide which were attended by industry and FSIS inspection personnel. Extensive sample testing for *E. coli* O157:H7 under current FSIS directives found 15 confirmed positives. One positive triggered a recall of approximately 5,600 lbs. of product. Products associated with the other 14 positive lots were held before being shipped and were subsequently handled by the establishments.

Of the random FSIS samples collected and analyzed for the *E. coli* O157:H7 raw ground beef monitoring programs, 0.37 percent were positive in 2003, 0.77 percent were positive in 2002, 0.60 percent in 2001, 0.57 percent in 2000, 0.26 percent in 1999 and 0.19 percent in 1998. The relatively higher fraction of positive results in 2000-2002 is ascribed to method changes increasing sensitivity which were implemented during 1999 and 2000. The decrease in 2003 has been shown to be statistically significant.

Recalls. In FY 2004, there were 55 recalls totaling 2,815,736 pounds: 27 beef, 9 pork, 10 poultry, and 9 for combination products. About half (55 percent) of the recalls were for microbiological contamination (*Listeria monocytogenes*, *E. coli O157*:H7, *Salmonella* sp.). Other recalls were for undeclared substances, misbranding, extraneous materials, undercooking, unsanitary conditions, and microbiology.

FSIS has made its recall process more effective. To improve recall speed, distribution information is collected at the plant before FSIS test results become final. FSIS has incorporated a risk-based verification approach to recalls based upon product distributions to vulnerable groups. Memoranda of Understanding (MOUs) between FSIS and twelve States to share recall distribution lists ensure that firms quickly contact suppliers to remove product from grocery shelves.

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FSIS has improved its monitoring and enforcement for potentially contaminated product. Enforcement Investigations and Analysis Officers verify procedures so that returned product is controlled and disposed of appropriately. FSIS issued a revised Recall Directive on May 24, 2004, which clearly delineates the circumstances under which a recall should be requested, the process by which the Agency will check effectiveness and verify product disposition, and criteria for determining if a recall has been effective.

Coordination with State, Local, and Federal Government Agencies. During FY 2004, FSIS collaborated on investigations with 42 local and State health departments, CDC, and the Food and Nutrition Service (FNS) involving more than 60 foodborne disease clusters and outbreaks:

- Twenty-six foodborne disease reports or outbreaks attributed to ***Escherichia coli* O157:H7** were investigated by Public Health and Epidemiology Liaisons. Two product recalls resulted directly from FSIS investigations. Ten outbreaks were attributed to FSIS-regulated product. Among these 10, a total of 100 illnesses were reported from 31 States, with 11 hospitalizations, and two cases of hemolytic-uremic syndrome (HUS). In 12 investigations, the association with FSIS-regulated product was designated as unknown or possible. Four reports were found not to be associated with FSIS-regulated products. FSIS officers also monitored an outbreak affecting over 200 people in Canada, associated with Canadian beef products.
- FSIS investigated four reports of foodborne disease caused by ***Listeria monocytogenes***. Twenty-four cases were reported from 10 States; one case required hospitalization. For three investigations, there was a suspected association with the consumption of deli-type meat products.
- FSIS investigated twenty-four reports of foodborne disease due to ***Salmonella*** species in 30 States. Six reports implicated FSIS-regulated foods, and in eight reports the food vehicle was unknown. In total, there were approximately 200 illnesses, but no hospitalizations or deaths reported. During one outbreak, illness was reported in 49 people from multi-drug resistant *Salmonella* Typhimurium in an under-cooked steamship round.
- **Other outbreaks.** The Agency monitored 12 other reports involving potential foodborne pathogens in 11 States. In four outbreaks, the known or probable pathogen was norovirus (2 outbreaks), *Yersinia enterocolitica* (1), and *Vibrio parahaemolyticus* (1). Only the *Yersinia* cluster involved FSIS-regulated foods, with two illnesses. FSIS also monitored a large outbreak in Ohio, ultimately traced to multiple water-borne pathogens. In seven outbreaks, the pathogen was not determined, though FSIS-regulated products were potentially implicated in three of the outbreaks. School lunches were associated with six of the seven outbreaks with unknown pathogens, totaling over 450 illnesses.

BOVINE SPONGIFORM ENCEPHALOPATHY (BSE)

In January 2004, FSIS published three interim final rules to prevent the agent of BSE from entering the human food supply. FSIS took these actions in response to the December 2003 confirmation of BSE in a cow in Washington State. These interim final rules: 1) prohibit the use of certain materials from cattle for human food; 2) prohibit the slaughter of non-ambulatory cattle for human food; 3) prohibited products produced by advanced meat recovery (AMR) systems from being labeled as "meat" if, among other things, they contain central nervous system tissue; and 4) prohibit the use of stunning devices that deliberately inject air into the cranial cavity of cattle. In addition, FSIS issued a *Federal Register* Notice in January 2004 announcing that the Agency would no longer pass and apply the mark of inspection to carcasses and parts of cattle selected for BSE testing by the Animal and Plant Health Inspection Service (APHIS) until the sample is determined to be negative.

To facilitate enforcement of the rules, FSIS issued a series of Notices describing procedures whereby FSIS personnel verify that establishments which slaughter cattle or process beef are in compliance with the BSE regulations. To verify AMR processes, 217 samples were analyzed and the results were used to develop process improvements. FSIS also issued a series of Notices instructing FSIS personnel on collecting brain samples to assist the APHIS BSE surveillance program. By the end of FY 2004, over 65,000 samples had been collected by the joint efforts of APHIS and FSIS. In addition, FSIS maintained a full-time liaison with

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APHIS at the Riverdale, Maryland, Incident Command Center to facilitate interagency effectiveness at achieving Department BSE Surveillance Goals.

FSIS entered into an MOU with APHIS to provide for high speed computer connectivity lines at 290 cattle slaughter locations. The MOU enables FSIS field personnel to fully engage in BSE surveillance activities by providing for direct data entry into the APHIS BSE database. This MOU partnership is intended to address possible BSE data tracking inconsistencies between the two agencies.

In August 2004, FSIS, APHIS and the Food and Drug Administration published an Advance Notice of Proposed Rulemaking (ANPR) that describes additional federal measures that the agencies are considering to further mitigate the risk of BSE. FSIS is evaluating the comments received in response to the interim final rules and the ANPR. The January regulations were issued on an emergency basis and became effective immediately. Because of the emergency nature of the regulations, FSIS did not include analyses of costs and benefits or the effects of the rules on small business at the time of their release. These analyses are available now at: http://www.fsis.usda.gov.

RISK ANALYSIS

FSIS formed a risk analysis coordination team in July 2003, to help identify and concentrate Agency resources on those products with the greatest potential for causing foodborne illness. FSIS also will coordinate with researchers within and outside USDA so that risk analysis is conducted more efficiently, using the best science. FSIS held a public meeting on November 13, 2003, to discuss risk analysis and gather public input on risk analysis standard operating procedures. The meeting allowed experts from government, academia, industry and consumer organizations to discuss current government thinking and activities concerning the ways that risk assessment, risk management, and risk communication contribute to risk management decisions.

During FY 2004, FSIS completed risk assessments (e.g., vulnerability assessments) in support of agency food security activities. Also, numerous short-term risk assessments were initiated and completed during FY 2004 in support of agency recall and traceback decisions. In addition, several mid- and long-term quantitative microbial risk assessments are in various phases of development, in accordance with the Office of Management and Budget (OMB) requirement for these assessments, to guide agency regulations. The status of these risk assessments is provided below:

Risk assessments initiated in FY 2004:

- *Listeria* verification risk assessment for targeting agency inspection resources.
- Update of the 2001/2003 Harvard Bovine Spongiform Encephalopathy (BSE) risk assessment based on the occurrence of a BSE-positive animal in December 2003 and with current scientific data on BSE. This updated risk assessment model will be used in FY 2005 to guide the finalization of agency interim final rules published in January 2004.

Risk assessments externally peer reviewed, as required by OMB, in FY 2004:

- Risk assessment for *Clostridium perfringens* in ready-to-eat meat and poultry products to support the development of an updated cooling standard for these products. This standard is expected to be established in FY 2005.
- Risk assessment for *Salmonella* and other pathogens in ready-to-eat meat and poultry products to support the development of an updated cooking (lethality) standard for these products. This standard is expected to be established in FY 2005.

Risk assessments that have been externally peer reviewed and publicly presented in FY 2004:

- Risk assessments for *Salmonella* Enteritidis in shell eggs and *Salmonella* species in egg products for the development of agency pasteurization performance standards in FY 2005 and egg handling standards in FY 2006.

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These risk assessments, required under OMB Executive Order 12866, must be externally peer reviewed and publicly presented prior to clearance by USDA's Office of Risk Assessment and Cost-Benefit Analysis (ORACBA) and, subsequently, OMB. During FY 2004, no FSIS risk assessments were reviewed for clearance through ORACBA or OMB.

Hazard and Hazard Control Coefficient Projects. FSIS is revising the way it computes Hazard Coefficients (HCs) for meat and poultry establishments. HCs are establishment-level measures of inherent food safety hazards based on the types of product the establishment handles, the processes they employ in the establishment, and their production volume. FSIS is also developing Hazard Control Coefficients (HCCs), which are establishment-specific measures of how well operators control food safety and other hazards in their operations. Once completed, and perhaps integrated, HCs and HCCs will be additional tools for Agency managers to assess industry practices, measure success, and improve effectiveness.

Flunixin Meglumine Dairy Cow Study. The purpose of this one-year cull cow project was to determine if conditions that would trigger the Fast Antibiotic Screening Test (FAST) might be associated with an increased probability that the dairy cow would be violative for Flunixin when compared with normal, healthy-appearing animals. Since the study was conducted for one year and started six months before the BSE cow was discovered in Washington State, we also wanted to compare Flunixin use before and after this cow had been found. The survey covered the top 21 cull cow slaughter plants. FSIS found: 1) FAST-positive dairy cows were >23 times as likely to be Flunixin-violative as a normal, healthy-appearing animal; 2) FAST-negative cows are only about 4.4 times as likely to be Flunixin-violative as a normal, healthy-appearing animal; and 3) The data do not indicate that Flunixin use increased after the BSE incident in December 2003.

FOOD SAFETY TECHNOLOGIES

The FSIS New Technology Office was announced in August 2003 with the goal of accelerating the development of new technologies to improve meat and poultry safety, especially technologies that can reduce pathogens. To date, the New Technology staff has received 90 notifications or protocols from companies wishing to use new technologies to enhance food safety.

In January 2004, the New Technology staff hosted a public meeting to discuss the development and use of new food safety technologies to enhance public health. Discussions included members of the staff on the new technology review process; industry experts on meat and poultry detection and decontamination technology; and industry experts on sanitation. The meeting also included several panel discussions with question and answer sessions. One purpose of this public meeting was to explore how small and very small plants can use new technologies in their operations.

BEST MANAGEMENT PRACTICES

National Advisory Committee on Microbiological Criteria for Foods (NACMCF). In 2004, FSIS joined in February and August meetings of the NACMCF. There were also many meetings of the NACMCF subcommittees on Microbiological Performance Standards, Scientific Criteria for Redefining Pasteurization, and Criteria for Refrigerated Shelf-Life Based on Safety. NACMCF works on projects in support of the food safety and public health protection programs of co-sponsoring agencies: FSIS, FDA, CDC, the Department of Commerce's National Marine Fisheries Service, and the Department of Defense's Veterinary Service Activity. The Committee reports to the Secretaries of Agriculture and Health and Human Services. In FY 2004 NACMCF completed five reports, on safety-based date labels for refrigerated ready-to-eat foods; on alternative methods of pasteurization; and on performance standards for raw ground chicken, for raw ground turkey, and for young chickens.

National Advisory Committee on Meat and Poultry Inspection (NACMPI). During FY 2004, the Agency conducted two meetings of the NACMPI in November and June. These meetings kept the

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Committee current with the activities of the Agency. FSIS got input and advice from the Committee on topics such as:

- *Listeria monocytogenes* interim final rule and FSIS preliminary assessments of its effects;
- Applying the mark of inspection to product tested for an adulterant;
- Food security;
- Procedures for conducting inspection in Talmadge-Aiken plants;
- Best use of data to support risk-based inspection; and
- How to better associate food safety activities with public health surveillance data.

The NACMPI addresses selected topics through subcommittees that further analyze the issues and develop reports for the Secretary and FSIS.

Enhanced Public Health Assessment and Assurance. In FY 2002, FSIS introduced the Consumer Safety Officer, now called Enforcement Investigations and Analysis Officers – scientifically-trained frontline employees able to assess and verify the design of food safety systems and regulatory compliance. FSIS used EIAOs to conduct over 1,300 Comprehensive Food Safety Assessments in FY 2004. FSIS now employs more than 150 EIAOs.

FSIS has been training its Public Health Veterinarians in the EIAO methodology and since 2003 has been revising veterinary work assignments so that at least 25 percent of their time is spent on public health assessment and assurance. As well as performing Food Safety Assessments, veterinarians initiate, document and manage withholding, suspension and detention actions, investigate consumer complaint incidents and conduct recall duties. FSIS also established a District Case Specialist in each of its 15 districts to compile the legal and scientific evidence for administrative enforcement case files and to ensure due process.

Assigning Work in Processing Plants. During FY 2004, FSIS district offices began using new work measurement guidelines for assigning work at plants which further process meat and poultry. The previous guidelines dated from 1968. This change completes the process begun in 1999 to align the workforce with science-based public health requirements under HACCP.

Revising Program Review in Cooperating States. FSIS and State program directors created a two-phase process for State reviews. First, FSIS teams review States' self-assessment for nine factors: statutory authority and regulations; inspection; product sampling; staffing; humane handling; other consumer protection; enforcement; civil rights; and financial accountability. Second, FSIS reviews State offices and a sampling of establishments. The first phase has been completed for all 28 State programs, with the exception of product sampling, which is pending. The second phase has been completed in Kansas, Mississippi, Missouri, and Wisconsin – again with the exception of product sampling.

FSIS is revising the review manual in cooperation with State directors and then will complete product sampling reviews for all 28 self-assessments and the four on-sites. From 2005, FSIS plans to conduct eight on-site reviews annually until the remaining State on-sites are completed. Delaware, Minnesota, North Dakota, and Ohio were randomly selected as the next States to be reviewed. Annual self-assessments will be required for all 28 States.

Electronic Animal Disposition Reporting System (eADRS). Since February 2004, FSIS has been using eADRS to track the number of animals slaughtered annually in the U.S., and to store valuable information concerning animal dispositions. Previously, the Inspector-in-Charge recorded this information on paper forms mailed to the Urbandale, IA data center. Use of eADRS has resulted in a ten percent reduction in the number of paper forms for slaughter and disposition totals. The system has improved the accuracy of the data and eliminated the need for the FSIS staff to re-enter the data. The system is also responsive to needs for cross-Agency cooperation with APHIS for information related to recordkeeping for Bovine Spongiform Encephalopathy (BSE) disease.

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Information Technology Improvements:

- Installation of more than 200 high-speed lines in establishments and field offices. These lines have improved the inspector's ability to transmit inspection data.
- At Fort Collins, Colorado, installation of a backup server to support Blackberry communications and a secondary dial-up server, to support emergency communications such as e-mail, eADRS, and PBIS.
- FSIS was the first USDA agency to redesign its website to meet new requirements outlined by the Department, the e government Act of 2002 and the recent OMB Requirements for Agency Public Websites. The website will improve access to agency data for employees and citizens alike.
- Development of a reporting system called Readers for laboratory sample data and electronic ADRS, making data much more accessible for management decision-making. In addition, laboratory data from the past three years are in the process of conversion and will be made available online as well.
- Creation of the FSIS situation room, providing a location for management to respond to, and communicate with, field offices during an emergency.
- Ongoing Certification and Accreditation process, which is an OMB mandate to ensure that all systems are secure and function appropriately. The first critical 12 Agency systems were reviewed to meet OM, Departmental, and OMB deadlines.
- Installation of electronic firewalls to protect the FSIS network resources from hackers and to block cyber threats. A new address scheme for computer equipment is also being implemented to better manage any attack from the outside and make it harder for a hacker to gain access into our systems.
- Software patches and updates are now being offered automatically to all non-inspection personnel, usually weekly. Regular updates are sent out to inspectors to be downloaded as available, instead of every six months to a year. Soon the field will have the same seamless upgrades that are available at headquarters.

Program Review. FSIS has established the Office of Program Evaluation, Enforcement, and Review (OPEER) to develop and exercise the capacity to conduct the review, evaluation and assessment of the Agency's programs. The Agency has developed and implemented program enhancements and improvements that consistently monitor and assess the effectiveness of FSIS programs to make the necessary changes to ensure program efficiency. The agency is proactively examining its business practices to anticipate problems or shortcomings of specific programs or administrative or support functions.

Over the recent year, the agency conducted a number of evaluations, assessments and reviews of:

- Implementation of the *Listeria* Interim Final Rule;
- Implementation of the Inspection Personnel Performance System, a system designed to monitor the extent to which our field inspection workforce understands and performs the duties of their positions;
- Implementation of the *E coli* O157:H7 final rule;
- Effectiveness of recalls;
- Disciplinary and Adverse Actions;
- Effectiveness of the Implementation of FSIS Directives and Notices;
- Training activities such as New Veterinarian Employee Training, Food Safety Regulatory Essentials Training, BSE Training CD evaluation and Frontline Supervisor training;
- Anti-Terrorism/Professionalism Training; and
- Continuing evaluation and assessment of the HCC pilot program.

FSIS is in the process of developing a system of Management Controls throughout the agency and across program lines. These controls respond to criticism from the Office of the Inspector General and the General Accounting Office for FSIS' lacking proper controls to ensure that its programs, policies and procedures are doing what is intended. Proper controls will allow the agency to validate where the system failures are and how to address them. The agency has embarked on an initiative that has each program

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developing its own system of management controls, with the necessary interplay and interactions between programs. The controls clearly document who is responsible for performing which functions and who is responsible for validating and verifying that this occurs.

TRAINING

FSIS recognizes that to successfully implement consistent enforcement of its regulations, it needs to support the most critical component of FSIS effectiveness -- its workforce. Thus, one of the Agency's top priorities is to aggressively address the training and education of its workforce. In order to ensure consistent and accurate inspection, FSIS has made a strong commitment to recruiting scientifically educated employees and retooling its entire training and education programs for all employees.

FSIS has developed and implemented training that reflects current Agency policies and incorporates public health and scientific principles in all of its entry level technical training programs. The Agency also initiated training as a condition of employment, requiring entering employees to demonstrate mastery of concepts covered in training by passing a certification examination at the end of training. During 2004, for the first time, FSIS provided training by CD-ROM at the same time key policies, such as the regulations and other policy issuances on BSE, *L. monocytogenes*, and *E. coli* O157:H7, were released. In response to the President's management agenda requiring human capital management planning, FSIS piloted succession planning with an assessment center to prepare future field leaders. FSIS also established intergovernmental agreements and contracts to develop partnerships in providing top quality technical and management training to the workforce.

FSIS is carrying out a two-fold plan to enhance its workforce training capability. First, all training programs for all employees have been updated to incorporate a public health focus by integrating scientific and technical principles, including HACCP validation, with training on technical and regulatory approaches to inspection, and use of enforcement responses, such as suspension of inspection, where appropriate. Second, FSIS is delivering training as close to the employee's worksite as possible. This involves regional training and trainers, as well as interactive sessions near the employee's work site and on-site training programs. Training and education programs must be easily accessible for both headquarters and field personnel. FSIS has established regional training sites at Atlanta, Dallas, Philadelphia, Des Moines and Boulder. The types of training offered continue to expand and new training curriculums are posted on the FSIS Web site.

Regional Training. The first steps toward implementing regional training were initiated, including selecting, hiring, training, and deploying 5 regional trainers; holding entry level field training classes at regional locations; and reworking internal processes to provide logistics and support for regional training. FSIS regional trainers focused their efforts on providing entry level training to the mission critical occupational groups of Food Inspectors, Consumer Safety Inspectors, and Veterinary Public Health Officers. With the implementation of regional training, the average class size for these courses increased from 30 to 36 students, and the fill rate of classes rose from 50 percent to 98 percent.

- **New Food Inspectors.** The course was completely redesigned to focus on public health. Regional trainers taught Food Inspectors how performing their post mortem and ante mortem inspection duties ensure public health. Two courses were offered in the fourth quarter – for poultry slaughter and livestock slaughter. The training covers public health principles, FSIS' statutory responsibilities, and regulatory basics.

- **Food Safety Regulatory Essentials.** FSRE training, inaugurated in April 2003, equips inspection personnel to verify an establishment's Hazard Analysis and Critical Control Points system. FSRE covers the fundamentals of inspection -- Rules of Practice, Sanitation Performance Standards, and Sanitation Standard Operating Procedures. FSRE is also tailored to the types of products to be inspected, raw or processed. FSIS has made FSRE training a condition of employment, requiring entering CSIs to pass a test at the end of training to demonstrate mastery of the skills covered in

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training. In 2004, FSIS delivered all of this training to nearly 1,700 Consumer Safety Inspectors, doubling the number of persons trained in 2003.

- **Veterinary Public Health Officers.** To develop a workforce consistent with its science-based public health regulatory strategy, FSIS introduced a redesigned entry level Public Health Veterinarian training. This training takes nine weeks, including a period in the plant shadowing a veterinary mentor. The training focuses on the veterinarian's regulatory role in verifying an establishment's food safety systems. The training prepares the veterinarian to work in a team environment; introduces basic public health principles and thought processes applicable to all species; and prepares the veterinarians to carry out FSIS' objective of having veterinarians spend 25 percent of their time on public health assessment and assurance. Veterinary mentors were trained, and all courses were taught on a regional basis by the regional trainers in 2004.

Food Security Training. FSIS partnered with the Law Enforcement Academic Research Network (LEARN) to provide anti-terrorism training for District Office staff and in-plant personnel. By the end of FY 2004, the training had reached staff at District Offices, Headquarters, laboratories, the Technical Service Center, Program Investigator staff, and State employees. More than 4,000 in-plant inspection personnel received a one day version of the training at or near their worksites. The content of FSIS directives on homeland security were also incorporated into entry-level training programs.

In partnership with FDA, FNS, and AMS, FSIS has developed a food security training for specialized field personnel of partner agencies and will be delivered via classroom and Web or CD starting March 2005.

Enforcement Investigations and Analysis Officer Training. FSIS partnered with the Texas Agricultural Experiment Station to train a total of 200 EIAOs and Public Health Veterinarians in FY 2004 for the PR/HACCP environment. The training includes a process for developing and documenting case files for enforcement actions, recalls, consumer complaints or other public health concerns. The training also includes small business outreach and assistance.

Investigatory Training. FSIS partnered with the Federal Law Enforcement Training Center in Artesia, New Mexico, to train 150 persons in specialized investigative skills. Two, three-week programs in advanced investigative skills were given to Program Investigators. There were also three, two-week regulatory investigative courses for Program Investigators, EIAOs, and State employees. Two, one-week basic safety training safety courses were given to persons from various FSIS program areas.

Audit Training. In FY 2004, FSIS conducted two, formal, certified training courses in ISO 9000 Program Auditing. Fifty-eight investigators, compliance personnel and analysts completed the training, which included reviews of Foreign, State and domestic inspection programs to ensure equivalence or equal-to status.

CD-ROM-supplied Training. For the first time, FSIS provided CD-ROM based training to the workforce at the same time that key policies (BSE, *E. coli* O157:H7) were issued. Individuals assigned to beef slaughter establishments completed the BSE training CD. Nearly 3,000 CDs covering training to implement the directive on *E. coli* O157:H7 were distributed to the workforce. The CDs were also shared with States and other partners in food safety.

Management, Supervision, and Leadership Training. FSIS introduced Front Line Supervisor training for field supervisors, delivered to over 100 supervisors at the Office of Personnel Management seminar centers. It included one week of technical skills training and one week of supervisory skills development. FSIS also initiated an assessment center to select and prepare future leaders for field positions. FSIS continued its Leadership Assessment and Development Program for experienced managers, and the New Supervisor Program for entry level supervisors.

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AgLearn. FSIS participated as an early adapter of the USDA's training system, AgLearn, with nearly 200 persons in Phase 1 of the program. FSIS is developing and acquiring courses to add to the library of training already available in AgLearn, including federal travel card training, IT security, and civil rights training. FSIS plans to use AgLearn for most of its computer skills training.

LABORATORIES

Recent Baseline Studies. FSIS conducts baseline studies to determine the nationwide levels of various pathogenic microorganisms in raw meat and poultry.

- **Young Chickens**. Data from a 2001 baseline study for *Campylobacter, Salmonella*, and generic *E. coli* in young chickens, evaluating the applicability of an ARS laboratory method for *Campylobacter* enumeration are being reviewed by NACMCF to assist Agency planning to reduce campylobacteriosis.
- **Egg Products**. The collection of samples and data for evaluating the levels of *Salmonella* and *Listeria monocytogenes* in unpasteurized liquid egg products for the prevalence and level of pathogens and indicators of process control was completed in FY 2004. Data were analyzed and incorporated into the FSIS risk assessment for Salmonella in egg products to guide agency development of pasteurization performance standards for egg products.
- The study of ***Clostridium perfringens* in raw ground beef** was completed in FY 2004. Of 593 samples analyzed, 591 samples tested negative and two samples were found to contain 3 colony forming units per gram. These data were used in the FSIS risk assessment for *Clostridium perfringens* to support development of updated cooling standards for ready-to-eat beef and poultry products.

New Baseline Studies. These studies will be conducted on a continual basis, yielding national trends that measure the performance of initiatives designed to reduce pathogen levels in inspected products. The data will enable the Agency and industry to target interventions and effectively work toward eliminating sources of foodborne microorganisms. The baselines will also provide inputs for risk assessments. FSIS plans to update microbiology data through nationwide baseline studies of raw beef, pork, chicken, turkey, and ground products, targeting the prevalence and levels of select foodborne pathogens and microorganisms as indicators of process control.

- **Ground Beef Components**. The first phase of planned work includes five baselines to test raw ground beef components. The National Advisory Committee on Microbiological Criteria for Foods advised FSIS on improvement of study design and protocol changes. Initial baselines will focus on the prevalence and levels of pathogens such as *Salmonella* and *E. coli* O157:H7, and will measure indicators of process control in raw ground beef. These data will be used in FSIS risk assessments for *Salmonella* species in beef and poultry, and for an FSIS risk assessment for *E. coli* O157:H7 in beef to be initiated in FY 2005 to guide agency decisions on performance standards and allocation of inspection resources. In September, 2004, a contract was awarded to the laboratory that will perform the non-regulatory analyses while FSIS will conduct *E. coli* O157:H7 analyses, in case of the need for regulatory action.

BSL-3 Laboratory. On April 22, 2004, USDA opened a new FSIS Biosafety Level 3 (BSL-3) facility in Athens, Georgia, that will conduct analyses on a wide range of potential biological threat agents. Facilities with the designation BSL-3 use pathogens in research and diagnostic activities that could threaten either human health or the productivity of the agriculture system. The new BSL-3 facility in Athens uses state-of-the-art technology to maintain a high level of containment and control. BSL-3 facilities include tightly controlled and restricted access, techniques that require handling of infectious materials in sealed containers or biosafety cabinets, and special clothing. BSL-3 laboratory personnel are trained in handling pathogens and toxins and are supervised by scientists experienced in working with these agents.

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FSIS tests for a variety of threat agents as part of its extensive microbiological sampling program to combat foodborne illness. This facility creates the capacity to test for additional substances and to test in higher volumes when necessary.

Laboratory Capability. Beside the new BSL-3 facility in Athens, FSIS has four laboratories staffed by approximately 200 microbiologists, chemists and veterinary pathologists. Laboratories in Athens, Georgia., St. Louis, Missouri. and Alameda, California, conduct continuous regulatory testing on meat, poultry, and egg products. The Microbial Outbreaks and Special Projects Laboratory, also located in Athens, Ga., performs analyses related to foodborne illness outbreaks and conducts special projects for the Agency.

In Alameda, along with other improvements, renovations for the new sample receiving room were completed and emergency power generators are being installed. The Field Service Laboratories continued development and implementation work on the Laboratory Information Management System (LIMS), which will save time, improve quality assurance, and help integrate information within and outside the Agency. It is expected that all lab analyses will be converted to LIMS in 2005.

Increased Efficiency in Detecting *Salmonella*. FSIS has adopted the polymerase chain reaction-based screening method to screen for *Salmonella* in raw products. The method, as sensitive as the current method of detecting *Salmonella*, reduces the reporting time for negative samples by one to two days. FSIS has validated and extended it to include carcass sponge sample, whole meat rinses, whole bird rinses, ready-to-eat meat and poultry products and pasteurized egg products. FSIS is evaluating similar systems to screen samples for *E. coli* O157:H7 in beef.

Accreditations. During 2004, all four FSIS laboratories were successfully re-audited for accreditation under ISO (International Organization for Standardization) Standard 17025, internationally recognized as the 'gold standard' for testing laboratories.

European Union (EU) Initiative. The EU Initiative includes 28 compounds in eight categories to meet additional EU testing requirements in the National Residue Program. Two methods, chloramphenicol and ractopamine, were validated at a lower level of sensitivity to meet EU requirements, and chloramphenicol was extended to another species. In FY 2004, analytical methods for beta-agonists, lead & cadmium, phenylbutazone, and zeranol were extended to meat and poultry tissues.

***Salmonella* in Pasteurized Egg Products**. The Pasteurized Egg Products Recognized Laboratory (PEPRLab) Program monitors non-federal laboratories performing *Salmonella* Surveillance Sampling Program analysis of pasteurized egg products. Recognized laboratories are required to successfully participate in the PEPRLab *Salmonella* proficiency testing program and are subject to periodic audits. During FY 2004, the agency provided quarterly shipments of proficiency test samples to the 47 participating PEPRLab program laboratories and performed onsite and/or desk audits of 22 of these laboratories.

***Trichinella* in Raw Pork Products**. The *Trichinella* Approved Laboratory Program (TALP) monitors non-federal laboratories that analyze porcine samples for *Trichinella* in lieu of certification by freezing. Approved laboratories are required to successfully participate in the TALP proficiency testing program and are subject to periodic audits. During FY 2004, the agency provided three shipments of proficiency test samples to the three participating laboratories.

RESEARCH

FSIS works with USDA partners to coordinate food safety research priorities and needs.

- FSIS worked with the Alliance for Food Safety and the Agricultural Research Service (ARS) to fund and develop a study to evaluate the risk of *Listeria* contamination of deli meats sliced and packaged at the processing plant versus those sliced at a delicatessen.

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- FSIS presented the USDA priority food safety research needs to the European Union Food Safety Research Workshop.
- FSIS presented a summary of preharvest food safety research on *E. coli* O157:H7 at the Agency's "Preharvest *E. coli* O157:H7" public meeting.
- FSIS serves on the Food Safety Consortium Steering Committee.
- FSIS worked with the Research, Education, and Extension mission area at USDA to coordinate food safety research priorities and needs. The research agenda includes a mechanism by which food safety research needs are prioritized.
- FSIS and the ARS meet every quarter to refine and update research requests; annual FSIS/ARS meetings are held to share research results.
- FSIS has participated in three of the major onsite reviews for ARS food safety research, and has been asked to assist in the five-year review of ARS food safety research.
- FSIS has validated numerous methods for the detection of atypical threat agents in food matrices.
- FSIS has been asked to present the research priorities for food security to the European Union Food Safety Research Workshop.
- FSIS presented an overview of research and transfer of new technology at the FSIS New Technologies Public Meeting.

FOOD SECURITY

Consumer Complaint Monitoring System (CCMS). The CCMS is a national surveillance system that records and tracks complaints, facilitating the identification of possible food hazards and ensuing investigations. CCMS complaints can be entered at our field offices or through the toll-free Meat and Poultry Hotline. Complaints arrive at headquarters for analysis and triage in real-time, which allows for a faster response. FSIS has awarded a contract and significant enhancements are being developed for this system. The CCMS is being upgraded to provide decision trees, 24/7 coverage, alert systems, and comprehensive analytical tools. CCMS serves as a sentinel system for potential terrorist attacks on the food supply. FSIS also is enhancing State relations by exploring automated mechanisms that could support a bi-directional flow of this information.

Food Security. In-plant personnel performed 109,000 food security verification procedures at regulated facilities. FSIS also implemented national response plans, investigated and reported on 4 suspicious activity events, and investigated 153 Consumer Complaint Monitoring System cases.

Food Security Directives. FSIS is revising the Homeland Security Threat Condition Response directives to enhance the tracking of food security verification procedures being performed and the documentation of the findings.

G8 Meeting of Experts. FSIS presented three of the twelve U.S. proposals to the G8 Meeting of Scientific Experts as a follow up to the G8 Summit Meeting. The 3 proposals presented by FSIS involving food security were the items adopted by the United Kingdom for the program of work for 2005. In addition, FSIS will host a workshop to train the other G8 countries in threat assessment of the food supply.

Food Emergency Response Network (FERN). FSIS and FDA co-chair the development of this laboratory network. Currently, over 82 laboratories, including public health and veterinary diagnostic laboratories from 41 States and 5 federal agencies have agreed to participate in FERN. Three regional coordination meetings were conducted in 2004. FERN committees developed operating procedures, and initiated surveillance assignments. Two training courses were held involving 48 individuals from international, federal, State, and local laboratories.

FERN's mechanism for the electronic exchange of food safety data and methods, called eLEXNET, is being shared among 98 federal, State, and local laboratories in 48 States. FSIS is funding a repository of analytical methods being added to eLEXNET. Methods in this repository will be securely available to all FERN laboratories; non-security related methods will be available to the world-wide laboratory

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community. APHIS and State veterinary diagnostic laboratories are joining the partnership to build and operate eLEXNET and the associated repository.

Consortium of Laboratories. FSIS is participating in the development of a Memorandum of Agreement with other federal agencies to establish an Integrated Consortium of Laboratory Networks (ICLN) to include FERN, the Laboratory Response Network (LRN), National Animal Health Laboratory Network (NAHLN), and the National Plant Diagnostic Network (NAPDN). The integrated network will ensure an integrated laboratory response for emergency incidents involving humans, animals, plants food, and environment.

Partnerships.

- Department of Homeland Security (DHS), National Biothreat Analysis and Countermeasures Center (NBACC). FSIS is a member of the advisory committee for the Department of Homeland Security National Biothreat Analysis and Countermeasures Center. FSIS has collaborated with ARS and DHS scientists to develop information on survivability of threat agents in food matrices and to develop methods for detection of threat agents in food. FSIS participated in DHS, NBACC bacterial and viral threat assessment workshops resulting in increased concern for contamination of the bulk food supply.

- Federal Bureau of Investigation (FBI). At the request of the FBI, FSIS authored the chapter on Investigation of Suspicious Outbreaks in the book *Microbial Forensics* that is to be published in March 2005.

- Department of State. At the request of the Department of State, FSIS participated in the 2004 Meeting of Experts for the Biological Weapons Convention at the United Nations in Geneva.

Food Security Outreach. FSIS is developing model food security plans and a self-assessment security checklist for use by the industry to enhance the security of their operations.

FSIS continues to conduct and update vulnerability assessments on selected domestic and imported products and develop appropriate countermeasures ("food shields") for the vulnerabilities.

Food Security Agreements:

U.S. Department of Agriculture, Food and Drug Administration, Department of Homeland Security, National Association of State Departments of Agriculture (NASDA). In September 2004, USDA, in partnership with FDA and DHS, signed a cooperative agreement with the NASDA to further develop integrated federal-State response plans for food and agricultural emergencies. This agreement improves federal, State and local cooperation through enhanced response and recovery procedures in the event of a disaster. FSIS, FDA and DHS' Information Analysis and Infrastructure Protection are funding the development of an integrated approach to prepare for and respond to emergencies affecting national agriculture and food infrastructure. The cooperative agreement will have three phases, starting immediately and concluding by June 2005. During the first phase, a workgroup of federal, State and local officials will gather information on existing State emergency response systems and the States' handling of food/agricultural safety and security emergencies. During the second phase, the workgroup will develop an emergency response plan, which includes federal, State, and local participation; conduct tabletop exercises and pilots to test the plan; and refine it based on lessons-learned and other input. Phase three will produce guidelines for the federal agencies to cooperate with State and local emergency response, and facilitate quick, appropriate federal assistance to local response and recovery.

Federal Bureau of Investigation. A Memorandum of Agreement with the FBI provides collaboration, consultation and analytical services concerning the forensic examination of samples.

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The FSIS laboratories will coordinate with the FBI to develop and manage specialized equipment, laboratory space, analytical protocols, and appropriately trained personnel.

University of California Lawrence Livermore National Laboratory. FSIS recently signed a Memorandum of Understanding with the laboratory for collaborative research, development, and emergency triage response efforts to support homeland security. This effort will enhance the ability of FSIS to respond to food emergency situations involving samples with unknown and/or mixed agents or agents that cannot be safely handled in FSIS laboratories.

Customs and Border Protection. FSIS is developing a Memorandum of Understanding with Customs and Border Protection to establish a mechanism for a rapid, including electronic, exchange of information on imported meat, poultry, and egg products shipments falling under the jurisdiction of both agencies.

Food Security Import Alerts. The Agency has an initiative called Food Security Import Alerts that involves primarily the Offices of International Affairs (OIA), Food Security and Emergency Preparedness (OFSEP) and Program Evaluation, Enforcement, and Review (OPEER). As OPEER identifies imported product as it conducts its routine business, anything that appears suspicious, illegal or otherwise a threat to public health, is reported to OIA and OFSEP for discussion and a determination on what additional action is required. The initiative has been in effect for approximately ten weeks. During that time. there have been 29 alerts issued, many of them involving product entering the country from countries ineligible to export to the U.S. Others involved labeling issues where product was mislabeled or where there was product that was subject to re-inspection but had not been inspected. In nearly all instances, the product is detained and ultimately destroyed.

HUMANE HANDLING OF LIVESTOCK

The Humane Methods of Slaughter Act (HMSA) requires that humane methods of handling and slaughter be used for all meat animals inspected by FSIS. This statute seeks to prevent needless suffering and to secure safer and better working conditions. FSIS inspectors at slaughter plants ensure compliance with HMSA. In February 2004, FSIS implemented the electronic Humane Activities Tracking program (HAT) to document inspection activities that ensure livestock are humanely handled in federally inspected facilities. HAT provides FSIS with more accurate and readily available information on the activities and time spent by inspection personnel to ensure humane handling and slaughter requirements are met.

In September 2004, FSIS published a notice encouraging establishments to use a systematic approach to ensure that they are meeting the requirements of the law during handling and slaughter. FSIS recommends establishments identify the circumstances that may cause livestock excitement, discomfort or accidental injury. Establishments are encouraged to design facilities and implement practices that will minimize discomfort and injury. Plants should periodically evaluate their system for effectiveness and improve or adjust operations accordingly. FSIS believes these steps will serve to improve product quality, efficiency and worker safety.

IMPORTS

Each year, FSIS conducts annual system-wide audits of the 33 foreign country inspection systems currently certified to export meat, poultry and/or egg products to the U.S.

International Audits. During FY 2004, FSIS had seven full-time International Audit Staff Officers involved in the audit of foreign government meat and poultry inspection systems, including establishments certified to export products to the US. In preparation for initial equivalence audits in FY 2005, the Agency hired three additional full-time International Audit Staff Officers in FY 2004 and hired a total of seven such officers in CY 2004. In all, 225 establishments were audited in 29 countries, along with 201 audits of government oversight at various levels, and 72 audits of residue and microbiological laboratories.

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FSIS conducted four initial equivalence team audits in FY 2004: two each for Chile meat and China poultry. The Agency also conducted ten enforcement audits in countries that had routine, annual audits that revealed serious deficiencies in the ability of the foreign inspection system to meet U.S. import inspection requirements. In the case of two countries, France and Hungary, FSIS temporarily suspended exports due to serious inspection system failures which called into question the wholesomeness of the product and put public health at risk. In both cases, the suspensions were lifted after FSIS was provided detailed information by the foreign country concerning corrective actions taken to address observed deficiencies, and the FSIS auditors had conducted another audit to verify that the foreign inspection system corrective actions had been fully implemented and the system-wide deficiencies alleviated.

Import Surveillance Liaison Officers (ISLOs). In FY 2002, FSIS introduced Import Surveillance Liaison Inspectors, now called Import Surveillance Liaison Officers. These officers perform general compliance work related to imported products. They interact with other governmental agencies (Customs and Border Patrol, APHIS, FDA, Fish and Wildlife Service, etc) located at ports-of-entry to detect food security issues and prevent entry of products from ineligible countries or establishments by detaining the products and requiring disposal to prevent entry into commerce. Twenty ISLOs were initially hired with two additional positions approved for FY 2005.

CONSUMER EDUCATION

FSIS reaches almost 100 million citizens through the development and distribution of brochures, technical papers, and booklets via the media, educators, the FSIS Web site, the Meat and Poultry Hotline, the FSIS virtual representative "Ask Karen," and the USDA Food Safety Mobile. These programs foster safe handling of meat, poultry, and egg products among the general public and groups who face increased risks from foodborne illness--the very young, the elderly, pregnant women, people with chronic diseases, and people with compromised immune systems.

Redesign of the FSIS Web Site. In April 2004, FSIS relaunched its Web site. The new site gives consumers immediate access to the food safety information they need. The FSIS Web site recorded millions of "hits," requests, and visits during the year and continues to serve as an integral part of FSIS' food safety publication distribution process.

Virtual Representative Project. Launched with the redesigned Web site in April 2004, the virtual representative, "*Ask Karen,*" is an online conversational tool accessed through the Web site. Consumers can ask questions of the automated representative, "*Ask Karen,*" and through an extensive database of questions and answers, receive responses about safely storing, preparing, and handling meat, poultry, and egg products. By September 30, 2004, "*Ask Karen*" had received more than 16,000 queries from 5,100 visitors.

E-mail. Inquiries to FSIS e-mail boxes, *FSIS Outreach, Meat and Poultry Hotline, Webmaster,* and *Food Safety Mobile* increased to 9,000 in FY 2004. FSIS launched a new, customizable e-mail subscription service in August 2004, which guarantees customers quick access to food safety information. The new service enables our customers to choose the topics important to them and stay updated whether or not they visit this Web site regularly. This service allows FSIS customers to sign-up for any or all of 21 initial subscription options ranging from recalls to export information to regulations, directives and notices. Additional options will be added based on demand. Customers can add or delete subscriptions themselves and will have the option to password protect their account. Customer feedback has been overwhelmingly positive. There are now over 2,600 subscribers who subscribe to an average of nine different subscriptions.

Mass Media. FSIS' mass media campaign communicates with the general public, as well as at-risk and under-served groups, by utilizing national television, cable networks, educational television, radio, magazines, newspapers, and *Web* sites to enhance public education outreach efforts. FSIS educational programs are modeled on the "integrated marketing" concept which has three mutually supporting components:

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- Mass media--reaching out to broad publics;
- Cluster targeting--utilizing demographic, geographic, and socio-demographic information--targeted communications to segmented audiences; and
- One-on-one interactions, including mobile marketing.

In 2004, FSIS contracted with a firm to design an extensive mass media campaign to be launched in 2006. FSIS piloted a targeted thermometer education campaign in Michigan in August 2004. FSIS worked with Michigan State University, along with local partners, to host events in Ann Arbor, Lansing, and Grand Rapids. The campaign used social marketing principles to promote increased use of food thermometers and prevent foodborne illness. Radio and print media further promoted the message. Pre- and post-tests were conducted by Michigan State University and an overall evaluation will be collaborated with USDA. This pilot will be a role model for other States and for the 2005 national launch of this campaign.

Food Safety Mobile. The Mobile tours nationwide to support food safety education efforts and reach consumers where they live. In FY 2004, the Mobile appeared at State and county fairs, food events, media events, schools, libraries, grocery stores, community events, parades, festivals, health and safety expos, trade shows, conventions, FSIS District Offices, and at FSIS events in conjunction with visits and presentations by USDA officials. Hundreds of thousands of educational items have been distributed and millions of consumers have been reached through media coverage of the Mobile. Since its launch in March 2003, the Food Safety Mobile has traveled more than 40,000 miles and appeared in 178 events in approximately 129 cities in 47 States and D.C. for a total of 247 event days through September 2004.

Meat and Poultry Hotline. In FY 2004, the Hotline handled over 104,000 consumer calls on the safe storage, preparation, and handling of meat, poultry, and egg products and 100 media and information multiplier calls that included requests from newspaper, magazines, and book authors along with live interviews with radio and television stations. The Hotline serves Spanish-speaking callers through two bilingual Technical Information Specialists during business hours and recorded food safety messages 24 hours a day, 7 days a week. The Hotline is prepared to handle unusual call volume in the event of large recalls and/or a disaster. Additional consumer inquiries are addressed through the Hotline's e-mail.

Food Security Brochure. In November 2003, FSIS published *Food Safety and Food Security: What Consumers Need to Know.* The 15-page reference manual is available in both English and Spanish. It provides useful tips for safe food preparation and for keeping foods safe from contamination -- comprehensive and practical information about safe food handling practices, foodborne illness, product recalls, keeping foods safe during an emergency and reporting suspected instances of food tampering.

Spanish-speaking consumers. FSIS has used special events, media outreach, and public service announcements to reach the Hispanic public. An on-going contract with Hispanic Radio Network features radio spots aimed at Spanish speaking Americans. FSIS arranged for "TodoBebe" (a Hispanic TV program aimed at new mothers and young parents) to distribute 2,000 pieces of food safety information at "Baby Fairs" in cooperation with Wal-Marts in Los Angeles, Phoenix, Houston, and Miami.

The Food Safety Mobile is stocked with Spanish materials for at-risk, under-served, and for food service audiences. When available, a food safety or public affairs specialist with knowledge of specific audience needs or Spanish language skills accompanies the Mobile.

Other outreach to Spanish-speaking audiences includes:

- Numerous publications translated into Spanish;
- Special pages posted on the FSIS Web site; and
- A Memorandum of Understanding with the University of Puerto Rico, FSIS, and the Food and Drug Administration, identifying possible food safety education outreach opportunities.

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OUTREACH

Small and Very Small Plants. FY 2004 activities for technical guidance, assistance, and materials to small and very small plants.

- Training Enforcement Investigations and Analysis Officers on the Small Business Regulatory Enforcement Fairness Act and their responsibilities for outreach and compliance assistance with the small and very small plants;
- Improving the food labeling and standards Web site providing essential labeling, standards, and ingredients information for small and very small meat, poultry, and egg products processors, and other customers;
- Providing approximately 13,000 documents, such as the Guidebook for the Preparation of HACCP Plans, 13 generic HACCP models, and other HACCP and food safety material;
- Translating many of the materials into Spanish;
- Maintaining cooperative agreements with seven universities to develop new initiatives in food safety and HACCP education for small and very small plants;
- Establishing two new cooperative agreements to develop an Internet-based portal and a four university consortium to assist small and very small processors;
- Holding five interactive workshops to train small and very small plants on meeting the requirements of the *Listeria* interim final rule and distributing a video and booklet, *Control of Listeria monocytogenes in Small Meat and Poultry Establishments;*
- Holding five teaching workshops on Bovine Spongiform Encephalopathy designed to provide an overview of the Agency's new regulatory requirements to several audiences and distributing a workbook and CD-ROM titled *The ABCs of BSE;*
- Conducting 11 instructive workshops around the nation for small and very small plants on new directives concerning *E. coli* O157:H7 prevention and distributing a notebook and CD-ROM titled *E. coli O157:H7 Directive Updates – Advancing Public Health*;
- Using new technology to further the Agency's critical outreach efforts to industry and the general public, the New York and Philadelphia *E. coli* O157:H7 workshops were *Web* cast;
- Funding 12 universities to conduct 67 HACCP training classes across the country; and
- Funding 7 universities to conduct 18 BSE workshops across the country.

Native Americans.

- Coordinating efforts with two universities and one State food safety agency to provide food safety outreach to American Indian populations in New Mexico, Arizona, Colorado, Montana, and South Dakota;
- Coordinating two other programs targeting the Navajo Tribal Nation: a project to develop a trilingual HACCP video in English, Spanish, and Navajo; and a project to develop community-based training at a tribal high school to promote safe food processing and to introduce students to vocational opportunities in the area of meat and food processing.

FOOD SAFETY COORDINATION WITH OTHER AGENCIES

Cooperative Agreements. In FY 2004, FSIS had active cooperative agreements with nine State food safety agencies (Georgia, Illinois, Indiana, Minnesota, New York, Pennsylvania, South Carolina, Texas, and Virginia) to develop and use education and training to reduce the risks associated with processing and handling of meat, poultry, and egg products at retail stores and food service facilities. Reports and materials produced by the States under these agreements are available electronically to other State and local governments. Similar cooperative agreements with two municipalities – New York City and Maricopa County (Phoenix) – were in effect in FY 2004 as well as cooperative agreements with three colleges and universities.

Animal and Egg Production Food Safety (AEPFS). In FY 2004, FSIS entered State partnership cooperative agreements with 9 States - Florida, Indiana, Maryland, Missouri, New Jersey, Ohio, South

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Dakota, Vermont and West Virginia. These agreements, for education projects for animal and egg producers, encourage use of production practices which add to food safety. The agreements are tailored to fit producer needs in each State. The funds support, for example, demonstrations of best management practices for producers, methods to improve humane handling of livestock, antibiotic residue avoidance, and compliance with FDA's ruminant feed ban. Since 2000, FSIS has partnered with more than thirty States.

In FY 2004, FSIS entered into an Animal Production Food Safety Cooperative Agreement with Langston University to establish a consortium to develop outreach efforts in animal production for small producers, especially those in underserved or underrepresented communities. The consortium includes: Langston University, Tuskegee University, Kentucky State University, Florida A&M University, Prairie View A&M University, Tennessee State University, University of Arkansas at Pine Bluff, Virginia State University, Southern State University, and Alcorn State University. FSIS also provided additional funds to an existing cooperative agreement with the University of Puerto Rico at Mayaguez to reach more producers in the Caribbean region.

Association of Food and Drug Officials (AFDO). AFDO is the association through which federal, State, and local food safety officials work together to address common problems. In cooperation with FSIS, AFDO:

- Completed its project to provide guidance to States on regulating custom slaughter and other inspection-exempt facilities processing animals for food use;
- Continued its work on developing an association of State food and agriculture laboratories to more effectively support national food safety and food security initiatives;
- Commenced work on capturing State testing data on *Listeria* to contribute to FSIS' national database;
- Commenced work on a project to develop outreach material for use by State and local officials to address the risks from *Listeria* in food facilities under their jurisdiction;
- Commenced work on a project to design a national consumer complaint monitoring system that includes State and local as well as federally collected complaints.

Food Safety Institute of the Americas (FSIA). FSIS established the FSIA to harmonize, develop, and distribute food safety information and education throughout the Americas. The FSIA, located in Miami, Florida, because of its easy access to destinations throughout the Western Hemisphere, will coordinate programs to concentrate on areas with the greatest needs, share resources on programs that already exist within our community, and promote the development of international food safety standards. To do this, the FSIA will enlist the support of existing networks among researchers, public health officials, regulatory officials, and food and animal producers and distributors. There are many academic, governmental, and non-governmental organizations with wide-ranging expertise that would make them potential partners in the development and implementation of the FSIA. FSIS entered into cooperative agreements with the University of Florida and Miami Dade College to begin the initial planning phases of the Institute including a comprehensive needs assessment, a survey of existing programs in food safety, and the development of a comprehensive strategic plan.

Codex Alimentarius Commission. The U.S. Codex Office coordinates all U.S. government and non-government participation in the sanitary and phytosanitary standards-setting activities of the Codex Alimentarius Commission. During FY 2004, the Office:

- Hosted the March meeting in Washington, DC, of the Codex Committee for Food Hygiene, and hosted the September meeting in Alexandria, VA, of the Codex Committee for Processed Fruits and Vegetables;
- Represented the United States at meetings of the Codex Alimentarius Commission (July), the Codex Executive Committee (November, 2003 and June), and the Codex Committee for General Principles (November, 2003 and May).
- Facilitated the successful conclusion in May of work on a draft code of good practices in animal feed, which was approved by the Codex Alimentarius Commission in July.

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- Organized in September a training program in Washington to orient and improve the effectiveness of new U.S. delegates to Codex Committees;
- Published in June a *Federal Register* notice on the sanitary and phytosanitary standard settings activities of the Codex Alimentarius Commission.
- Announced 19 public meetings on Codex standard setting activities.

In outreach efforts, the U.S. Codex Office:

- Organized high-level consultations in Buenos Aires, Argentina, in March with the leadership of the Codex Committee for Latin America and the Caribbean to prepare a program to enhance closer cooperation between the North American and Latin America/Caribbean regions on key Codex issues;
- Organized a technical workshop in Auckland, New Zealand, in April to discuss common approaches with Latin American and Africa delegates on the issue of geographic indicators with reference to a draft code for parmesan cheese under consideration in the Codex Committee for Milk & Milk Products;
- Organized a workshop in Montreal, Canada, in May to discuss common approaches with Latin American delegates on the issue of labeling the products of agricultural biotechnology under consideration in the Codex Committee for Food Labeling;
- Organized a technical workshop jointly with the leadership of the Codex Committee for Latin America & the Caribbean in Mexico City, Mexico, in May for Codex representatives from 22 countries of Latin America & the Caribbean and with representatives from Australia and Canada to implement a program of closer cooperation on key Codex issues, with special attention to the development of appropriate schemes for product tracing;
- Organized in San Pedro Sula, Honduras, in August high-level consultations with five ministers of agriculture for Central America on Codex issues and on the development of a Food Safety Institute of the Americas.
- Organized in Washington, DC, in September, a technical seminar for representatives from 11 countries in the English-speaking Caribbean and from the CARICOM secretariat to build their capacity to manage Codex issues.

PROGRAM ASSESSMENT RATING TOOL (PART) FINDINGS

The Office of Management and Budget's PART review of late 2002 noted some deficiencies, which are discussed below.

On whether FSIS had incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution, OMB noted that:

> FSIS does not have tangible incentives or procedures in place to measure cost effectiveness. However, over the last few years, FSIS has undertaken several initiatives to improve resource management efficiencies and cost effectiveness. Some examples include the prior reorganization which removed one level of field management and consolidated policy development activities, the LMI contract discussed in Section 3.6, FAIM, HIMP, and FACTS. The agency also has recently reviewed its District offices to determine and adjust the number and structure of field offices needed to achieve maximum efficiency. A parallel review was conducted of field administrative support functions to improve the alignment and responsiveness to agency programs. The new organizational structure implemented internally August 11, 2002, emphasizes accountability in all FSIS activities. Another recent example includes the Office of Program Evaluation, Enforcement and Review (PEER). This office was established to provide internal review of FSIS programs and assess the effectiveness of regulatory activities.

On whether FSIS demonstrated improved efficiencies and cost effectiveness in achieving program goals each year, OMB noted that:

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> Even though FSIS meets many of their annual performance goals, there is not data available to indicate that FSIS is improving efficiency and cost effectiveness each year. FSIS has over the years streamlined its administrative structure and conducted pilot programs designed to deliver inspection services more efficiently. However, these efforts are limited to re-designed inspection systems that must meet the legislative mandate to inspect meat and poultry on a carcass by carcass basis.

FSIS has continued its efforts toward greater efficiency as pointed out by OMB while seeking to ensure improved safety of meat, poultry, and egg products. However, the agency's legislative mandate for continuous inspection entails heavy labor costs for the agency.

For FY 2003, the PART assessment found that FSIS rated high in purpose and planning because it has a clear and significant role in protecting the Nation's food supply. In addition, FSIS's outcome goals meaningfully reflect the purpose of this program. However, the program received lower scores in management and accountability. Even though, over the last few years, the program has undertaken several initiatives to improve resource management efficiencies and cost effectiveness, it still does not have tangible incentives or procedures in place to measure cost effectiveness. In addition, the assessment found:

> The program has been effective in reducing incidences of foodborne illness. However, the program is not optimally designed to address food safety, resulting in lower program result scores.
>
> Implementation of a new risk-based inspection system should be further evaluated to determine whether it would help the program meet their strategic and performance goals and should improve efficiencies and cost effectiveness.

To address these findings, FSIS is evaluating the impact of implementing a risk-based inspection system for poultry.

ENFORCEMENT ACTIONS

FSIS may withhold the marks of inspection from specific products or suspend or withdraw inspection in an establishment. Enforcement action is for

- production or shipment of adulterated or misbranded product;
- unsanitary conditions;
- inhumane slaughtering or handling of livestock;
- interference, intimidation or assault of Agency personnel;
- failure to collect, analyze, and record samples for the presence of generic *E. coli;*
- failure to develop or implement Sanitation Standard Operating Procedures (SSOPs);
- failure to destroy condemned product; or
- failure to develop or implement a required HACCP plan.

Enforcement Actions. During FY 2004, FSIS initiated a total of 440 Enforcement Actions at Federal establishments to protect public health. These include 315 Notices of Intended Enforcement Actions (NOIE), 106 suspensions, eleven reinstatements of suspensions and eight withholding actions. FSIS deferred enforcement in 278 instances, based upon verification of corrective actions, and closed 329 cases with warning letters during this time. For example, FSIS, in October 2003, sent a Notice of Intended Enforcement Action to a plant in Lincoln, Nebraska for *E. coli 0157:H7* in raw beef products. After inspection personnel verified that corrections had been made , the case was closed with a letter of warning in January 2004..

Consent Decision. In addition, FSIS may take formal Administrative Action to withdraw or deny Federal inspection grants for serious or repeated food safety violations to protect the public health. These administrative complaints to withdraw or deny inspection can be resolved when both parties agree to the

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provisions of a Consent Decision. In lieu of withdrawing or denying inspection services or of terminating custom exemption privileges, both parties can agree to the provisions and conditions of a Stipulation and Consent Decision (Consent Decision) or a Stipulation and Consent Agreement (Consent Agreement), respectively, which concludes the administrative action. During FY 2004, FSIS filed a total of eight administrative complaints against federally inspected establishments and custom exempt facilities to protect the public health. Four of these complaints were at Federal establishments and the other four were at custom exempt facilities. As result of these actions, the Agency entered into seven consent decisions during FY 2004, three of these with Federal establishments and four with custom exempt facilities.

FSIS, similarly, files administrative complaints and may enter into consent decisions based on felony and other convictions of responsibly connected individuals and firms to ensure the protection of the public health. In FY 2004, FSIS filed five complaints to deny or withdraw inspection services based on convictions and entered into seven consent decisions. For example, in January 2004, a Federally inspected meat and poultry processing plant in Lauderhill, Florida, and its former sales manager entered into a two-year Consent Decision with FSIS after the sales manager's September 2002 felony conviction for conspiring to tamper with consumer products. Among the Decision's stipulations: indefinite operational and financial divestiture of the sales manager from the firm; limiting the sales manager's employment with the company to a non-responsibly connected sales position; preventing the sales manager from managerial direction to employees; prohibiting violation of the FMIA, PPIA, or State or local statute involving adulterated or misbranded meat or poultry product; precluding the firm from hiring anyone convicted of any felony or multiple misdemeanors involving food; giving FSIS the authority to withdraw inspection upon a determination of violation of any one of the stipulations.

Criminal Prosecution. If evidence is found that a person or business has engaged in violations of the Federal Meat Inspection Act, Poultry Products Inspection Act, or Egg Products Inspection Act, USDA may seek criminal prosecution or other sanctions through the United States Attorney's office. These cases can include offering adulterated meat and poultry for sale, product misbranding, using the mark of inspection without authorization and offering food for human consumption that had died by means other than slaughter. Conviction for a criminal offense can result in a fine, imprisonment, or both. For example, on August 13, 2004, Nash Finch Company, Inc., a food distributor in Omaha, NE., pled guilty to two misdemeanors for transporting in commerce rodent adulterated meat and poultry products. Nash Finch agreed to pay $200,000 per count and $32,659 for the cost of the investigation and agreed to make a charitable donation of $100,000 in food products. Fines, assessment fees, restitution and food donation totaled $532,908.65.

Thirteen Criminal Enforcement Actions were completed by the Agency through the Department of Justice for FY 2004. The result of these actions included the indictments, pleas and sentencing on 29 misdemeanors and 21 felony charges resulting with fines and restitution totaling approximately $200,000.

Pre-Trial Diversion. In some instances, the government agrees not to proceed with criminal prosecution and enters a Pre-Trial Diversion (PTD) agreement to achieve compliance. The terms and conditions of a PTD are tailored to fit each case. If the company or individual successfully completes the PTD program, no criminal charges are filed. If, on the other hand, the divertee does not complete the program, criminal charges may be reinstated. Five of these agreements were reached during FY 2004. These PTD's were for managing officials of two firms and resulted in fines and restitution of over $140,000. For example, on March 17, 2004, the General Manager, Assistant Manager and Production Manager of a processor of meat and poultry products in Louisiana entered into separate twelve months pretrial diversion agreements with the U.S. Attorney for selling and transporting adulterated meat products. The processor had also failed to present meat products that were returned to their official establishment to a program employee for re-inspection as required by the regulations. Under the agreements the individuals will reimburse FSIS $37,142 and USDA's Office of the Inspector General $68,582 for the cost of the investigation. A charitable contribution of $35,000 will also be made to the Child Nutrition Purchasing Cooperative. All three persons will serve one-year probation.

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Civil Enforcement. FSIS, through the U.S. Attorney, may request a U.S. District Court to enjoin repetitive violators of the FMIA, PPIA, or EPIA. The Agency seeks injunctions to stop uninspected retail stores from processing products without required inspection for wholesale business or to prevent or restrain other violations of law. During FY 2004, FSIS completed three Civil Enforcement Actions to enjoin repetitive violators. In a June 2004 case, a meat and poultry processing facility in Louisiana and its owner were permanently enjoined from violating the Inspection Acts as a result of the firm's repeatedly selling non-Federally inspected and misbranded meat and poultry products. If found in contempt of the injunction, the defendants would pay a civil penalty of $1,000 for each pound of violative products.

Product Detentions. A total of 340 detentions of adulterated and misbranded meat and poultry products, with a corresponding weight of approximately 3,001,277 pounds, were made during FY 2004.

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2006 Explanatory Notes
Animal and Plant Health Inspection Service

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Purpose Statement

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of Reorganization Plan No. 2 of 1953 and other authorities. The mission of the Agency is to protect the health and value of American agriculture and natural resources.

Together with our customers and stakeholders, APHIS promotes the health of animal and plant resources to facilitate their movement in the global marketplace and to ensure abundant agricultural products and services for U.S. customers. APHIS strives to assure its customers and stakeholders that it is on guard against the introduction or re-emergence of animal and plant pests and diseases that could limit agricultural production and damage export markets. At the same time, APHIS also monitors and responds to potential acts of agricultural bio-terrorism, invasive species, diseases of wildlife and livestock, and conflicts between humans and wildlife. The Agency also manages and resolves sanitary and phytosanitary trade barriers and addresses certain issues relating to the humane treatment of animals. Finally, APHIS ensures that biotechnology-derived agricultural products are safe for release in the environment.

Our mission is carried out under five major areas of activity, as follows:

Pest and Disease Exclusion—To prevent the introduction of foreign plant and animal pests and diseases, APHIS monitors plant and animal health throughout the world and uses the information to set effective agricultural import policies. APHIS and the Department of Homeland Security cooperate to ensure that these policies are enforced at U.S. ports of entry.

APHIS also develops and conducts pre-clearance programs to ensure that foreign agricultural products destined for the United States do not present a risk to U.S. agriculture. APHIS engages in cooperative programs to control pests of imminent concern to the United States and to strengthen foreign plant protection and quarantine organizations. APHIS also certifies plants and plant products for export to the United States and regulates imports and exports of designated endangered plant species. APHIS assists U.S. exporters and the Foreign Agricultural Service in revising foreign plant and animal import regulations to encourage and increase U.S. agricultural exports.

The statutory authority supporting this program area is contained in 7 U.S.C. 166, 450, 1531-1542, 1581-1610, 7701-7772 and 8301 et. seq. (Animal Health Protection Act of 2002); 18 U.S.C. 42; 19 U.S.C. 1306; and 21 U.S.C. 102-105, 111-120, 121-123, 127, 131, 135- 135b, 136, 136a-f, 612-614, 618, and 620; 45 U.S.C. 71-74, and 46 U.S.C. 3901-3902. The principal legislative authorities for these activities include the Plant Protection Act of 2000, Sections 12-14 of the Federal Meat Inspection Act, and the Public Health Security and Bioterrorism Response Act of 2002, P.L. 107-188 Section 211-231. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973.

Plant and Animal Health Monitoring--The plant and animal health monitoring programs are largely cooperative efforts involving the Federal and State governments, and industry. APHIS conducts programs to prevent communicable plant and animal diseases of foreign origin from entering the United States. Upon entrance into this country, the pests and diseases are rapidly diagnosed. The Agency also carries out surveys in cooperation with the States to detect harmful plant and animal

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pests and diseases. The programs also help determine if there is a need to establish new pest or disease eradication programs.

This statutory authority for this work is contained in 7 U.S.C. 391, 450, 1622 and 8301 et. seq. (Animal Health Protection Act of 2002); and 21 U.S.C. 111-112, 114, 114b-114c, 114d-1, 117, 127, 134e, 608, 610, and 620. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Act of June 17, 1930; Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; and Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; Public Law 99-198 of December 23, 1985. Under the Public Health Security and Bio-terrorism Response Act of 2002, Public Law 107-188 Section 211-231 APHIS tracks plant and animal disease agents that have been included on the list of select agents that can be used in acts of bio-terrorism. Additionally, APHIS will develop a wildlife surveillance and monitoring system infrastructure to assist State, Federal and Tribal agencies in controlling and determining the prevalence of foreign animal diseases.

Pest and Disease Management--In cooperation with the States, APHIS conducts programs to detect, prevent, and eradicate pests and diseases which are harmful to agriculture. The Agency monitors and regulates interstate shipments of plants, livestock, and related materials to prevent the spread of disease and the distribution of impure, unsafe, and nonefficacious materials and products. Through the Wildlife Services program, APHIS protects agriculture from detrimental animal predators through identification, demonstration, and application of the most appropriate methods of control.

The statutory authority for this work is contained in 7 U.S.C. 281-286, 429, 426-426-b, 450-450f, 851-855, 1624, 3801-3813, 7701-7772 and 8301 et. seq. (Animal Health Protection Act of 2002); and 21 U.S.C. 115-130, and 134-134h. Principal legislative authority for these activities is contained in the Animal Industry Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; the Animal Damage Control Act of 1931; Act of September 21, 1944; Plant Protection Act of 2000; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; P.L. 92-629 of January 3, 1975; the Swine Health Protection Act of October 17, 1980; Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; Public Law 99-198 of December 23, 1985; ; and the Public Health Security and Bioterrorism Response Act of 2002, Public Law 107-188 Section 211-231and the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990.

Animal Care--The Agency conducts regulatory activities which ensure the humane care and treatment of animals and horses as required by the Animal Welfare Act (AWA) of 1966 as amended (7 U.S.C. 2131-2159), and the Horse Protection Act of 1970 as amended (15 U.S.C. 1821-1831). These activities include inspection of certain establishments which handle animals intended for research, exhibition, and sale as pets, and monitoring of certain horse shows.

Scientific and Technical Services--APHIS develops methods to control animals and pests that are detrimental to agriculture, wildlife, and public safety. The Agency's regulatory structure brings the benefits of genetic research to the marketplace, while protecting against the release of potentially harmful organisms into the environment. APHIS also conducts diagnostic laboratory activities that support the Agency's veterinary disease prevention, detection, control, and eradication programs. The Agency also provides and directs technology development in coordination with other groups in APHIS to support plant protection programs of the Agency and its cooperators at the State, national, and international levels.

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The statutory authority supporting this work is contained in 7 U.S.C. 426, 427, 427i, 430, 7701-7772 and 8301 et. seq. (Animal Health Protection Act of 2002); and 21 U.S.C. 151-159. The principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; the Plant Protection Act of 2000; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; the Virus- Serum-Toxin Act of March 14, 1913; the ADC Act of 1931; and the Public Health Security and Bioterrorism Response Act of 2002, Public Law 107-188 Section 211-231. Authority to collect user fees for veterinary diagnostics is contained in Section 2509 of the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990.

There were 5,126 permanent full-time employees and 2,349 other than permanent full-time employees as of September 30, 2004. Of the total, 1,081 full-time employees were located at headquarters. Field activities are managed on a national basis through 2 regional offices and 430 field offices, including area offices, work stations, technical centers, and animal import centers. APHIS consolidated its current regional offices into two regional hubs. The eastern hub in Raleigh, North Carolina, began operation in August 1999, and the western hub in Fort Collins, Colorado opened in August 2002. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. APHIS performs work in the 50 States, Guam, Puerto Rico, Virgin Islands, Mexico, Central America, South America, the Caribbean, Western Europe, Australia, Asia, and Africa.

OIG Audits

#33099-1-KC, APHIS Wildlife Services Aircraft Acquisitions, 09/30/04

#33601-1-AT, Security over APHIS Owned and Leased Aircraft, 09/14/04

#5601-9-KC, APHIS and FSIS Bovine Spongiform Encephalopathy Surveillance Program Phase 1, 08/18/04

#33001-5-HY, APHIS Wildlife Services Controls over Hazardous Materials Inventory, 07/21/04

#33099-4-CH, Management and Security of APHIS Information Technology Resources, 03/03/04

OIG Audits in Progress

#33601-2-AT, Implementation of the Listed Agent on Toxin Regulation

#33601-3-AT, Implementation of the Listed Agent on Toxin Regulation Phase 2

#33099-5-CH, National Cooperative State/Federal Bovine Tuberculosis Eradication Program

#33601-5-CH, Transition and Coordination of Border Inspection Activities between USDA and DHS

#33601-1-HY, APHIS Oversight of Beef Products from Canada

#5601-10-KC, Monitoring of Bovine Spongiform Encephalopathy Expanded Surveillance Program Implementation Phase 3

#33002-3-SF, Animal Welfare Act - APHIS Monitoring and Investigative Activities

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#5601-8-TE, Controls over APHIS Issuance of Genetically Engineered Organisms Release Permits

#5601-11-TE, Controls over Separation of Genetically Engineered Crops

#5601-12-TE, Controls over Genetically Engineered Animals/Insect Research

GAO Audits

GAO-04-877, Emerging Infectious Diseases: Review of State and Federal Disease Surveillance Efforts, 09/30/04 - closed

GAO-04-490, Antibiotic Resistance: Federal Agencies Need to Better Focus on Efforts to Address Risk to Humans from Antibiotic Use in Animals, 04/22/04 - closed

GAO-04-247, Humane Methods of Slaughter Act: USDA Has Addressed Some Problems but Still Faces Enforcement Challenges, 01/30/04 – closed

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff Years
2004 Actual and Estimated 2005 and 2006

Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses:						
Appropriation	$720.580.000	4.593	$814.623.000	4.545	$855.162.000	4.855
Proposed User Fees (Animal Welfare)	--	--	--	--	10.857.000	107
Subtotal, Salaries and Expenses	720.580.000	4.593	814.623.000	4.545	866.019.000	4.962
Rescission	-4.251.000	--	-6.516.984	--	--	--
Total, Salaries and Expenses Appropriations	716.329.000	4.593	808.106.016	4.545	866.019.000	4.962
Unobligated Balances	11.743.964	--	7.000.000	--	--	--
Subtotal Available, Salaries and Expenses	728.072.964	4.593	815.106.016	4.545	866.019.000	4.962
Agricultural Quarantine Inspection User Fees:						
Total Collections	313.530.000	997	331.905.000	997	336.883.575	997
Less: Transfer to DHS	-194.000.000	--	-196.910.000	--	-199.863.650	--
AQI User Fees (APHIS)	119.530.000	997	134.995.000	997	137.019.925	997
Homeland Security Supplemental	4.031.632	6	--	--	--	--
Hub Rollover	1.288.187	--	--	--	--	--
Emergency Transfers (CCC):						
Asian Longhorned Beetle	10.086.046	28	--	--	--	--
Avian Influenza - Hi Path	2.882.093	11	--	--	--	--
Avian Influenza - Lo Path	3.820.349	1	--	--	--	--
Belgian Sheep	19.348	--	--	--	--	--
Bovine Tuberculosis	23.719.392	29	--	--	--	--
BSE	31.879.400	33	--	--	--	--
Chronic Wasting Disease	21.749	--	--	--	--	--
Citrus Canker	20.208.393	--	30.000.000	--	--	--
Classical Swine Fever	1.701.000	--	--	--	--	--
Emerald Ash Borer	38.481.370	20	11.000.000	10	--	--
Exotic Newcastle Disease	13.599.160	18	--	--	--	--
Glassy Winged Sharpshooter	5.078.455	--	--	--	--	--
Infectious Salmon Anemia	528.170	3	--	--	--	--
Karnal Bunt	1.593.728	26	--	--	--	--
Medfly	9.800.000	--	9.075.030	--	--	--
Mexfly	163.353	3	--	--	--	--
Mormon Cricket	18.034.739	--	--	--	--	--
National Animal Identification Program	3.232.596	--	--	--	--	--
Plum Pox Virus	2.843.931	--	--	--	--	--
Pseudorabies	2.475.280	27	--	--	--	--
Rabies	5.011.566	3	--	--	--	--
Spring Viremia of Carp	869.856	3	--	--	--	--
Sudden Oak Death	10.904.305	9	--	--	--	--
Tuberculosis	506.929	5	--	--	--	--
White Spot Shrimp	558.792	--	--	--	--	--
Emergency Carryover (CCC):						
Asian Longhorned Beetle	--	--	5.000.000	17	7.000.000	40
Avian Influenza	--	--	3.000.000	15	4.733.557	35
BSE	--	--	38.358.804	64	--	--
Bovine Tuberculosis	--	--	13.000.000	40	1.600.000	20
Citrus Canker	--	--	3.769.285	--	--	--
Classical Swine Fever	--	--	1.500.000	--	1.000 000	--
Emerald Ash Borer	--	--	2.000.000	10	--	--
Exotic Newcastle Disease	--	--	5.000.000	10	12.000.000	33
Infectious Salmon Anemia	--	--	1.179.365	10	--	--
Karnal Bunt	--	--	10 233	--	--	--
Mexfly	--	--	500.000	5	500.000	10
National Animal ID System	--	--	14 981.821	--	--	--
Plum Pox Virus	--	--	96.216	--	--	--
Pseudorabies	--	--	2.500.000	40	2.500.000	55
Rabies	--	--	25.000	--	--	--
Spring Viremia of Carp	--	--	1.000.000	5	1.000.000	10
Sudden Oak Death	--	--	2.500.000	10	--	--
Total Available, Salaries and Expenses	1.060.942.783	5.815	1.094.596.770	5.778	1.033.372.482	6.162

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Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Buildings and Facilities:						
Appropriation	4,996,000	--	4,967,000		4,996,000	
Rescission	-29,000	--	-40,000	--	--	--
Total, Buildings and Facilities Appropriations	4,967,000	--	4,927,000	--	4,996,000	--
Unobligated Balances	11,269,423	--	9,293,984	--	--	--
Total Available, Buildings and Facilities	16,236,423	--	14,220,984	--	4,996,000	--
Obligations under other USDA appropriations:						
Agricultural Marketing Service:						
for administrative and technical support	1,272,565	10	1,336,193	10	1,336,193	10
Agricultural Research Service:						
for administrative and technical support	5,672,147	45	5,955,754	45	5,955,754	45
Coop State Research, Education & Extension Service :						
for administrative and technical support	334,019	4	334,019	4	334,019	4
Departmental Administration	204,863	3	204,863	3	204,863	3
Economic Research Service :						
for administrative and technical support	61,653	1	61,653	1	61,653	1
Farm Service Agency:						
for administrative and technical support	133,405	2	133,405	2	133,405	2
Food Safety Inspection Service:						
for administrative and technical support	3,529,331	30	3,705,798	30	3,705,798	30
Foreign Agricultural Service:						
for administrative and technical support	309,756	4	309,756	4	309,756	4
Forest Service:						
for administrative and technical support	950,958	13	998,506	13	998,506	13
Grain Inspection Service:						
for administrative and technical support	9,500	--	9,500	--	9,500	--
National Agricultural Statistics Svc:						
for administrative and technical support	561,760	8	561,760	8	561,760	8
Natural Resource Conservation Service						
for administrative and technical support	129,153	1	129,153	1	129,153	1
Office of Chief Economist:						
for administrative and technical support	12,727	--	12,727	--	12,727	--
Office of Human Resource Management						
for administrative and technical support	72,600	--	72,600	--	72,600	--
Office of Operations						
administrative and technical support	60,147	--	60,147	--	60,147	--
Office of the Chief Information Officer:						
administrative and technical support	890,181	10	934,690	10	934,690	10
Office of General Counsel:						
administrative and technical support	89,209	1	89,209	1	89,209	1
Office of the Secretary:						
administrative and technical support	11,167	--	11,167	--	11,167	--
Risk Management Agency:						
administrative and technical support	9,500	--	9,500	--	9,500	--
Rural Development:						
administrative and technical support	19,000	--	19,000	--	19,000	--
Total, Agriculture Appropriations	14,333,641	132	14,949,400	132	14,949,400	132
Other Federal Funds:						
Department of Commerce, NOAA:						
miscellaneous services	543,505	--	543,505	--	543,505	--
DOD: for Information Technology						
and other services and support	304,076	--	304,076	--	304,076	--
DOD, U.S. Air Force						
for realty	260,000	--	260,000	--	260,000	--
DOD, U.S. Army for:						
wildlife services control	90,787	--	90,787	--	90,787	--
DOD, U.S. Navy: for						
Agricultural Quarantine Inspections	16,000	--	16,000	--	16,000	--
DOD, U.S. Army Corps of Engineers: for						
biocontrol (other than NBCI)	45,000	--	45,000	--	45,000	--
DHS: for AQI	4,722,395	--	4,722,395	--	4,722,395	--
USDI, Bureau of Land Management:						
for administrative and technical support	13,500	--	13,500	--	13,500	--
USDI, Fish and Wildlife Services:						
for natural resources and endangered species	35,569	--	35,569	--	35,569	--

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Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
USDOT, U.S. Customs Service:						
for AQI	378.772	--	378.772	--	378,772	--
Department of Treasury:						
for miscellaneous services	55.000	--	55.000	--	55.000	--
EPA, IACB:						
for miscellaneous services	23.230	--	23.230	--	23.230	--
GSA: for AQI and miscellaneous services	710.978	--	710.978	--	710.978	--
Library of Congress: for						
National List of Scientific Plant Names	12.930	--	12.930	--	12.930	--
National IT Center: for operational support services	580.801	--	580.801	--	580.801	--
OPM: for miscellaneous services	300.000	--	300.000	--	300.000	--
U.S. Fire Administration: for BSE	72.943	--	72.943	--	72.943	--
Other Federal Funds	8.096.767	132	8.096.767	132	8.096.767	132
Total, Other Federal Funds	16.262.253	132	16.262.253	132	16.262.253	132
Reimbursements:						
Funds from States and local entities for						
wildlife services support	12.971.770	250	12.971.770	250	12.971.770	250
Import-Export User Fees	21.373.538	160	21.373.538	160	21.373.538	160
NVSL Testing Fees	517.044	--	517.044	--	517.044	--
Phytosanitary Certificate User Fees	5.132.176	85	5.132.176	85	5.132.176	85
Reimburseable Overtime	6.444.478	--	6.444.478	--	6.444.478	--
Product Certificates	747.439	7	747.439	7	747.439	7
Veterinary Diagnostics User Fees	2.454.042	29	2.454.042	29	2.454.042	29
Other User Fees	687.933	--	687,933	--	687.933	--
Other Reimbursements, Annual and No Year,						
Federal and Non-Federal	7.316.687	15	7.316.687	38	7.316.687	38
Trust Funds:						
Misc. Contributed Funds	2.052.515	136	14.000.000	150	14.000.000	150
Total, Animal and Plant Health Inspection Service	1.167.472.721	6.761	1.211.674.513	6.761	1.141.225.241	7.145

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Permanent Positions by Grade and Staff Year Summary
2004 Actual and Estimated 2005 and 2006

Grade	2004			2005			2006		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Senior Executive Service	16	11	27	20	13	33	20	13	33
GS-15	51	50	101	55	50	105	57	52	109
GS-14	221	191	412	223	193	416	224	195	419
GS-13	217	393	610	221	393	614	222	393	615
GS-12	185	694	879	188	695	883	194	697	891
GS-11	66	784	850	68	786	854	75	787	862
GS-10	2	9	11	1	11	12	3	12	15
GS-09	81	446	527	92	486	578	115	518	633
GS-08	11	252	263	13	257	270	15	260	275
GS-07	111	445	556	121	487	608	146	517	663
GS-06	29	319	348	29	322	351	34	325	359
GS-05	16	340	356	17	341	358	19	344	363
GS-04	10	172	182	11	175	186	15	177	192
GS-03	2	10	12	6	13	19	7	20	27
GS-02	0	1	1	1	4	5	1	5	6
Other Graded Positions	14	152	166	28	193	221	44	227	271
Ungraded Positions	0	4	4	0	0	0	0	0	0
Total Permanent Positions	1,032	4,269	5,301	1,094	4,419	5,513	1,191	4,542	5,733
Unfilled Positions EOY	39	-214	-175	0	0	0	0	0	0
Total Perm Employment EOY	1,071	4,055	5,126	1,094	4,419	5,513	1,191	4,542	5,733
Staff Year Estimate	1,316	5,445	6,761	1,316	5,445	6,761	1,390	5,755	7,145

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The FY 2005 Budget Estimate proposes the disposal and replacement of 50 passenger motor vehicles.

The APHIS passenger motor vehicles are used by the staff in the performance of their duties. APHIS' veterinarians, animal health technicians, inspectors, plant protection and quarantine officers, wildlife biologists and other technical personnel rely upon the motor vehicles provided for their use by the Agency in order to assist in their daily job activities that entail travel between inspection sites, farms, ranches, ports, nurseries and other commercial firms. The use of Government-owned vehicles was shown to be more cost effective than having personnel use privately-owned vehicles.

In order to maintain the life span of the vehicle, operators are required to keep historical maintenance records and to submit the vehicle's operational data. Periodic maintenance surveys and consolidation of the vehicle fleet ensure the full use of each vehicle in the fleet.

Replacement criteria: Normally, passenger vehicles are not replaced unless they either have mileage of 60,000 or are three years or more in age. There continues to be an effort to purchase alternative fuel vehicles.

Changes to the motor vehicle fleet. There will be reduction a by 25 in the number of 4X2 light trucks and a reduction by 55 in the number of 4X4 light trucks. The number of passenger vehicles will remain at 639. The total planned reduction in the APHIS motor vehicle fleet is 80.

Replacement of passenger motor vehicles. The Agency proposes replacing 50 of the 639 passenger vehicles currently in the Agency fleet. The vehicles proposed for replacement will be utilized in the field by APHIS' technical personnel. Vehicles designated for disposal meet the General Service Administration's (GSA) standards by having mileage of 60,000 or by being more than three years of age. There are no impediments in managing the fleet.

Size, Composition, and Annual Cost
(in thousands of dollars)

Number of Vehicles by Type									
Fiscal Year	Sedans and Station Wagons	Light Trucks		Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Cost ($ in thous)
		4X2	4X4						
FY 2003	639	1,448	2,486	1	1	0	0	4,575	$3,880,446
Change	75	-117	465			0	1	424	$359,550
FY 2004	714	1,331	2,951	1	1	0	1	4,999	$4,239,996
Change									
FY 2005	714	1,331	2951	1	1	0	1	4,999	$4,239,996
Change		-25	-55					-80	
FY 2006	714	1,306	2896	1	1	0	1	4,919	$4,239,996
Change									

NOTES: Change in total increase during FY03 is due to leased vehicle data not previously included in this report. Medium Trucks (12) were incorrectly reported and moved to the Light Trucks category.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

The U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953 and other authorities. The mission of the Agency is to protect the health and value of American agriculture and natural resources.

APHIS has two strategic goals and nine objectives that support two of the Department's strategic goals.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Goal 3: Enhance protection and safety of the nation's agriculture and food supply **USDA Strategic Objective 3.2:** Reduce the number and severity of agricultural pest and disease outbreaks	**Agency Goal 1**: Safeguarding the health of animals, plants, and ecosystems	Objective 1.1: Conduct offshore threat assessment and risk reduction activities Objective 1.2: Regulate and monitor to reduce the risk of introduction of invasive species Objective 1.3: Ensure safe research, release, and movement of agricultural biotechnology events, veterinary biologics, and other organisms Objective 1.4: Manage issues related to the health of U.S. animal and plant resources and conflicts with wildlife Objective 1.5: Respond to emergencies- response planning, surveillance, quick detection, containment, and eradication	All programs with the exception of: 50% Import/Export 100% Trade Issues Resolution Management	Key Outcome 1: To provide a secure agricultural production system and healthy food supply to consumers by defending against diseases, minimizing production losses, maintaining market viability and containing environmental damage

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USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Goal 1: Enhance economic opportunities for agricultural producers **USDA Strategic Objective 1.1:** Expand international marketing opportunities	**Agency Goal 2:** Facilitating safe agricultural trade	Objective 2.1: Verify and document the pest and disease status of the U.S. Objective 2.2: Certify the health of animals and plants and related products for export and interstate commerce Objective 2.3: Resolve trade barrier issues related to animal and plant health Objective 2.4: Provide expertise and training in animal and plant health	50% Import/Export 100% Trade Issues Resolution Management	Key Outcome 2: To assist agricultural producers with gaining access to and retaining foreign markets by resolving trade barrier issues, facilitating the export of healthy U.S. animals and animal products, and protecting expanded markets abroad

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

USDA Strategic Objective 3.2: Reduce the number and severity of agicultural pest and disease oubreaks

USDA Strategic Objective 1.1: Expand international marketing opportunities

Statement of Objective and Funding Matrix
(On basis of available funds)

	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Strategic Objective 3.2							
Agricultural Quarantine Inspection (Approp)	$24,447,970	381	$25,089,664	293	382,336	$25,472,000	303
Animal Health Monitoring & Surveillance	91,425,328	800	143,921,344	885	7,770,656	151,692,000	885
Animal & Plant Health Reg. Enforcement Animal Welfare	8,939,452	99	9,306,944	101	1,092,056	10,399,000	109
Animal Welfare	15,853,932	179	16,485,056	175	992,944	17,478,000	183
APHIS Info. Technology Infrastructure	3,826,132	0	4,552,288	0	527,712	5,080,000	0
Aquaculture	1,202,744	8	1,244,960	6	17,040	1,262,000	6
Biological Control	8,936,820	83	9,353,568	105	225,432	9,579,000	105
Biosecurity	1,299,945	2	1,972,096	0	(96)	1,972,000	0
Bio surveillance	0	0	1,984,000	4	539,000	2,523,000	4
Biotechnology Regulatory Services	7,983,989	48	9,427,968	65	4,466,032	13,894,000	89
Boll Weevil	51,628,011	21	47,120,000	10	(31,286,000)	15,834,000	10
Brucellosis	9,886,564	34	10,273,152	56	(1,332,152)	8,941,000	56
Cattle Ticks	6,269,902	84	6,666,240	110	210,760	6,877,000	110
Chronic Wasting Disease	17,755,168	46	18,688,288	33	(1,808,288)	16,880,000	31
Contingency Funds	4,781,616	2	4,086,048	15	53,952	4,140,000	15
Emergency Management Systems	9,235,968	46	12,864,256	85	9,806,744	22,671,000	150
Emerging Plant Pests	86,191,319	377	100,754,464	245	25,945,536	126,700,000	288
Environmental Compliance	1,962,281	2	2,603,008	20	49,992	2,653,000	20
FAD/FMD	8,490,381	39	8,670,080	27	6,496,920	15,167,000	59

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	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Fruit Fly Exclusion and Detection	55,099,636	305	57,876,256	354	2,099,744	59,976,000	371
Golden Nematode	753,988	9	794,592	7	13,408	808,000	7
Grasshopper	5,263,999	38	5,483,776	34	(1,078,776)	4,405,000	34
Gypsy Moth	4,560,379	36	4,729,856	35	88,144	4,818,000	35
Horse Protection	472,658	4	493,024	5	3,976	497,000	5
Import/Export	6,237,617	76	7,199,936	74	(885,936)	6,314,000	74
Imported Fire Ant	2,250,492	6	2,130,816	4	23,184	2,154,000	4
Johne's Disease	18,040,122	44	18,590,080	25	(15,399,080)	3,191,000	25
Low Pathogen Avian Influenza	959,581	5	22,816,000	24	21,000	22,837,000	24
Noxious Weed	1,928,710	9	1,975,072	2	(826,072)	1,149,000	2
Pest Detection	23,673,976	129	26,914,944	122	17,133,056	44,048,000	168
Physical/Operational Security	0	0	0	0	3,001,000	3,001,000	0
Pink Bollworm	1,938,115	23	2,132,800	20	1,147,200	3,280,000	20
Plant Methods Development Labs	7,926,794	107	8,313,952	108	221,048	8,535,000	108
Plum Pox	3,119,792	3	3,443,232	8	(1,227,232)	2,216,000	5
Pseudorabies	4,141,550	11	4,315,200	29	75,800	4,391,000	29
Scrapie	15,065,422	77	17,625,856	79	1,676,144	19,302,000	79
Screwworm	48,385,640	25	27,155,008	83	3,720,992	30,876,000	76
Select Agents	0	0	0	0	5,289,000	5,289,000	18
Tropical Bont Tick	411,060	1	421,600	2	4,400	426,000	2
Tuberculosis	14,322,869	81	14,817,504	49	1,920,496	16,738,000	64
Veterinary Biologics	14,681,172	143	15,388,896	180	2,922,104	18,311,000	205
Veterinary Diagnostics	19,817,782	149	20,410,400	243	6,194,600	26,605,000	267
Wildlife Disease Monitoring & Surveillance	0	0	0	0	1,950,000	1,950,000	11
Wildlife Services Methods Development	16,462,213	159	17,288,576	165	(3,256,576)	14,032,000	162
Wildlife Services Operations	69,060,425	579	73,165,952	530	2,963,048	76,129,000	589
Witchweed	1,463,188	5	1,510,816	3	16,184	1,527,000	3
Total, Strategic Objective 3.2	696,154,702	4,275	790,057,568	4,420	51,961,432	842,019,000	4,810

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	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Strategic Objective 1.1							
Import/Export	6,097,616	73	5,571,072	73	103,928	5,675,000	73
Trade Issues Resolution and Management	12,174,646	88	12,477,376	52	5,847,624	18,325,000	79
Total, Strategic Objective 1.	18,272,262	161	18,048,448	125	5,951,552	24,000,000	152
Total, Available	714,426,964	4,436	808,106,016	4,545	57,912,984	866,019,000	4,962

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Summary of Budget and Performance

Selected Accomplishments Expected at FY 2006 Proposed Resource Level

Ensuring the safe research, release, and movement of agricultural biotechnology:

- Biotechnology Regulatory Services Program (BRS): Continue to develop biotechnology regulatory infrastructure, policies, and regulations while conducting daily program operations, i.e., preparing risk assessments, issuing permits, reviewing petitions for deregulation, responding to lawsuits, inspecting field test sites, building capacity in developing countries, and international activities. BRS will add scientific expertise and promulgate regulations to initiate APHIS' regulatory role with regard to transgenic animals, arthropods, and disease agents.

Strengthening emergency and homeland security preparedness and responses:

- Pest Detection Program - Continue outreach to volunteers; planned projects include survey for cactoblastis (cactus moth) and soybean pests. Develop protocols to ensure that national surveys will detect target pests at the 95 percent confidence level. Placement of pest identifiers in National Plant Diagnostic Network laboratories will be completed. Increase coop agreements with State cooperators by over $110,000. Detect 95 percent of newly introduced economically significant pests before they spread.
- Animal Health Monitoring and Surveillance Program (AHMS) - Enhance the current disease monitoring and surveillance system by increasing and integrating its infrastructure in order to better protect the nation's animals from the threat emerging and foreign animal diseases.
- Wildlife Disease Monitoring and Surveillance Program - Establish methods for surveillance data collection in wildlife populations and investigate the prevalence of specific diseases that may move from wildlife to livestock or poultry populations. Wildlife disease specialists trained to respond to disease outbreaks within 72 hours by FY 2006 with the ultimate goal of reducing response time to 24 hours. Partnerships will be developed with Department of Homeland Security, Canadian and Mexican Agriculture, Health and Natural Resources agencies and the Pan-American Health Organization to implement a border disease surveillance program in livestock and wildlife.
- Veterinary Diagnostics Program - Continue its investment in the National Animal Health Laboratory Network and begin a transition to new information technology which will align the program's abilities, efficiency and effectiveness with the ever growing demand for program services. The investment will increase the program's ability to respond to the threat of bio-terrorism and commitment to the safety of the U.S. livestock population.
- Emergency Management System Program (EMS) - Improve the response time for emergencies by two days by enhancing the animal health emergency preparedness. Limit the time it takes for resources to be mobilized and deployed to a local animal health incident site and be fully functional.
- Emerging Plant Pests Program (EPP) - Enhance survey and tree removal to control emerald ash borer, remove all remaining trees infected by and exposed to citrus canker, and enhance the Agency's emergency response infrastructure.
- Animal and Plant Health Regulatory Enforcement (APHRE) – Continue to support all APHIS programs by conducting investigations of alleged violations of Federal laws and regulations under

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APHIS' jurisdiction and oversee/coordinate subsequent prosecution of violators through appropriate civil or criminal procedures. Provide Quick Response Teams to assist in market surveillance, border blitzes, and emergency program efforts such as exotic Newcastle and BSE emergency outbreaks in FY 2003 and 2004. Hire 8 new investigators in FY 2006, 5 of which to be stationed near ports of entry (NY, NJ, PA, FL, CA) to address steady rise in two areas: 1) AQI cases referred by DHS-Customs & Border Protection which nearly doubled in 2004 from the year before, and 2) animal health violations which increased 245 percent. Also hire 3 additional new investigators to focus mainly on Animal Welfare Act violations in States where rapid growth in new licensees and registrants is producing greatest need for additional investigative support.

- Johne's Disease Program - APHIS will continue the development of a National test and management program to provide testing incentives by working closely with State officials and the U.S. dairy industry. Creating a collaborative working relationship between the Agency and key stakeholders will allow APHIS to utilize additional resources to meet the programs goals while reducing the need for Federal funding.

Reducing domestic threats through increased offshore threat assessment and risk-reduction activities:

- Foreign Animal Diseases/Foot and Mouth Disease Program (FAD/FMD): Place animal specialists overseas to collect information on FAD. Expand classical swine fever work into Central America, targeting Belize and Nicaragua. Enhance cross-border END work at the U.S.-Mexico border, and expand work at the LADIVES lab in Panama to add diagnosis of Venezuelan equine encephalitis, BSE, and CSF.

Managing issues related to the health of U.S. animal and plant resources and conflicts with wildlife:

- Animal Welfare Program – Respond to rapid growth in number of new licensees and registrants, particularly in western states, by hiring 8 new animal care inspectors and station them at key locations where workloads are most critical. Develop strategies for effective outreach and education programs to develop expertise and promote voluntary compliance. Continue work with Investigative Enforcement Services and Office of General Counsel to assist in coordinating enforcement actions. Continue use of a risk-based inspection system to concentrate activities on facilities where animal welfare concerns are greatest.

- Fruit Fly Exclusion and Detection Program (FFED): Be prepared to respond rapidly to any domestic outbreaks. Prevent the northward spread of the medfly into Central Mexico, and provide adequate numbers of sterile flies for the PRP program in the United States.

- Wildlife Services Operations Program - APHIS' Oral Rabies Vaccine (ORV) program will purchase more bait to maintain the barrier and prevent the spread of rabies. Wildlife Services Operations aircraft safety program will conduct wildlife risk assessments, develop wildlife hazard management plans, and conduct operational programs to reduce risk at an expanded number of airports nationwide. Reduce wildlife hazards at 650 airports in FY 2006 compared to 450 in FY 2005. Defend against diseases, minimizing production losses, maintaining market viability and containing environmental damage. APHIS will increase its inspection of brown tree snakes at ports of entry in Guam.

- Low Pathogenicity Avian Influenza Program (LPAI) - APHIS will continue addressing LPAI on a national level in live bird markets (LBM) and commercial industries and establish positions for increasing surveillance activities in key LBM States and commercial establishments. APHIS will increase activities associated with vaccine development and use; and increase testing and diagnostic work needed to successfully continue the program. APHIS will also indemnify bird owners and set up cooperative agreements with participating States.

Resolving trade barrier issues related to sanitary and phytosanitary (SPS) issues:

- Import/Export Program - Hire eight analysts who will be solely responsible for providing timely

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and comprehensive information to trading partners to prevent or eliminate trade bans placed on animals and animal products. Hire nine commodity specialists, fund outreach and training, and enhance database capabilities to resolve issues that prevent or delay U.S. exports.

- Trade Issues Resolution and Management Program (TIRM): Increase work on Free Trade Agreements. Expand and retain markets to provide new market access and facilitate trade worth $2.4 billion in FY 2006. Open new offices in Thailand, India, Italy, West Africa, and Brazil.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Summary of Budget and Performance
Key Performance Outcomes and Measures

Goal 1: Safeguarding the health of animals, plants and ecosystems

Key Outcome 1: To provide a secure agricultural production system and healthy food supply to consumers by defending against diseases, minimizing production losses, maintaining market viability and containing environmental damage.

Key Long-term Performance Measures: A safe and efficient agricultural and environmental sector through:

Ensuring the safe research, release, and movement of agricultural biotechnology:

- Biotechnology Regulatory Services: Customer/Stakeholder confidence in BRS' implementation of policy and regulatory actions.

Strengthening emergency and homeland security preparedness and response:

- Pest Detection: Increased percentage of, significant introductions of plant pests or diseases that are detected before they spread from the area of original colonization and cause significant economic or environmental damage;
- Animal Health Monitoring and Surveillance: Minimized number of significant introductions of foreign animal pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans;
- Wildlife Disease Monitoring and Surveillance: Minimized number of foreign animal diseases that spread beyond the original area of introduction and cause severe economical and environmental damage;
- Veterinary Diagnostics: Increased number of States that can provide necessary Federal veterinary diagnostics services for animal diseases;
- Emergency Management System: Reduced number of hours from the time when a decision has been made to respond to an animal health event to when resources have been deployed to the local incident site and are fully operational;
- Emerging Plant Pests (EPP): Increased percentage of EPP emergency programs that reduced or maintained their total quarantine area; minimized number of EPP outbreaks that are not controlled within the detection area;
- Animal and Plant Health Regulatory Enforcement: Reduced time it takes to investigate and resolve violations in cases settled through APHIS administrative procedures; and,
- Import/Export: Increased number of export markets opened, expanded, or retained by domestic regionalization;

Reducing domestic threats through increased offshore threat assessment and risk-reduction activities:

- Foreign Animal Diseases/Foot and Mouth Disease (FAD/FMD): Minimized number of foreign animal diseases introduced into the United States.

Managing issues related to the health of U.S. animal and plant resources and conflicts with wildlife:

- Animal Welfare: Decreased number of animals affected by noncompliances documented on inspection reports;
- Fruit Fly Exclusion and Detection: Continued prevention of outbreaks of exotic fruit flies on the mainland U.S. ;
- Wildlife Services Operations: break/breaches of raccoon rabies in the current barrier zone;

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- Wildlife Services Operations: Decreased number of cases of raccoon rabies occurring west of the current barrier zone;
- Wildlife Services Operations: Increased the value of economic losses avoided through protection from beaver damage to property, natural resources and crops;
- Low Pathogenicity Avian Influenza: Increased number of States enrolled in the live bird marketing system, low pathogen avian influenza program; and
- Low Pathogenicity Avian Influenza: Increased percentage of commercial establishments enrolled in the National Poultry Improvement Plan, low pathogenicity avian influenza monitoring program.

Goal 2: Facilitating safe agricultural trade

Key Outcome 2: To assist agricultural producers with gaining access to and retaining foreign markets by resolving trade barrier issues, facilitating the export of healthy U.S. animals and animal products, and protecting expanded markets abroad.

Key Long-term Performance Measures: Improved trade opportunities for U.S. exporters through:

Resolving trade barrier issues related to sanitary and phytosanitary (SPS) issues:

- Import/Export: Increased export plant health issues resolved to facilitate market access, expansion, or retention;
- Import/Export: Increased number of export markets opened, expanded, or retained by domestic regionalization; and
- Trade Issues Resolution and Management: Increased value of expanded and retained markets, new market access and trade facilitated.

Key Performance Targets

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
Ensuring the safe research, release, and movement of agricultural biotechnology:						
1. Biotechnology Regulatory Services: Customer/ stakeholder confidence in BRS' implementation of policy and regulatory actions	N/A	N/A	N/A	N/A	Establish Baseline	TBD
a. Units: BRS Site Inspection	N/A	N/A	518	545	657	698
b. Dollars: Cost per BRS Site Inspection	N/A	N/A	$1,129	$1,107	$1,151	$1,197
Strengthening emergency and homeland security preparedness and response:						
2. Pest Detection: Percent of significant introductions of plant pests or diseases that are detected before they spread from the area of original colonization and cause significant economic or environmental damage	N/A	85.7%	92.8%	94%	94%	95%

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Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
3. Animal Health Monitoring and Surveillance: Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	0	0	1	0	0	0
a. Units: Number of meat juice samples taken for testing multiple diseases	N/A	N/A	N/A	N/A	N/A	10,000
b. Dollars: Cost per meat juice sample	N/A	N/A	N/A	N/A	N/A	Establish Baseline
4. Wildlife Disease Monitoring and Surveillance: Number of foreign animal diseases that spread beyond the original area of introduction and cause severe economical and environmental damage	N/A	N/A	N/A	N/A	N/A	Establish Baseline
a. Units: Number of Responders to an outbreak	N/A	N/A	N/A	N/A	N/A	Establish Baseline
b. Dollars: Average cost per responder per day	N/A	N/A	N/A	N/A	N/A	Establish Baseline
5. Veterinary Diagnostics: Number of States that can provide necessary Federal veterinary diagnostic services for animal diseases	N/A	20	26	37	36	38
Number of new tests, techniques, or processes employed by NVSL that improves overall diagnostic quality or capacity	N/A	N/A	N/A	10	10	11
a. Unit: Total tests run per year @ 100% capacity (261 days)	N/A	N/A	N/A	246,312	1,957,000	2,440,500
b. Unit Cost: Average cost per test	N/A	N/A	N/A	$35.57	$8.47	$9.99

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Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
6. Emergency Management Systems: Number of hours from the time when a decision has been made to respond to an animal health event to when resources have been deployed to the local incident site and are fully operational	N/A	N/A	N/A	N/A	120	72
Funding to produce/revise pest response plans for the most important or high risk foreign animal diseases	N/A	N/A	N/A	N/A	$372,360	$196,611
7. Emerging Plant Pests: EPP outbreaks not controlled within detection area	5	5	5	4	2	1
a. Units: Number of trees to be treated in New York State (NYS) for Asian longhorned beetle (ALB)	23,740	134,744	17,570	58,201	81,600	84,000
b. Dollars: Percent reduction in average cost of treatment per tree (Asian longhorned beetle)	N/A	N/A	N/A	20%	2%	3%
8. Animal and Plant Health Regulatory Enforcement: Time required to investigate and resolve violations in cases settled through APHIS administrative procedures	N/A	N/A	N/A	257 Days	250	225
a. Units: Number of Investigations per budget fiscal year	N/A	N/A	3,648	3,845	4,008	4,469
b. Dollars: Average cost per investigation	N/A	N/A	$2,349	$2,325	$2,322	$2,327
Resolving trade barrier issues related to sanitary and phytosanitary (SPS) issues:						
9. Trade Issues Resolution and Management: Value of expanded and retained markets, new market access and trade facilitated (in billions)*	N/A	N/A	$2.4	$2.4	$2.447	$2.474
** Assumes a baseline of $2.4 billion in value of markets expanded, retained and opened in FY 2003. FY 2004 information is estimated. Final information will be available second quarter FY 2005.*						

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Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
a. Units: Average number of SPS issues resolved per year	N/A	N/A	70	70	70	70
b. Dollars: Average amount of trade permitted per SPS issue resolved (in millions)	N/A	N/A	$34.3	$34.3	$34.9	$35.3
Managing issues related to the health of U.S. animal and plant resources and conflicts with wildlife:						
10. Number of foreign animal disease outbreaks associated with imports allowed by the recognition of animal health status within foreign regions (VS: Goal 1)	0	0	0	0	0	0
Import/Export: Number of export markets opened, expanded, or retained by domestic regionalization (VS: Goal 1)	N/A	N/A	N/A	18 *	1	2
* Directly related to 2 unforeseen outbreaks; BSE in Washington State and HPAI in Texas.						
a. Units: Cumulative number of animal health export protocols that facilitate access to foreign markets	Establish Baseline	46	61	79	63	65
b. Dollars: Average cost per export protocol (in thousands)	N/A	N/A	N/A	$3.85	$3.85	$3.822
11. Foreign Animal Disease/Foot-and-Mouth Disease: Number of FADs introduced into the United States	0	0	1	0	0	0
12. Animal Welfare: Percentage of facilities in complete compliance at the most recent inspection	58%	68%	70%	70%	69%	70%
a. Units: Animal Welfare Inspections	N/A	N/A	14,197	14,164	14,350	15,250
b. Dollars: Average cost per Animal Welfare Act inspection	N/A	N/A	$1,147	$1,153	$1,149	$1,146

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Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
13. Fruit Fly Exclusion and Detection: Number of outbreaks of exotic fruit flies on the mainland U.S. (domestic and international program)	0	0	0	0	0	0
a. Unit Cost: Production cost per 1 million sterile Medfly pupae (IS)	$395	$221	$139	$139	$108	$108
b. Unit Cost: Production cost per 1 million sterile Mexfly pupae	$175	$175	$175	$175	$175	$131
14. Wildlife Services Operations: Number of airports and airbases where wildlife hazards were reduced, suppressed, or prevented with Wildlife Service assistance	N/A	409	441	450	450	650
Number of break/breaches of raccoon rabies in current barrier zone	N/A	N/A	N/A	3	3	2
Percent of threatened and endangered species projects where the wildlife population is increased or maintained	96%	96%	95%	85%	85%	85%
Economic losses avoided through protection from beaver damage to property, natural resources and crops	$23.7 million	$23.7 million	$25 million	$26 million	$27 million	$28 million
a. Units: Airports with wildlife hazards mitigated by WS	N/A	409	441	450	450	650
b. Dollars: Average cost per airport to mitigate wildlife hazards	N/A	17,359	$16,553	$16,222	$16,222	$15,846
15. Low Pathogen Avian Influenza: Number of states enrolled in live bird marketing system LPAI program	N/A	N/A	N/A	0	5	10
Percentage of commercial establishments enrolled in the NPIP LPAI monitoring program	N/A	N/A	N/A	0	25	35

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Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Target	2006 Target
a. Units: Number of Closures of commercial and LBM Markets	N/A	N/A	N/A	N/A	TBD	40
b. Dollars: Cost of Closure of each commercial and LBM Market	N/A	N/A	N/A	N/A	TBD	$3,000

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Full Cost by Agency Strategic Objective

STRATEGIC MISSION PRIORITY 1 - BIOTECHNOLOGY
Agency Objective: 1.3
Ensure safe research, release, and movement of agricultural biotechnology events, veterinary biologics and other organisms

PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
BIOTECHNOLOGY REGULATORY SERVICES				
	Regulatory activities	5,014	5,459	8,943
	Biotechnology regulatory services field site inspections	744	950	1,033
	Policy coordination	1,452	1,642	1,890
	Biotechnology regulatory capacity building	305	623	916
	Indirect Costs	654	754	1,112
	Total Funding	$ 8,169	$ 9,428	$ 13,894
FTEs		48	65	89
Performance Measure:	Customer/ stakeholder confidence in BRS's implementation of policy and regulatory actions (includes effectiveness of inspections to identify violations and timeliness of enforcement actions)	N/A	Establish Baseline	TBD
BY Performance:	Activities used to complete a field test site inspection	$ 744,000	$ 950,000	$ 1,033,000
Units:	BRS Site Inspection	545	657	698
Unit Cost:	Cost per BRS Site Inspection	$ 1,107	$ 1,151	$ 1,197

TOTAL FOR STRATEGIC MISSION PRIORITY 1

Priority 1, Total Costs (program, direct, indirect): ($000)	$ 8,169	$ 9,428	$ 13,894
Priority 1, Total FTEs	48	65	89

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
STRATEGIC MISSION PRIORITY 2 - EMERGENCY AND HOMELAND SECURITY PREPAREDNESS AND RESPONSE				
Agency Objective: 1.5 Emergency preparedness and response surveillance, quick detection, containment, and eradication				
ANIMAL HEALTH MONITORING AND SURVEILLANCE				
	National Poultry Improvement Plan	790	802	814
	Livestock Identification Consortium - WI	994	1,984	1,984
	Biosafety Issues/Bacterial Pathogens - VT	198	296	296
	Cooperative Agreement - Murray State	173	172	172
	Farm Animal Identification and Records Project - WI	494	595	595
	Enforcement - Commercial Transportation of Equine for Slaughter Act	395	397	401
	Rapid Response Capabilities - NC	298	298	298
	Rapid Syndrome Validation Program - NM	445	447	447
	Auburn University Digesters	0	0	0
	Animal disease and research diagnostic laboratory - MS	0	0	0
	National Animal Identification Program	0	32,932	33,340
	National Surveillance System cooperative agreement	0	3,571	3,571
	National Animal Health Laboratory Network cooperative agreements	0	1,885	1,900
	Alkaline digester - Kansas	746	0	0
	Alkaline digester - Iowa	0	740	0
	Iowa State National Institute for Genetically Modified Ag Products	199	297	298
	Bovine Spongiform Encephalopathy (BSE) surveillance	20,649	17,047	17,184
	Pseudorabies monitoring and surveillance	3,951	4,040	4,123
	FMD/FAD surveillance	8,934	8,863	8,930

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
	FAD surveillance at swine garbage feeding facilities	3,951	3,969	4,003
	Comprehensive Surveillance System	0	0	6,707
	Additional monitoring and surveillance activities	45,503	53,979	54,494
	Indirect Costs	7,628	11,607	12,135
	Total Funding	$ 95,347	$ 143,921	$ 151,692
FTEs		767	885	885
Performance Measure:	Number of significant introductions of foreign animal disease and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	0	0	0
Units:	Number of meat juice samples taken for testing multiple diseases	N/A	N/A	10,000
Unit Cost:	Cost per meat juice sample	N/A	N/A	Establish Baseline
Performance Measure:	Reducing the average cost of each surveillance activity	N/A	N/A	Establish Baseline
Units:	Number of premises visited for surveillance purposes	N/A	N/A	Establish Baseline
Unit Cost:	Cost per visit	N/A	N/A	Establish Baseline
ANIMAL PLANT HEALTH REGULATORY ENFORCEMENT				
	Investigating and collecting evidence	6,654	6,943	7,868
	Issue/collect civil penalties and develop cases for prosecution	780	838	883
	Regulatory actions	715	781	816
	Indirect Costs	790	745	832
	Total Funding	$ 8,939	$ 9,307	$ 10,399
FTEs		99	101	109

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
Performance Measure:	Time required to investigate and resolve violations in cases settled through APHIS administrative procedures	257 days	250 days	225 days
BY Performance:	Funding allocated to conduct APHIS investigations	$ 8,939,000	$ 9,307,000	$ 10,399,000
Units:	Number of investigations of alleged violations per budget fiscal year (total plant quarantine, animal health, animal care and the Swine Health Protection Act)	3,845	4,008	4,469
Unit Cost:	Average cost per investigation	$ 2,325	$ 2,322	$ 2,327
EMERGING PLANT PESTS				
	Citrus Canker	30,947	33,380	39,220
	Emerald Ash Borer	1,455	4,840	30,015
	Asian Longhorned Beetle	27,520	26,620	14,400
	Glassy-winged Sharpshooter	20,556	21,375	20,755
	Emergency response	0	0	4,600
	Sudden Oak Death	1,748	2,620	1,410
	Karnal Bunt	856	849	2,535
	Miscellaneous pests	2,569	3,010	3,630
	Indirect Costs	7,447	8,060	10,135
	Total Funding	$ 93,098	$ 100,754	$ 126,700
FTEs		281	245	288
Performance Measure:	Percent reduction in average cost of treatment per tree (Asian longhorned beetle)	20%	2%	3%

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
EMERGENCY MANAGEMENT SYSTEMS				
	Emergency management - Field (CEAH, CVB, NVSL, AECs)	2,755	7,042	8,168
	Emergency Management - Headquarters	3,451	3,466	3,590
	Cooperative agreements - States	771	775	767
	Training and Fedlearn	819	822	807
	Southeastern Cooperative Wildlife Disease Study Cooperative Agreement	366	368	365
	Vaccine Bank	641	6,189	7,026
	Indirect Costs	765	1,623	1,949
	Total Funding	$ 9,568	$ 20,285	$ 22,671
FTEs		45	95	110
Performance Measure:	Number of hours from the time a decision has been made to respond to an animal health event until the resources have been deployed to the local incident site and are fully operational	N/A	120 hours	72 hours
BY Performance:	Funding to produce/revise pest response plans for the most important or high risk foreign animal diseases	N/A	$ 372,360	$ 196,611
Units:	Number of disease or pest response plans produced/revised for the most important or high risk foreign animal diseases	N/A	12	8
Unit Cost:	Cost per disease or pest response plans produced/revised for most important or high risk foreign animal diseases	Establish Baseline	$ 31,030	$ 24,576
PEST DETECTION				
	Program coordination	1,836	1,736	1,906
	Plant pest survey	18,114	18,000	31,694
	Methods development	1,104	920	920
	Training	459	467	468
	Outreach	459	467	468

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
	Database management	459	467	468
	International information gathering	0	0	4,600
	Select Agents program	0	1,336	0
	Emergency coordination	0	0	0
	Indirect Costs	1,951	2,034	3,524
	Total Funding	$ 24,382	$ 25,427	$ 44,048
FTEs		122	174	168
Performance Measure:	Percent of known, significant introductions of plant pests or diseases that are detected before they spread from the area of original colonization and cause significant economic or environmental damage	94%	94%	95%

WILDLIFE DISEASE MONITORING AND SURVEILLANCE (NEW LINE ITEM)

	Wildlife disease surveillance activities	N/A	N/A	1,452
	International activities in Mexico	N/A	N/A	44
	Veterinary Services laboratory support activities	N/A	N/A	220
	Indirect Costs	N/A	N/A	234
	Total Funding	N/A	N/A	$ 1,950
FTEs		N/A	N/A	11
Performance Measure:	Number of foreign animal diseases that spread beyond the original area of introduction and cause severe economical and environmental damage	N/A	N/A	Establish Baseline
Units:	Number of responders	N/A	N/A	Establish Baseline
Unit Cost:	Average cost per responder per day	N/A	N/A	Establish Baseline

VETERINARY DIAGNOSTICS

Bacteriology	2,003	2,057	2,020
Pathobiology	1,204	1,236	1,219
Virology	2,511	2,578	2,544
Foreign Animal Disease Diagnosis	2,345	4,615	5,419

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
	Laboratory Network	1,932	3,774	4,386
	Other (support infrastructure costs, laboratory testing supplies and warehouse, National Animal Disease Center agreement, Director's Office, etc.)	8,249	8,438	8,729
	Indirect Costs	1,586	1,974	2,288
	Total Funding	$ 19,829	$ 24,672	$ 26,605
FTEs		243	254	278
Performance Measure:	Number of new tests, techniques, or processes employed by NVSL that improves overall diagnostic quality or capacity	10	10	11

TOTAL FOR STRATEGIC MISSION PRIORITY 2

Priority 2, Total Costs (program, direct, indirect): ($000)	$ 251,163	$ 324,366	$ 384,065
Priority 2, Total FTEs	1,557	1,754	1,849

STRATEGIC MISSION PRIORITY 3 - RESOLVE SANITARY/PHYTOSANITARY (SPS) ISSUES
Agency Objective: 2.3
Resolve trade barrier issues related to animal and plant health

IMPORT/EXPORT

National Center for Import/Export (VS Domestic Regionalization)	7,572	8,114	8,285
Eastern Region activities (VS)	456	464	472
Western Region activities (VS)	788	803	915
Automated Targeting System (VS)	1,372	1,392	1,399
Select Agents program (VS)	-	934	-
Indirect Costs	886	1,022	918
Total Funding	$ 11,074	$ 12,729	$ 11,989
FTEs	147	168	164

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
Performance Measure:	Number of export markets opened, expanded or retained by domestic regionalization	18*	1	2
BY Performance:	Cost of animal health export protocols that facilitate access to foreign markets	$ 304,000	$ 308,000	$ 313,000
Unit:	Cumulative number of animal health export protocols that facilitate access to foreign markets	62	63	65
Unit Cost:	Average cost per animal health export protocol that facilitates access to foreign markets	$ 4,903	$ 4,889	$ 4,815

* Directly related to 2 unforeseen outbreaks; BSE in Washington State and HPAI in Texas.

TRADE ISSUES RESOLUTION AND MANAGEMENT (TIRM)

Trade facilitation activities with trade attaches and trade support team	9,187	9,190	14,463
Cross cutting trade negotiation	915	916	924
Veterinary Services activities, e.g., sanitary issues management	1,372	1,373	1,393
Indirect Costs	998	998	1,545
Total Funding	$ 12,472	$ 12,477	$ 18,325
FTEs	52	74	79

Performance Measure:	Value of expanded and retained markets, new market access and trade facilitated*	+$2.4 billion	+$2 447 billion	+$2.474 billion
Units:	Average number of SPS issues resolved per year**	70	70	70
Unit Cost:	Average amount of trade permitted per Sanitary-Phytosanitary issue resolved	$34.3 million	$34.3 million	$35.3 million

* Assumes baseline of $2.4 billion in value of markets expanded, retained and opened in FY 2003

** Average of last three years of SPS accomplishments for FY 2004 baseline

TOTAL FOR STRATEGIC MISSION PRIORITY 3

Priority 3, Total Costs (program, direct, indirect): ($000)	$ 23,546	$ 25,206	$ 30,314
Priority 3, Total FTEs	199	242	243

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
STRATEGIC MISSION PRIORITY 4 - OFFSHORE THREAT ASSESSMENT				
Agency Objective: 1.1				
Conduct offshore threat assessment and risk reduction activities				
FOREIGN ANIMAL DISEASE/FOOT-AND-MOUTH DISEASE				
	CSF eradication activities	690	1,058	1,075
	Colombia eradication efforts	1,234	1,234	1,255
	Monitoring activities	2,250	2,249	2,654
	Surveillance activities	3,817	3,826	4,275
	International safeguarding	0	3,565	4,690
	Indirect Costs	695	1,037	1,218
	Total Funding	$ 8,685	$ 12,969	$ 15,167
FTEs		27	51	59
Performance Measure:	Number of Foreign Animal Diseases introduced into the United States	0	0	0
Performance Measure:	Number of incidents of Foot and Mouth Disease in Mexico, Central America and Panama	0	0	0
Units:	Sample collected and tested	1	1	1
Unit Cost:	Cost per sample at the Ladives lab in Panama *	$ 61.53	$ 61.53	$ 61.53
FRUIT FLY EXCLUSION AND DETECTION				
	IS Medfly activities in Guatemala and Mexico	22,869	27,678	27,715
	IS Mexfly activities	926	936	952
	PPQ detection	14,762	15,505	19,010
	PPQ preventive release programs	13,626	14,313	15,296
	Indirect Costs	4,538	5,082	5,475
	Total Funding	$ 56,722	$ 63,514	$ 68,448
FTEs		304	304	322

* In FY 1998 the cost per sample was $400 due to low volume of samples. In FY 2004 through FY 2006, the program expects to take 1200 samples at the Ladives lab. If more samples are analyzed, the cost per sample will drop further.

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
Performance Measure:	Number of severe outbreaks of exotic fruit flies on the U.S. mainland - Domestic (PPQ) and International (IS)	0	0	0
Performance Measure:	Free Area in Mexico and Guatemala (IS)	70,000 Km^2	105,000 Km^2	105,000 Km^2
Performance Measure:	Number of Sterile medflies released per week under domestic PRP. (PPQ)	233 million	233 million	233 million
Unit:	Number of mexflies produced weekly (PPQ)	125 million	125 million	500 million
Unit Cost:	Production cost per million Mexfly pupae (PPQ)	$ 175	$ 175	$ 131
Efficiency:	Production cost per million Medfly pupae (IS)	$ 139	$ 108	$ 108

TOTAL FOR STRATEGIC MISSION PRIORITY 4

Priority 4, Total Costs (program, direct, indirect): ($000)	$ 65,407	$ 76,483	$ 83,615
Priority 4, Total FTEs	331	355	381

STRATEGIC MISSION PRIORITY 5 - MANAGING HEALTH ISSUES AND CONFLICTS WITH WILDLIFE

Agency Objective: 1.4
Manage issues related to the health of U.S. animal and plant resources and conflicts with wildlife.

LOW PATHOGEN AVIAN INFLUENZA (LPAI)

Assist States with long-range planning under the National LPAI Control Program	914	906	906
Administration costs for developing and implementing regulations for individual bird identification, AI testing and recordkeeping	0	3,834	3,855
Indemnities	0	10,954	10,954
State lab work	0	731	731
Surviellance Activities	0	2,739	2,739
Live Bird Market closure and dectection	0	1,826	1,826
Indirect Costs	80	1,826	1,826
Total Funding	$ 994	$ 22,816	$ 22,837
FTEs	3	24	24

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
Performance Measure:	Number of States enrolled in live bird marketing system LPAI program	0	5	10
Performance Measure:	Percentage of commercial establishments enrolled in the NPIP LPAI monitoring program	0	25	35
Units:	Number of live bird market closures	N/A	TBD	40
Unit Cost:	Average cost of each live bird market closure	N/A	TBD	$3,000

The number of closures in FY 2005 will be determined based on the number of positive cases that are found during surveillance activities. As a result of increased surveillance activities in FY 2006 it is anticipated that there will be more positive findings, and consequently there will be an increase in the number of closures. As the control program is implemented, the number of positive cases will decrease resulting in a corresponding decrease in the number of market closures. Decreases in the number of market closures will allow APHIS to focus its energies on surveillance activities and ensuring that any positive cases found are quickly eliminated before significant outbreak can occur which could cost millions of dollars in emergency funding, lost trade opportunities and lost revenue to the industry.

WILDLIFE SERVICES OPERATIONS

	Protecting agricultural resources	29,852	30,487	30,449
	Protecting human health and safety	25,127	26,259	29,259
	Protecting property	5,380	5,409	5,409
	Protecting natural resources	5,249	5,277	5,277
	Indirect Costs	5,706	5,735	5,735
	Total Funding	$ 71,313	$ 73,166	$ 76,129
FTEs		454	487	589

Performance Measure:	Number of airports and airbases where wildlife hazards were reduced, surpressed, or prevented with Wildlife Service's assistance	450	450	650
BY Performance:	Funding available for airport assistance *	$ 7,300,000	$ 7,300,000	$ 10,300,000
Units:	Number of airports and airbases where wildlife hazards were reduced, suppressed, or prevented with WS assistance	450	450	650
Unit Cost:	Cost per airport to mitigate wildlife hazards	$ 16,650	$ 16,650	$ 15,846

* Funding levels derived from $7.3 million spent in FY2003 (cooperator dollars) and the same projected in 2004 and 2005 (cooperator dollars), and $10.3 million in 2006 (7.3 million from cooperators and 3 million in USDA funds).

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PROGRAM	PROGRAM ITEMS	DOLLARS IN THOUSANDS FY 2004	FY 2005	FY 2006
ANIMAL WELFARE				
	Inspections and searches for unlicensed dealers	12,047	12,092	12,849
	Policy and management support	2,123	2,190	2,203
	Regional office support including licensing and renewals	672	693	825
	Outreach	186	192	203
	Indirect Costs	1,307	1,319	1,398
	Total Funding	$ 16,335	$ 16,485	$ 17,478
FTEs		176	175	183
Performance Measure:	Percent of facilities in complete compliance at the most recent inspection	70%	69%	70%
BY Performance:	Funding available for Animal Welfare inspection	$ 16,335,000	$ 16,485,000	$ 17,478,000
Units:	Number of Animal Welfare inspections conducted	14,164	14,350	15,250
Unit Cost:	Cost per Animal Welfare inspection	$ 1,153	$ 1,149	$ 1,146

TOTAL FOR STRATEGIC MISSION PRIORITY 5

Priority 5, Total Costs (program, direct, indirect): ($000)	$ 88,642	$ 112,467	$ 116,444
Priority 5, Total FTEs	457	511	613

TOTALS FOR STRATEGIC MISSION PROJECTS

Total Cost for Strategic Mission Priorities (program, direct, indirect): ($000)	$ 436,927	$ 547,949	$ 628,332
Total FTEs for Strategic Mission Projects	2,592	2,927	3,175

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Proposed Language Changes

The estimates include proposed changes in the language of this item as follows: (new language is underscored; deleted language is enclosed in brackets):

Salaries and Expenses:

For expenses, not otherwise provided for, necessary to prevent, control and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; and to protect the environment, as authorized by law, [$814,623,000] $855,162,000, of which [$4,119,000] $4,140,000 shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions; of which [$47,500,000] $15,834,000 shall be used for the boll weevil eradication program for cost share purposes or for debt retirement for active eradication zones; of which [$33,197,000] $33,340,000 shall be available for a National Animal Identification program: Provided, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 percent: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only: Provided further, That, in addition, [in emergencies] for sudden, urgent, and unforeseen circumstances which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as may be deemed necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious disease or pests of animals, poultry, or plants, and for expenses in accordance with sections 10411 and 10417 of the Animal Health Protection Act (7 U.S.C. 8310 and 8316) and sections 431 and 442 of the Plant Protection Act (7 U.S.C. 7751 and 7772), and any unexpended balances of funds transferred for such emergency purposes in the preceding fiscal year shall be merged with such transferred amounts: Provided further, That, appropriations hereunder shall be available pursuant to law (7 U.S.C. 2250) for the repair and alteration of leased buildings and improvements, but unless otherwise provided the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building. Provided further, That no funds shall be used to implement a national animal identification system prior to notification to the Committees on Appropriations which shall include a detailed explanation of the components of such system. 1

In the fiscal year [2005] 2006, the agency is authorized to collect fees to cover the total costs of providing technical assistance, goods, or services requested by States, other political subdivisions, domestic and international organizations, foreign governments, or individuals, provided that such fees are structured such that any entity's liability for such fees is reasonably based on the technical assistance , goods, or services provided to the entity by the agency, and such fees shall be credited to this account, to remain available until expended, without further appropriation, for providing such assistance, goods, or services. (Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2005.)

In addition, such sums as may be deposited to the Animal Welfare User Fee account may be transferred to this account, to be merged with and available for the same purposes as this account, to remain available until expended. 2

Explanation of change:

1 This change further defines circumstances under which the Secretary shall transfer funds for pest and disease activities.

2 This change reflects new legislation being proposed to permit the collection of fees for animal welfare activities. The agency will be able to use the fees to the extent provided in appropriation acts.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Lead-off Tabular Statement

SALARIES AND EXPENSES

Appropriations Act, 2005		$814,623,000
Budget Estimate, 2006:		
Appropriation	855,162,000	
Proposed User Fees	10,857,000	
		866,019,000
Increase over 2005 Appropriations		+51,396,000
Adjustments in 2005:		
Appropriations Act, 2005	$14,623,000	
Rescission under P.L. 108-447 a/	-6,516,984	
Adjusted Base for 2005		808,106,016
Budget Estimate, 2006		866,019,000
Increase over adjusted 2005		+57,912,984

a/ The amount rescinded pursuant to Section 122 (a) of Division J of PL 108-447

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, 2006 (Current Law)	855,162,000
Changes due to proposed legislation	10,857,000
Net Request, President's 2006 Budget Request	866,019,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimate	Pay Costs	Program Changes		2006 Estimate
Agricultural Quarantine Inspection (Appr.)	$25,089,664	$382,000	$0		$25,471,664
Cattle Ticks	6,666,240	211,000	0		6,877,240
FAD/FMD	8,670,080	73,000	6,424,000	(2b)	15,167,080
Fruit Fly Exclusion & Detection	57,876,256	434,000	1,666,000	(2c)	59,976,256
Import/Export	12,771,008	210,000	-992,000	(2d)	11,989,008
Screwworm	27,155,008	51,000	3,670,000	(2e)	30,876,008
Trade Issues Resolution & Management	12,477,376	106,000	5,742,000	(2f)	18,325,376
Tropical Bont Tick	421,600	4,000	0		425,600
Subtotal, Pest and Disease Exclusion	$151,127,232	$1,471,000	$16,510,000		$169,108,232
Animal Health Monitoring & Surveillance	143,921,344	1,064,000	6,707,000	(3a)	151,692,344
Animal & Plant Health Reg. Enforcement	9,306,944	164,000	928,000	(3b)	10,398,944
Biosurveillance	1,984,000	23,000	516,000	(3c)	2,523,000
Emergency Management Systems	12,864,256	136,000	9,671,000	(3d)	22,671,256
Pest Detection	26,914,944	240,000	16,893,000	(3e)	44,047,944
Select Agents	0	39,000	5,250,000	(3f)	5,289,000
Wildlife Disease Monitoring & Surveillance	0	0	1,950,000	(3g)	1,950,000
Subtotal, Plant and Animal Health Monitoring	$194,991,488	$1,666,000	$41,915,000		$238,572,488
Aquaculture	1,244,960	17,000	0		1,261,960
Biological Control	9,353,568	225,000	0		9,578,568

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Item of Change	2005 Estimate	Pay Costs	Program Changes		2006 Estimated
Boll Weevil	47,120,000	14,000	-31,300,000	(4a)	15,834,000
Brucellosis	10,273,152	80,000	-1,412,000	(4b)	8,941,152
Chronic Wasting Disease	18,688,288	47,000	-1,855,000	(4c)	16,880,288
Contingency Funds	4,086,048	54,000	0		4,140,048
Emerging Plant Pests	100,754,464	295,000	25,651,000	(4d)	126,700,464
Golden Nematode	794,592	13,000	0		807,592
Grasshopper	5,483,776	49,000	-1,128,000	(4e)	4,404,776
Gypsy Moth	4,729,856	88,000	0		4,817,856
Imported Fire Ant	2,130,816	23,000	0		2,153,816
Johne's Disease	18,590,080	36,000	-15,435,000	(4f)	3,191,080
Low Pathogen Avian Influenza	22,816,000	21,000	0		22,837,000
Noxious Weeds	1,975,072	3,000	-829,000	(4g)	1,149,072
Pink Bollworm	2,132,800	29,000	1,118,000	(4h)	3,279,800
Plum Pox	3,443,232	11,000	-1,238,000	(4i)	2,216,232
Pseudorabies	4,315,200	76,000	0		4,391,200
Scrapie	17,625,856	113,000	1,563,000	(4j)	19,301,856
Tuberculosis	14,817,504	70,000	1,850,000	(4k)	16,737,504
Wildlife Services Operations	73,165,952	695,000	2,268,000	(4l)	76,128,952
Witchweed	1,510,816	16,000	0		1,526,816
Subtotal, Pest and Disease Management	$365,052,032	$1,975,000	-$20,747,000		$346,280,032
Animal Welfare	16,485,056	223,000	770,000	(5a)	17,478,056
Horse Protection	493,024	4,000	0		497,024
Subtotal, Animal Care	$16,978,080	$227,000	$770,000		$17,975,080
Biosecurity	1,972,096	0	0		1,972,096
Biotechnology Regulatory Services	9,427,968	146,000	4,320,000	(6a)	13,893,968
Environmental Compliance	2,603,008	50,000	0		2,653,008
Plant Methods Development Labs	8,313,952	221,000	0		8,534,952
Veterinary Biologics	15,388,896	258,000	2,664,000	(6b)	18,310,896
Veterinary Diagnostics	20,410,400	328,000	5,867,000	(6c)	26,605,400
Wildlife Services Methods Development	17,288,576	156,000	-3,413,000	(6d)	14,031,576
Subtotal, Scientific and Technical Services	$75,404,896	$1,159,000	$9,438,000		$86,001,896
APHIS Information Tech. Infrastructure	4,552,288	0	528,000	(7a)	5,080,288
Physical/Operational Security	0	0	3,001,000	(7b)	3,001,000
Total Available	808,106,016	6,498,000	51,415,000	(1a)	866,019,016

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Project Statement
(On basis of appropriation)

	2004 Actual		2005 Estimated		Increase or	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Pest and Disease Exclusion:							
Agricultural Quarantine Inspection (Approp)	24,447,970	381	$25,089,664	293	$382,336	$25,472,000	303
Cattle Ticks	6,269,902	84	6,666,240	110	$210,760	6,877,000	110
FAD/FMD	8,490,381	39	8,670,080	27	$6,496,920	15,167,000	59
Fruit Fly Exclusion and Detection	55,099,636	355	57,876,256	354	$2,099,744	59,976,000	371
Import/Export	12,335,233	149	12,771,008	147	-$782,008	11,989,000	147
Screwworm	48,385,640	132	27,155,008	83	$3,720,992	30,876,000	76
Trade Issues Resolution and Management	12,174,646	88	12,477,376	52	$5,847,624	18,325,000	79
Tropical Bont Tick	411,060	1	421,600	2	$4,400	426,000	2
Subtotal, Pest and Disease Exclusion	167,614,468	1,229	151,127,232	1,068	17,980,768	169,108,000	1,147
Plant and Animal Health Monitoring and Surveillance:							
Animal Health Monitoring & Surveillance	91,425,328	800	143,921,344	885	7,770,656	151,692,000	885
Animal & Plant Health Reg. Enforcement	8,939,452	99	9,306,944	101	1,092,056	10,399,000	109
Biosurveillance	0	0	1,984,000	4	539,000	2,523,000	4
Emergency Management Systems	9,235,968	46	12,864,256	85	9,806,744	22,671,000	150
Pest Detection	23,673,976	129	26,914,944	122	17,133,056	44,048,000	168
Select Agents	0	0	0	0	5,289,000	5,289,000	18
Wildlife Disease Monitoring & Surveillance	0	0	0	0	1,950,000	1,950,000	11
Subtotal, Plant & Animal Health Mon. & Surv.	133,274,724	1,074	194,991,488	1,197	43,580,512	238,572,000	1,345
Pest and Disease Management:							
Aquaculture	1,202,744	8	1,244,960	6	17,040	1,262,000	6
Biological Control	8,936,820	83	9,353,568	105	225,432	9,579,000	105
Boll Weevil	51,628,011	21	47,120,000	10	-31,286,000	15,834,000	10
Brucellosis	9,886,564	34	10,273,152	56	-1,332,152	8,941,000	56
Chronic Wasting Disease	17,755,168	46	18,688,288	33	-1,808,288	16,880,000	31
Contingency Funds	4,781,616	2	4,086,048	15	53,952	4,140,000	15
Emerging Plant Pests	86,191,319	377	100,754,464	245	25,945,536	126,700,000	288
Golden Nematode	753,988	9	794,592	7	13,408	808,000	7
Grasshopper	5,263,999	38	5,483,776	34	-1,078,776	4,405,000	34
Gypsy Moth	4,560,379	36	4,729,856	35	88,144	4,818,000	35
Imported Fire Ant	2,250,492	6	2,130,816	4	23,184	2,154,000	4
Johne's Disease	18,040,122	44	18,590,080	25	-15,399,080	3,191,000	25
Low Pathogen Avian Influenza	959,581	5	22,816,000	24	21,000	22,837,000	24
Noxious Weeds	1,928,710	9	1,975,072	2	-826,072	1,149,000	2
Pink Bollworm	1,938,115	23	2,132,800	20	1,147,200	3,280,000	20
Plum Pox	3,119,792	3	3,443,232	8	-1,227,232	2,216,000	5
Pseudorabies	4,141,550	11	4,315,200	29	75,800	4,391,000	29
Scrapie	15,065,422	77	17,625,856	79	1,676,144	19,302,000	79
Tuberculosis	14,322,869	81	14,817,504	49	1,920,496	16,738,000	64
Wildlife Services Operations	69,060,425	579	73,165,952	530	2,963,048	76,129,000	589
Witchweed	1,463,188	5	1,510,816	3	16,184	1,527,000	3
Subtotal, Pest and Disease Management	323,250,874	1,497	365,052,032	1,319	-18,771,032	346,281,000	1,431
Animal Care:							
Animal Welfare	15,853,932	179	16,485,056	175	992,944	17,478,000	183
Horse Protection	472,658	4	493,024	5	3,976	497,000	5
Subtotal, Animal Care	16,326,590	183	16,978,080	180	996,920	17,975,000	188
Scientific and Technical Services:							
Biosecurity	1,299,945	2	1,972,096	0	-96	1,972,000	0
Biotechnology Regulatory Services	7,983,989	48	9,427,968	65	4,466,032	13,894,000	89
Environmental Compliance	1,962,281	2	2,603,008	20	49,992	2,653,000	20
Plant Methods Development Labs	7,926,794	107	8,313,952	108	221,048	8,535,000	108
Veterinary Biologics	14,681,172	143	15,388,896	180	2,922,104	18,311,000	205

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	2004 Actual		2005 Estimated		Increase	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	or Decrease	Amount	Staff Years
Management Initiatives:							
APHIS Info. Technology Infrastructure	3,826,132	0	4,552,288	0	527,712	5,080,000	0
Physical/Operational Security	0	0	0	0	3,001,000	3,001,000	0
Subtotal, Management Initiatives	3,826,132	0	4,552,288	0	3,528,712	8,081,000	0
Total Available	714,426,964	4,593	808,106,016	4,545	57,912,984	866,019,000 a/	4,962
Unobligated Balances	1,902,036	0	0	0			
Rescission	4,251,000	0	6,516,984	0			
Total, Appropriated	720,580,000	4,593	814,623,000	4,545			

a/ Includes $10.857 million to be derived from proposed new user fees. An estimated 107 staff years would be associated with this proposal.

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Justification of Increases and Decreases

(1) An increase of $6,498,000 for employee compensation, which includes annualization of the FY 2005 pay raise and the anticipated FY 2006 pay raise

(a) This increase will enable APHIS to maintain current staffing levels, which are critical to achieving the Agency's objective of protecting American agriculture. Because a large portion of APHIS' budget is in support of personnel compensation, absorbing pay costs would require a reduction in direct program operations and severely limit the Agency's ability to conduct offshore threat assessment and risk reduction activities; regulate and monitor to reduce the risk of introduction of invasive species; ensure the safe research, release, and movement of agricultural biotechnology events; manage issues related to the health of U.S. animal and pant resources and conflicts with wildlife; and develop emergency preparedness and response capabilities to quickly detect, contain and eradicate animal and plant pest and disease outbreaks.

(2) An increase of $16,510,000 and 86 staff years for Pest and Disease Exclusion Activities:

(a) A funding shift of $2,748,000 and an increase of 10 staff years for the AQI appropriated program ($25,090,000 and 293 staff years available in FY 2005)

The AQI program protects the United States from the risks associated with the introduction of invasive agricultural pests and diseases. APHIS and the Department of Homeland Security cooperate to carry out this program, which is funded through a combination of appropriations and user fees. APHIS receives appropriated funding to conduct pre-departure agricultural inspections of passengers and cargo traveling from Hawaii, Puerto Rico, and other islands to the mainland United States. To assist Hawaii, we also conduct inspections of passengers traveling from outlying Hawaiian Islands to Honolulu en route to the mainland. In FY 2006, we expect to conduct these activities through a reimbursable agreement funded by the State of Hawaii. This part of the program will decrease by $2,748,000.

APHIS will use these funds to operate the newly completed biosecurity level 3 greenhouse at the National Germplasm and Biotechnology Laboratory in Beltsville, Maryland. APHIS completed construction of the facility in FY 2004, and it will support the Agency's emergency response capabilities, eradication programs, pest exclusion activities, biotechnology permitting programs, and the newly mandated Select Agents program. APHIS officials at this laboratory develop technology to detect and identify high-risk plant pathogens and protocols for quarantine testing. In this regard, the laboratory is developing and validating biochemical detection procedures for the 10 plant pathogens listed as potential bioterrorism agents as part of the process outlined in the Agricultural Bioterrorism Protection Act of 2002. Officials at this laboratory also conduct confirmatory testing for APHIS emergency response programs, such as the sudden oak death program and our response to introductions of *Ralstonia solanacearum* Race 3, Biovar 2. Additionally, high-risk germplasm imported into the United States for breeding purposes must undergo quarantine testing at the laboratory. Germplasm, which includes nursery stock, seeds, and other propagative materials, may harbor serious pathogens that are not visible through visual examination. Because the volume and diversity of imported plant products is increasing, appropriate quarantine screening, as well as the validation of tests for pathogens associated with imported plants, is essential to protecting the health of U.S. agriculture.

Of the funding being shifted, $1,500,000 will cover the increased maintenance and security costs associated with operating the new biosecurity level 3 greenhouse. The remaining $1,248,000 will allow us to hire 10 additional plant pathologists to staff the greenhouse and conduct diagnostic and test validation activities. The Laboratory is tracking its performance through the number of tests it

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is able to validate each year. With this increase, the Laboratory would be able to validate 10 tests in FY 2006, up from 4 planned in FY 2005.

(b) An increase of $6,424,000 and 32 staff years for the Foreign Animal Disease/Foot-and-Mouth Disease (FAD/FMD) program ($8,670,000 and 27 staff years available in FY 2005)

Foreign animal diseases (FAD) pose a serious threat to the U.S. livestock industry, valued at over $87 billion. The costs associated with an outbreak of an FAD are staggering. Foot-and-mouth disease (FMD), a highly contagious disease in cloven-hoofed animals, is present in over 60 percent of the world's countries. An FMD outbreak similar to the one that occurred in the United Kingdom in 2001 would cost the United States approximately $14 billion. An outbreak of exotic Newcastle disease in 2002 and 2003 cost $176 million to eradicate and cost the poultry industry $121 million in export losses. Prior to a program to eradicate hog cholera, estimated losses attributed to the diseases were $349 million per year. APHIS' ability to monitor FADs offshore and prevent their entry into the United States is critical to preventing losses to the U.S. livestock industry.

APHIS will use $1,424,000 of the increase to place 4 veterinarians (2 Foreign Service Officers and 2 Foreign Service Nationals) overseas to provide qualitative offshore risk information and to enhance and improve classical swine fever eradication activities in the Caribbean. APHIS will conduct more disease sampling activities to monitor the prevalence of diseases overseas. The increase will also allow APHIS to prioritize FAD prevention work and provide more information on where the FAD threats are, including biological agents that could be used in acts of bio-terrorism, and whether they pose high, medium, or low risks. Specifically, APHIS will enhance cross-border exotic Newcastle disease work at the U.S.-Mexico border and enhance work on avian influenza in Asia by conducting prevalence studies and copying the successful disease control measures used in live bird markets of Hong Kong to apply them to the critical low path avian influenza problems in United States live bird markets. APHIS will also place some emphasis on classical swine fever (CSF) work in Central America -- targeting Belize and Nicaragua; expand work at our cooperating laboratory in Panama to add diagnosis of Venezuelan equine encephalitis, bovine spongiform encephalopathy, and CSF; begin diagnostic work at a laboratory in the Dominican Republic to create a Caribbean regional diagnostic reference lab and training facility; and enhance work on acaricide resistance in ticks. APHIS' goal is to maintain the number of incidents of FMD in Mexico, Central America, and Panama at zero.

In addition to placing veterinarians overseas for the specific projects mentioned above, APHIS will use $5,000,000 of the increase to place animal health specialist officers overseas to track global animal health events and animal disease situations in specific countries. APHIS' FAD/FMD program provides a first line of defense against foreign animal disease introductions into the United States. In keeping with the recommendations of the Animal Health Safeguarding Review of 2002, APHIS is expanding the program's activities to include the formal collection of international animal health information. This information will allow APHIS to conduct risk assessments and regulate imports more effectively as well as provide an overall picture of global animal health trends.

APHIS' ultimate goal is to establish a network of Foreign Service Officers in strategic locations around the world by 2008 to monitor and track known diseases as well as to help detect new, previously unknown diseases. In conjunction with the Pest Detection program, which is placing plant health specialists overseas, the program has hired a coordinator and has placed people overseas in the Dominican Republic, Brazil and South Africa. With a $5,000,000 million increase, APHIS would be able to place 9 Foreign Service Officers and 13 Foreign Service Nationals overseas to act as animal health specialists to collect information on incipient threats to

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U.S. animal health. In addition, the increase includes 6 program support positions. These new employees would be assigned to work in scientific institutions such as universities or with international organizations. Because much animal health information is often not available in developing countries, the officers would offer grants to host country scientists to study particular pest and disease situations of interest to the international animal and plant health community. This would help bolster the host country's animal health regulatory infrastructure, thus protecting U.S. agricultural resources from animal disease threats. APHIS' performance target for the FAD/FMD program is 0 foreign animal disease introductions into the United States.

(c) An increase of $1,666,000 and 17 staff years for the Fruit Fly Exclusion and Detection (FFED) program ($57,876,000 and 304 staff years available in FY 2005)

The FFED program protects the United States from infestations of economically significant fruit flies, including the Mediterranean fruit fly, Mexican fruit fly (MFF), and others. MFF represents a continual threat to the agricultural production areas of the Lower Rio Grande Valley (LRGV) in southern Texas. If MFF becomes established in the United States, it could cost $900 million in losses.

Although APHIS employs a sterile fruit fly preventative release program in the area to combat the spread of MFF into the United States from Mexico, increased MFF detections in the LRGV and the resulting increased potential for spread toward other citrus-producing areas suggest the need for a more effective and rapid treatment. Although current funding is sufficient to fund delimiting trapping and local suppression programs, it is inadequate to conduct an optimal, area-wide eradication program including both sides of the LRGV. In FY 2005, APHIS devoted $550,000 toward the initiation of an MFF eradication program in Reynosa, Mexico, using the sterile insect technique (SIT). SIT programs involve the mass breeding of huge quantities of target insects, sterilizing the males, and releasing them over infested areas to mate with wild females. This program in Reynosa is a necessary first step toward eradication on the Texas side of the LRGV, and will continue after eradication to protect the new MFF-free zone in Texas.

For FY 2006, APHIS is requesting an increase of $1,666,000 million and 17 staff years. The increase would enable the release of 120 million additional sterile MFF per week (from 30 million to 150 million) in the LRGV in southern Texas and northern Mexico where host plants exist. These additional releases will enhance the facilitation of host fruit shipments to non-infested States and foreign countries without treatment. Also, they will supplement ongoing MFF suppression programs in the LRGV in Texas and Mexico, thereby strengthening APHIS' efforts to protect the entire U.S. fruit-producing industry.

(d) A decrease of $992,000 and 7 staff years for the Import/Export program ($12,771,000 and 147 staff years available in FY 2005).

APHIS is proposing to redirect $992,000 and 7 staff years from the Import/Export program base to the new Select Agents line item, where we are consolidating activities mandated by the Public Health Security and Bioterrorism Response Act of 2002. The Act mandates new regulatory constraints regarding the possession, use, or transfer of agents that pose a grave threat to human or animal and plant health. Select agents activities related to animal disease agents are currently carried out under the Import/Export line item and those related to plant disease agents are carried out under the Pest Detection program. We are proposing to redirect funds from both programs to consolidate plant and animal activities under the new Select Agents line item.

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(e) An increase of $3,670,000 and 0 staff years for the Screwworm program ($27,155,000 and 36 staff years available in FY 2005).

The screwworm program, consisting of cooperative programs with Mexico, countries of Central America and Panama, has eradicated the pest to the narrowest point in Panama. The program's next step is to establish the permanent barrier against the pest at the Panama-Colombia border. Once the barrier is in place, U.S. livestock producers will be securely protected against this costly pest.

A study estimated that livestock mortality caused by the screwworm cost $121.7 million to producers in the southwest in 1973. In 2003 dollars, this would be about $420 million. The study also estimated consumer losses due to the reduction in "meat supply." This amount was estimated as $146.4 million in 1973, or over $502 million in 2003 dollars. The total loss would amount to $922 million.

The program will use $670,000 of the increase to bring funding closer to the FY 2004 Appropriation level which is needed for effective and efficient screwworm program operations. The program will use $3 million of the increase to purchase essential equipment needed to run the new screwworm plant, thus preventing the need for shifting funds set aside for the construction of the Screwworm plant, scheduled to open in FY 2006. Diverting funds from construction for equipment needs would delay the plant's scheduled opening and increase costs. The program will purchase equipment needed (x-ray machines, trailers, safety equipment, conveyors, vehicles, lab equipment etc.) to operate the new sterile fly rearing facility in Panama. Equipment delays would delay the establishment of an effective and efficient barrier against the screwworm. With this increase, APHIS will achieve its goal of zero screwworm cases in Central America in FY 2006.

(f) An increase of $5,742,000 and 27 staff years for Trade Issues Resolution and Management (TIRM) program ($12,477,000 and 52 staff years available in FY 2005)

In 2003 APHIS expanded, retained or opened new market access to United States agricultural exports worth $2.4 billion dollars. When sanitary and phytosanitary (SPS) related issues occur in markets where APHIS does not have an attaché there is significant delay in resolving the issues or they are not resolved at all. There are various important export markets where APHIS either has no presence or needs to increase its presence to address SPS and market issues in order to build international support for trade agreements, facilitate safe agricultural trade, and make markets available to United States agricultural exports. The increasing burden brought on by new Free Trade Agreements (FTA) such as with Chile, Morocco, Australia and Central American countries requires significant resources to prepare for negotiations and SPS resolution. Domestic disease outbreaks such as bovine spongiform encephalopathy have also increased the need for trade attachés to negotiate with foreign governments to either open agricultural markets which have closed or keep markets open if countries are threatening to close them.

APHIS will use the $5,742,000 increase to open an office in Thailand as well as in four other strategic locations, hire trade support analysts, and pay for increased administrative costs.

Thailand is a top trading partner which was worth $689 million in U.S. agricultural exports in FY 2003. On October 19, 2003, President Bush and Prime Minister Shinawatra announced the intention to negotiate a U.S.-Thailand FTA. This agreement will require APHIS technical expertise in negotiations to address SPS issues. APHIS will use $500,000 to open an office in Thailand to manage the increased work expected from the FTA and to have an attaché in country to quickly resolve SPS issues. To further address the increased need to resolve trade issues, and

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negotiate FTAs, APHIS will use $492,000 to increase its overseas administrative support, and headquarters-based capacity. This support includes an analyst for APHIS' Trade Support Team to address emerging critical issues including the increasing demands of FTAs and a capacity building coordinator to assist in opening foreign markets to U.S. agricultural products. Furthermore, APHIS' support costs are increasing due to the devaluation of the dollar and increased International Cooperative Administrative Support Services charges from the Department of State. APHIS will use $1.5 million to pay for these higher costs to maintain its trade activities overseas. APHIS will use $3,250,000 of the increase to fund activities to address the increased need of resolving trade issues and issues affecting agricultural markets and open or expand offices in four strategic locations. New office locations are planned for Italy, which is worth $480 million in U.S. agricultural exports and serves as the host country to the International Plant Protection Convention; India, worth $315 million in U.S. agricultural exports; Brazil, worth $377 million in U.S. agricultural exports; and West Africa, a region of the world which holds many potential plant and animal disease threats with no infrastructure to address and asses the threat.

With this increase, the additional value of expanded and retained markets, new market access and trade facilitated by APHIS will be $74 million.

(3) An increase of $41,915,000 and 148 staff years for Plant and Animal Health Monitoring Activities:

(a) An increase of $6,707,000 and 0 staff years for the Animal Health Monitoring and Surveillance (AHMS) program ($143,921,000 and 885 staff years available in FY 2005)

A key component of the national animal health surveillance system is the ability to rapidly detect emerging diseases and accidentally or intentionally introduced foreign animal diseases (FAD) such as bovine spongiform encephalopathy (BSE). The May 2003 case of BSE in Canada and the December 2003 case in Washington State emphasize the need for a comprehensive animal health monitoring program in the United States.

APHIS must enhance its surveillance system to ensure that it is capable of finding disease quickly, tracing it back to its origin within 48 hours, and stopping its spread. Finding disease earlier limits the spread of disease, resulting in fewer animals becoming infected and reducing the number of quarantines and depopulation of additional animals. This saves the producer time and money, as well as Federal and State Government. Preventing disease spread also helps keep U.S livestock product export markets open, which means millions of dollars in savings to U.S. industries and producers. Collection of accurate and timely surveillance data with subsequent accurate and timely analysis of this data will substantially improve the quality of information available to trading partners, animal health officials, and other decision makers. Improved quality of information allows for more appropriate and timely allocation of resources. A half week delay in intervention increases cleaning, disinfection, depopulation, and quarantine costs by $70 million, and increases total costs by $135 million when production and trade losses are included.

With the proposed increase, APHIS will enhance the current disease monitoring and surveillance system to create a Comprehensive Surveillance System (CSS). The CSS will increase and integrate our infrastructure to better protect the nation's animals from the threat of domestic, emerging, and foreign animal diseases. The system will allow data sharing with State animal health systems and other Federal and industry systems. APHIS will purchase handheld equipment for data entry into the system at the farm as the samples are being collected. To ensure that we are collecting as much information as possible in the most cost-effective manner, we will employ new testing methods, such as the meat juice test that allows a laboratory to test for multiple diseases with one sample. The CSS will also develop partnerships and cooperative agreements with State

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governments, Tribes, veterinary colleges, animal and livestock industries, public health agencies, and other governmental and private groups.

APHIS will use approximately $3,407,000 million to enter into cooperative agreements with States and other cooperators to assist in sampling, diagnostic work, electronic permits, and Certificates of Veterinary Inspections. The agency will also use $3,300,000 million to develop cooperative agreements with States and Tribes to enhance monitoring and surveillance activities, including collection of samples as part of the enhanced Swine Animal Health Protection, Bovine Spongiform Encephalopathy (BSE), and Chronic Wasting Disease (CWD), and Infectious Salmon Anemia testing programs. These agreements will provide the necessary testing kits, scientific supplies, vehicles, computer and communications equipment, and shipping and transportation of samples to successfully implement the Comprehensive Surveillance System.

APHIS will measure AHMS program performance by the number of significant introductions of foreign animal pests or diseases that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans. Our target for FY 2006 is zero significant FAD introductions. By increasing personnel in the field to conduct surveillance; applying new technology to disseminate information from the field to the labs; and beginning to integrate various agency, Federal and State databases, we will be able to detect disease faster, minimize the spread of disease, and assist in keeping global trade markets open to U. S. animals and animal products.

(b) An increase of $928,000 and 8 staff years for the Animal and Plant Health Regulatory Enforcement (APHRE) program ($9,307,000 and 101 staff years available in FY 2005)

This program ensures compliance with APHIS regulations through comprehensive investigations, sound enforcement, and strong educational efforts. Professionally trained field investigators stationed throughout the United States conduct investigations, track unresolved violation cases, and coordinate investigative efforts within APHIS and with other Federal/State agencies. Field personnel also gather information for APHIS units and provide training to APHIS inspectors in documenting violations and collecting evidence. A small headquarters staff coordinates enforcement actions on a national basis, reviews and processes cases for formal administrative action or criminal prosecution, develops uniform penalty guidelines, collects civil penalties, and coordinates activity between APHIS units and USDA Office of the General Counsel.

The effectiveness of our regulatory enforcement program is in jeopardy due to several years of rapidly increasing demand for program services from all areas of APHIS, which has significantly outpaced available resources. In FY 2003, the number of enforcement cases more than doubled. Agricultural Quarantine Inspection cases – a substantial number of which come from Customs and Border Protection at the Department of Homeland Security – rose 90 percent, while animal health cases increased 245 percent. The number of animal welfare cases is projected to rise significantly as that program requests funds to hire additional Animal Care Inspectors to conduct compliance inspections of licensees and registrants. Lastly, we are also beginning to see a higher number of cases involving "high risk" genetically modified crops, i.e., pharmaceutical and industrial plants, as APHIS recently increased the number of required inspections of high risk site inspections to as many as five during the growing season and two the following season compared to the previous requirement of one inspection during the growing season.

The requested increase will enable APHIS to hire and equip eight new field investigator positions as follows: (a) five new field investigators to promptly investigate agricultural quarantine violations at ports of entry and pursue action to deter smuggling and minimize the threat of foreign

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animal disease introduction; probable locations for these investigators include: New York, New Jersey, Pennsylvania, Florida, and California; and (b) three new field investigators to focus primarily on compliance and enforcement activities related to Animal Welfare Act and Horse Protection Act violations; to be stationed in the following probable States: Missouri, Texas, and Illinois.

With the increased staff, each new investigator would handle an average of 10 cases the first year and an average of 20 cases in the second year when fully trained. The additional personnel will help to reduce the current backlog of cases. Currently, there are 3,250 cases unresolved. This is partially due to several large emergency programs in recent years as well as increased numbers of traditional cases. Currently, the average time needed to resolve a case is 186 days. We expect that with the additional investigators, the program can reduce the average time needed to resolve a case to 150 days by FY 2008. We also anticipate that the hiring of additional investigators will generate improvement in the long-term performance measure "number of investigations conducted in support of APHIS' mission." We currently project that the program will be able to conduct 1,900 investigations in FY 2004. With the hiring of additional officers, we project that the program could increase this number to 2,300 by FY 2008.

Without additional resources, potential ramifications include a loss of confidence in the enforcement program which in turn could result in a reluctance of inspectors to identify violations and request enforcement action. This is especially true with the AQI work done in the Department of Homeland Security's (DHS) Customs and Border Patrol area and in the APHIS Animal Care program. Violation referrals from DHS Customs and Border Patrol are a key performance measure of that organization's dedication to the agriculture mission. If APHIS is unable to respond effectively and timely to those referrals, it could frustrate and discourage performance at DHS Customs and Border Patrol. An additional ramification of growing backlogs of compliance cases would be a loss or dilution of the deterrent effect that we gain from prompt investigations and prosecutions, and consequently a reduction in voluntary compliance. This could significantly increase the risk of a foreign pest or disease entering the United States, perhaps prompting a serious emergency. It would take only one successful investigation into an illegal importation or interstate movement of a diseased or infested animal or plant to save millions in the potential costs associated with an eradication program or if the disease or pest were to become established in the United States.

(c) An increase of $516,000 and 0 staff years for the Biosurveillance program ($1,984,000 and 4 staff years available in FY 2005)

The Homeland Security Council (HSC) Biodefense End-to-End Assessment, conducted in cooperation with all relevant U.S. Government agencies, identified early attack warning and surveillance as a top priority to prepare our nation against a potential bioterrorist attack. The HSC supports an interagency biosurveillance initiative to improve the Federal government's ability to rapidly identify and characterize such an attack. This initiative will improve Federal surveillance capabilities in human health, food, agriculture, and environmental monitoring. It will also allow myriad agencies to establish integration capability at the Department of Homeland Security (DHS) so that DHS may rapidly compile streams of data and integrate them with threat information.

With the requested increase, APHIS will enhance several data collection systems already in use, allowing us to improve our surveillance capabilities and establish connectivity with the integration and analysis function at DHS. Many of APHIS' animal health programs will benefit from these enhancements, especially those for which we are requesting increases under the Food and Agriculture Defense Initiative. By incorporating laboratory diagnostic data, we will also be better

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able to address the burgeoning Federal Health Architecture Initiative, which the Department of Health and Human Services is spearheading.

APHIS will track performance by measuring the percentage of compliance with DHS electronic data and analysis requirements. Our target for FY 2006 will be to achieve 30-percent compliance with the DHS data and analysis requirements.

(d) An increase of $9,671,000 and 65 staff years for the Emergency Management Systems program ($12,864,000 and 85 staff years available in FY 2005)

The Emergency Management Systems (EMS) program prevents, prepares for, detects, and responds to animal health events that may have a sudden and negative impact on the Nation's meat, poultry, and livestock industries. As a key component of the food and agriculture defense system, the program helps protect our nation's agriculture and the domestic food supply from intentional, unintentional, or naturally occurring threats. APHIS would use $5,100,000 of the requested increase to hire 57 veterinary emergency coordinators (VEC) to enhance animal health emergency preparedness. These personnel will also work with the States to help enhance their emergency response systems, and reduce by 40 percent -- from 120 hours to 72 hours -- the interval between the time a decision is made to respond to an animal health event and the time resources are fully deployed and made operational at the local incident site.

The second major component of the increase is an additional $4,571,000 million of no year funds and 8 staff years to support the National Veterinary Stockpile (NVS). The NVS will stockpile any animal disease vaccine, antiviral, or therapeutic products including reagents and disinfectants needed to appropriately respond to the most damaging animal diseases affecting human or animal health and the economy. If an animal disease incident occurs, having the NVS would ensure that the needed resources are ready for immediate distribution and use.

(e) A net increase of $16,893,000 and 46 staff years (including a funding shift of $1,488,000 and 6 staff years to the newly established Select Agents program and a program increase of $18,381,000 and 52 staff years) for the Pest Detection program ($26,914,944 and 122 staff years available in FY 2005)

This increase will support the continuation of APHIS' multi-year effort to transform the Pest Detection program from a funding mechanism for small-scale survey projects into the Nation's early warning system for invasive plant pests and diseases. Using scientific pest targeting and survey methods and new technologies, the program and its State cooperators are developing a national early detection system designed to find newly introduced pests (either new to the United States or new to additional areas of the United States) before the infestations become too large and costly to eradicate or control.

The program has established Cooperative Agricultural Pest Survey (CAPS) committees at the State, regional, and national levels to evaluate pest risks, target high-risk pests for national surveys, and a national early detection strategy. To ensure objectivity and expand the number of pests that can be analyzed, program officials and the CAPS committees use an automated data ranking system to identify high-risk pests. The system allows us to analyze a large quantity of data about many pests, including those that might otherwise go unnoticed (for example, a pest that it is of secondary importance in South America but has the potential to cause significant damage in the United States). The pest ranking criteria include the potential for a particular pest to cause significant economic or environmental damage, its likelihood of being introduced into the United based on trade and travel trends, and where they would most likely enter the country and become established.

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Once we have determined that a particular pest or disease poses a significant threat to U.S. agriculture, program officials work with their State cooperators and industry to devise an early detection or mitigation strategy before the pest arrives. For example, APHIS officials worked with the American Soybean Association, State cooperators, academic institutions, and soybean producers to prepare for the imminent arrival of soybean rust. These efforts included seminars to train producers and crop consultants to recognize the disease. When soybean rust was detected in Louisiana following the particularly severe 2004 hurricane season, a cooperating scientist quickly recognized it and reported the potential detection to APHIS for confirmation. We will be using modeling and mapping technologies developed by the Pest Detection program in the 2005 growing season to study how the disease spreads and determine what areas are at risk. This information will help producers in those areas deal with and mitigate its effects.

A portion of the increase ($500,000 and three staff years) will support continued outreach efforts such as these. The program is working to expand its early detection network to volunteers such as master gardeners, foresters, academic scientists, and university students, as well as continuing to include producers, crop consultants, and Extension agents. These individuals are already in positions to spot new and unusual pests and diseases. To reach potential volunteers, the program will hire three additional program coordinators at national and regional levels, including a national volunteer coordinator.

We will use approximately $8,100,000 of the increase to provide additional funds to State cooperators to fund surveys for additional high-risk pests. Cooperative agreements with each State will increase by an average of $155,000 (the actual amount varies according to the amount and type of resources in the State), which will allow us to conduct national surveys for 24 pests. We will use $3,546,000 to hire and equip additional pest survey specialists to work with State cooperators (14 staff years) and 4 additional plant pest identifiers to support our ability to identify the additional samples and specimens that we anticipate receiving as a result of increased surveys. National surveys are essential in allowing us to ensure that high-risk pests with pathways into the United States have not been introduced as well as allowing us to determine whether particularly damaging pests already known to be in the United States, such as emerald ash borer, have spread to new areas. To help ensure that we can respond effectively to any new detections, we will also use a portion of the increase ($1,500,000 and 8 staff years) to establish two emergency response teams to work with those being established under the Emerging Plant Pests program.

To continue increasing our ability to identify high-risk pests before they arrive in the United States, APHIS will use $4,735,000 million to establish a formal international information collection program. This international information will allow us to target cargo and baggage from certain areas for inspection and plan surveys at ports of entry for pests that pose an imminent threat to U.S. agriculture. It will also help us in conducting effective risk assessments and setting informed import policy. Placing people on the ground in other countries significantly expands our access to timely information about global pest distribution.

In conjunction with APHIS' FAD/FMD program, which is also placing animal and plant health specialist overseas, the program has hired a safeguarding officer coordinator and placed people overseas in the Dominican Republic, Brazil and South Africa. With the additional $4,735,000 million for the Pest Detection program, APHIS would collect information from 8 countries and place 9 Foreign Service Officers (FSO) and 14 Foreign Service Nationals (FSN) overseas to act as safeguarding officers and collect information about plant pests and diseases. They will be supported by headquarters staffers. With the safeguarding officers hired by the FAD/FMD program, we will cover 16 countries, with a total 16 Foreign Service Officers and 28 Foreign Service Nationals. Like the animal health safeguarding officers, these plant health safeguarding officers would be assigned to scientific institutions such as universities in the host country or with

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international organizations. In addition to collecting information about incipient threats to U.S. agriculture and global plant health trends, the officers would provide valuable scientific expertise to the host country and help bolster the country's plant health.

APHIS is measuring its success in detecting new pest introductions by tracking the percentage of significant introductions of plant pests or diseases that are detected before they spread from the original area of colonization and cause severe economic or environmental damage. Our goal for FY 2005 is to detect 95 percent of the newly arrived, significant pests before they spread.

APHIS also is proposing to shift $1,488,000 and 6 staff years from the Pest Detection program base to the new Select Agents line item, where we are consolidating activities mandated by the Public Health Security and Bioterrorism Response Act of 2002. The Act mandates new regulatory constraints regarding the possession, use, or transfer of agents that pose a grave threat to human or animal and plant health. Select agents activities related to animal disease agents are currently carried out under the Import/Export line item and those related to plant disease agents are carried out under the Pest Detection program. We are proposing to redirect funds from both programs to consolidate plant and animal activities under the new Select Agents line item.

(f) A net increase of $5,250,000 and 18 staff-years to establish a Select Agents program, consisting of: 1) a program increase of $2,770,000 and 5 staff-years; 2) a permanent redirection of $992,000 and 7 staff-years from the Import-export program; and 3) a permanent redirection of $1,488,000 from the Pest Detection program ($0 available in FY 2005)

In June 2002, the President signed into law the Agricultural Bioterrorism Protection Act of 2002 (ABPA). The Act mandates new regulatory constraints regarding the possession, use, or transfer of agents that pose a grave threat to human or animal and plant health. As required by the Act, APHIS has collaborated with Centers for Disease Control and Prevention (CDC) to promulgate joint regulations that prescribe how each agency will perform its role. Regulation of select agents is APHIS' most direct homeland security responsibility, and additional funding is needed if the Agency is to successfully fulfill its mandatory role.

In FY 2005, Congress appropriated $992,000 for the Import-Export program to provide regulatory oversight for 60 facilities handling animal disease agents or toxins, and $1,488,000 for the Pest Detection program to provide regulatory oversight for nine facilities handling plant disease agents or toxins. The activities conducted by both programs mirror each other, and share a single database. Accordingly, in FY 2006, APHIS proposes to shift $992,000 from the Import-export program and $1,488,000 from the pest detection program to establish a Select Agents program. The Agency will then have a unified program centrally managed and dedicated solely to select agents activities for both animal and plant health.

In addition to the transfers of existing funding, we are seeking a program increase of $2,770,000 to fully carry out our responsibilities mandated under the ABPA. APHIS must register facilities desiring to handle select agents that bear a threat to animal health in a timely and efficient manner, allowing valuable research and diagnostics to proceed. These agents and toxins include avian influenza, bovine spongiform encephalopathy, brucellosis, classical swine fever, Foot and mouth disease, heartwater, and Newcastle disease. In order to handle the high demand for registry while safeguarding the nation's agricultural resources, APHIS plans to hire five well-trained, experienced personnel to conduct inspectional and compliance activities; develop and provide the necessary specialized training of inspectional personnel; and to conduct educational activities to regulated communities.

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As recommended in a report prepared by the USDA Inspector General in response to the events of September 11, 2001, the Department has mandated enhanced security for all laboratories using select agents and toxins. In order to maintain compliance with the OIG findings, as well as the select agent requirements, APHIS will require $400,000 to expand current physical security requirements for select agents at the National Veterinary Services Laboratories (NVSL) which will include mandatory employee security clearances due to the presence of select agents.

APHIS will measure program performance by the number of events (theft, loss, or release of biological agents from a regulated entity) involving select agents that can be traced to insufficient regulatory oversight. In FY 2006, APHIS aims to protect the United States from events involving select agents by assuring sufficient regulatory oversight.

(g) An increase of $1,950,000 and 11 staff years for the Wildlife Disease Monitoring & Surveillance program ($0 and 0 staff years available in FY 2005)

A key component of a national animal health surveillance system is the ability to identify potential pathways for animal diseases that can be transmitted from wildlife to livestock. One example of how conducting surveillance and control measures for a disease of concern in wildlife benefits the national interest is to examine the Michigan Tuberculosis (TB) program, which has been very successful in controlling the prevalence rate of the disease. The losses which have been avoided are estimated at $24.9 to $26.2 million per year. These potential losses arise from increased cattle production costs, loss of interstate captive cervid sales, and loss of recreational deer hunting license receipts. The cost/benefit ratio for TB intervention is approximately 1:5, or every dollar invested in Michigan's TB program returns approximately five in benefits.

With a $1,950,000 million increase, APHIS will build an animal disease surveillance system that has an international and domestic component. This system will help identify potential pathways for animal diseases. It will also provide a system where program managers and field specialists will be better able to respond to unintentional and intentional disease introductions in the United States within 24-48 hours as well as provide training and technology transfer for developing countries to build their animal health infrastructures and thus reduce the likelihood of undetected threat pathways to the United States.

Our goal is to establish methods for surveillance data collection in wildlife populations and to investigate the prevalence of specific diseases that may move from wildlife to livestock or poultry populations (e.g., pseudorabies and bovine TB). This system will be designed to provide an infrastructure capable of assisting State, Federal, and Tribal agencies with wildlife disease threats. Supplementing these programs with a nationally coordinated animal surveillance system focused on wildlife will support existing programs in the collection of samples, facilitate information exchange, ensure that diseases of national biosecurity concern (e.g., plague, tularemia, classical swine fever) are adequately sampled, and provide additional laboratory infrastructure that would be available for assisting other agencies in disease diagnosis in emergency outbreaks. We will also develop partnerships with the Department of Homeland Security, Canadian and Mexican ministries of agriculture, public health and natural resources agencies, and the Pan-American Health Organization to implement a border disease surveillance program in livestock and wildlife. Enhanced biosecurity resulting from such a program will facilitate the agricultural agreements in the North American Free Trade Agreement, by increasing trade in agricultural products and eliminating the use of sanitary measures as artificial trade barriers. Furthermore, an international border disease surveillance system will proactively reduce the impact of terrorist attacks on agriculture, wildlife, and humans.

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Without the proposed base infrastructure and enhanced surveillance capabilities, our ability to detect the introduction and occurrence of diseases in wildlife that pose a risk to livestock is severely constrained. Possible ramifications include loss of consumer confidence in the Nation's food supply; loss of export markets for American agricultural products valued at over $60 billion in 2003; producer losses; vulnerability in biosecurity for diseases affecting agricultural and natural resources, and human health and safety; and an inability to eradicate livestock diseases that are maintained in wildlife. The program's goal is to have zero incidents of foreign animal disease outbreaks (related to disease transmission from wildlife) that cause severe economical and environmental damage and spread beyond their original area of introduction.

(4) A decrease of $20,747,000 and an increase of 97 staff-years for Pest and Disease Management activities:

(a) A decrease of $31,300,000 and 0 staff years for the boll weevil program ($47,120,000 and 10 staff years available in FY 2005)

Since the inception of the boll weevil eradication program (BWEP) in 1983, APHIS has demonstrated great proficiency in the control and elimination of a pest that has caused immense harm to the cotton industry. During the 2004 season, significant rainfall had a negative impact on program progress reducing the effectiveness of traps and treatments. Despite this setback, APHIS and its cooperators cleared the boll weevil from approximately 4 million additional acres in 2004. As FY 2005 began, more than 9 million acres of cotton, spread over nine States, were weevil-free. APHIS continues to monitor the southeastern section of the United States for the presence of this pest; however, active eradication is focused upon the southwestern United States and northern Mexico. Because of the program's success, reductions in spending are possible. This funding level will allow APHIS to meet the target of complete eradication from the United States by FY 2008.

(b) A decrease of $1,412,000 and 0 staff years for the Brucellosis program ($10,273,000 and 56 staff years available in FY 2005)

APHIS will reduce $1,400,000 million from the brucellosis base by transferring financial responsibility for the Greater Yellowstone Interagency Brucellosis Committee to the affected States ($888,000) and by reducing the amount provided to the State of Montana for the operation of the bison quarantine facility ($524,000). At this funding level, the program will still be able to sample 95 percent of cattle eligible at slaughter. However, the States will share more responsibility for supporting activities carried out in targeted or localized areas.

Through a cooperative Federal-State-industry effort and careful herd management, APHIS will continue to work to eliminate the last pockets of brucellosis infection in the United States. Swine brucellosis in feral pigs continues to plague small producers in the southeast and southwest. APHIS will continue the program procedures in domestic cattle and swine for several years after eradication to eliminate any undetected disease. This effort will demonstrate to our international trading partners that the United States is brucellosis-free and that we are continuing to monitor for the disease. As the management program nears completion for domestic livestock, APHIS will focus on eradicating brucellosis from wildlife.

(c) A decrease of $1,855,000 and 2 staff years for the Chronic Wasting Disease program ($18,688,000 and 33 staff years available in FY 2005)

The FY 2006 request for the chronic wasting disease (CWD) program is $16,833,000. The CWD captive cervid program will be reduced by $927,500 and the wild cervid program will be reduced by $927,500. The budget is based on cooperators, such as State and local governments, and where

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appropriate private industry and affected producers, providing additional support for the activities that support the program. The goals of this proposal include improving Federal/cooperator partnership by establishing consistent equitable and justifiable allocation of responsibility among parties, allowing beneficiaries to be more involved, and permitting State and local governments to better anticipate and plan for future needs.

(a) An increase of $25,651,000 and 43 staff years for the emerging plant pests (EPP) program ($100,754,000 and 245 staff years available in FY 2005)

The EPP program supports APHIS' ability to respond to new outbreaks of economically and environmentally significant plant pests and diseases as well as ongoing plant health problems. This program incorporates State and local input to improve the Agency's emergency response infrastructure. The $25,651,000 increase consists of $41,191,000 in increases and $15,540,000 in decreases. The increases consist of $27,625,000 and 25 staff years for Emerald Ash Borer (EAB), $6,345,000 for Citrus Canker (CC), $5,000,000 and 41 staff years for Emergency Response, $1,896,000 and 6 staff years for Karnal Bunt (KB), and $325,000 for Citrus Longhorned Beetle (CLHB). The decreases consist of $13,682,000 and 20 staff years for Asian Longhorned Beetle (ALB), $1,445,000 and 9 staff years for Sudden Oak Death (SOD), $315,000 for Olive Fruit Fly (OLFF), and $98,000 for hydrilla.

With these changes, the EPP line item would consist of the following (dollars in thousands):

Canker	EAB	GWSS	ALB	ER	KB	SOD	CLHB	Other	Total
$42,629	$32,586	$23,003	$15,251	$5,000	$2,753	$1,531	$325	$3,622	$126,700
125 SY	35 SY	16 SY	40 SY	41 SY	10 SY	10 SY	0 SY	11 SY	288 SY

The $27,625,000 EAB increase would enable APHIS to continue addressing EAB infestations. The current infestation covers over 9,000 square miles in southern Michigan and parts of northern Ohio and Indiana. Also, isolated infestations have been found along Michigan's Lower Peninsula. EAB will expand exponentially if it is not stopped. Using a management zone strategy, the program will remove all ash trees near infestations to prevent the pest from spreading and eradicate the infestation. To minimize the risk of the EAB's southward and eastward expansion, the program will remove ash trees in two Indiana and three Ohio counties where recent infestations were detected. Intensive surveys will also continue in those two States to ensure that any movement of the pest is detected early and controlled easily. The program will continue removing trees in high risk-areas in Michigan and implement an enhanced regulatory program in all affected areas to prevent artificial spread of the pest. In addition, in Michigan's lower peninsula, aggressive containment activities will continue along the borders of the northern, eastern, and southern gateways to prevent EAB spread into the Michigan's upper peninsula, Canada, Ohio, and Indiana. The illegal movement of firewood currently poses the biggest threat to the program's ability to prevent the artificial spread of EAB. In FY 2006, the program will continue focusing on public outreach campaigns as well as regulatory activities to prevent artificial spread of the pest and accelerate eradication of the southern-most infestations. In each State, APHIS conducts program management and regulatory functions and State officials carry out survey, regulatory, and tree removal activities.

The $6,345,000 citrus canker increase would elevate Federal funding to $42,629,000 million. This cooperative program – managed by APHIS and the Florida Department of Agriculture and Consumer Services (FDACS) - would use the additional funds to enhance the following ongoing activities: Statewide commercial grove surveys, residential surveys, pathology and tree removal. As a result of three devastating hurricanes late in FY 2004, the program will continue to find small outbreaks during FY 2005 in areas previously canker-free. However, the FY 2006 increase will

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ensure that FDACS can quickly mobilize survey and cutting crews and rapidly remove any newly identified positive trees, thus limiting spread. With this increase and the FDACS' contribution, this program would likely be able to operate an optimal eradication program. This program's performance measure is the size of the quarantine area. At the end of FY 2004, the program had 1,340 square miles quarantined. The program expects to reduce this figure to 1,133 by the end of FY 2005, and to 1,115 by the end of FY 2006. Meeting these targets will demonstrate the program's ability to make progress toward eradicating citrus canker from the entire State of Florida.

The $5,000,000 increase for emergency response will support APHIS' efforts to reduce eradication costs through an enhanced, early-detection program and intensified emergency response efforts. APHIS spends an annual average of $130 million on plant pest eradication programs. These programs are costly in part because the pests were not detected and contained before they spread from their original colonization area. The goal of this effort is to work with States to identify emergency response capabilities and develop a national emergency response infrastructure. The funding will support two new, eight-person incident command teams with one stationed in each APHIS administrative region, 20 nationwide emergency responders, and five staff years for administrative support. With this increase, the program will increase the percentage of EPP emergency programs that reduced or maintained their total quarantine area from 20 in FY 2004 to 80 in FY 2006.

The $1,896,000 million KB increase would enable APHIS to continue activities currently conducted with emergency funds. With the increase, APHIS would fund activities to contain this disease, reduce the regulatory burden on the U.S. wheat industry, and disprove KB's classification as a quarantine pest. These activities will allow the United States to continue providing the world with nearly one-third of its wheat exports. In FY 2004, 47 countries still quarantined U.S. wheat because of KB. With continued funding, the program hopes to reduce the number to 40 countries by FY 2006. Through this program, APHIS prevents KB from affecting our $3.5 billion wheat export market, which is vital for wheat exports.

The $325,000 increase for CLHB would enable APHIS to continue funding a program that is currently funded from Agency contingency funds. In August 2001, officials found three adult CLHB near Seattle, Washington in nursery stock from Korea. The CLHB is one of the most damaging non-native pests to enter the United States. It attacks over 40 varieties of hardwood and fruit trees, and has no natural enemies. It also threatens the economic livelihood of several industries from huge losses. The CHLB could cause $41 billion in losses to forest resources nationwide. APHIS would transfer the $325,000 to the Washington State Department of Agriculture (WSDA) through an ongoing cooperative agreement. WSDA will continue surveys through at least FY 2006 to ensure that the insects are not reproducing. These surveys are crucial without an effective natural control method. This program's performance measure is the number of miles quarantined. At the end of FY 2004, one half mile was quarantined. The program expects to maintain this quarantine area through at least FY 2006 to ensure that the beetle does not become established. Barring additional detections, the program expects to declare eradication in FY 2006.

Since FY 1997, APHIS has funded most of ALB eradication costs, with the rest from State and local governments. The FY 2006 ALB request is $15,251,000, which represents a reduction in Federal commitment to shift the program goal from eradication to control in New York State (NYS), while still enabling eventual eradication in Illinois and New Jersey. This program's performance measures are the size of the infested and regulated areas. In FY 2004, 218 square miles were infested and 182 square miles were regulated. At the end of FY 2006, the program projects to have 176 square miles infested and 159 square miles regulated. The regulated area

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does not cover the entire infested area because it covers only the area where there could be an established ALB population large enough to present a risk of ALB movement in regulated articles. Because the program plans to deregulate several areas of Chicago in FY 2005, the infested and regulated areas should decrease by 20 percent and 15 percent respectively.

APHIS is requesting a $1,445,000 decrease for SOD to reflect the diminished threat the program expects surveys to demonstrate by FY 2006. Program activities have prevented further SOD spread, while minimizing its impact on commerce and the environment. In addition, APHIS will discontinue a cooperative agreement with the California Department of Food and Agriculture to fund OLFF trapping activities, saving $315,000. CDFA may fund these activities in FY 2006. Also, the Agency will discontinue cooperative agreements with the Virginia Polytechnic Institute, Virginia State University, and the Texas Parks and Wildlife Service to conduct surveys and biological control for hydrilla in Virginia and Texas, saving $98,000. Local agencies will continue these activities, if necessary.

(b) A decrease of $1,128,000 and 0 staff years for the Grasshopper program ($5,484,000 and 34 staff years available in FY 2005)

APHIS conducts surveys each year to monitor grasshopper and Mormon cricket populations in 17 western States and conducts suppression treatments where necessary in accordance with the specifications in the Plant Protection Act. In FY 2003, APHIS was directed to transfer $20,000,000 from the Commodity Credit Corporation to conduct control activities for Mormon crickets in Idaho, Nevada, and Utah. APHIS provided these funds to the three States in equal amounts through 4-year cooperative agreements. Because a portion of these funds will remain available for suppression treatments of high Mormon cricket populations in these three States in FY 2006, APHIS will require a lower appropriation to conduct treatments.

(c) A decrease of $15,435,000 and 0 staff years for the Johne's disease program ($18,590,000 and 25 staff years available in FY 2005)

The FY 2006 budget reflects increased efficiencies and progress on the Johne's disease program. At the end of FY 2004, there were 5,522 herds enrolled in the Voluntary Bovine Johne's Disease Control Program (VBJDCP), surpassing the enrollment goal of 4,000 herds. Approximately 11.8 percent of cattle herds were enrolled in the VBJDCP with a test negative herd classification for Johne's, below the target of 20 percent. Forty-two States were in full compliance with the national program standards, with the goal being 45 States enrolled.

The collaborative efforts and task-sharing among Federal and State animal health workers allow us to propose a reduction in funding for the program. Under this proposal, States, universities, and producers, who are among the beneficiaries of the program, would be responsible for testing, herd clean-up, risk assessments and disease management. With the reduction in Federal funding, the States, affected industries, and producers will also assume responsibility for continuation of the national Johne's demonstration herd project implemented in each region of the country, which focuses on new and current testing schemes and control methods available in order to determine the most effective cost management practices options within the program.

(d) A decrease of $829,000 for the noxious weed program ($1,975,000 available in FY 2005)

While remaining supportive, the FY 2006 budget encourages beneficiaries to assume a larger role in the responsibilities of the Nez Perce Bio-Control Center in Idaho, Cogongrass in Mississippi, and the Kiski Basin Initiative. For this reason, APHIS will require a lower appropriation to conduct treatments. APHIS conducts surveys throughout the United States each year to detect

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dozens of pest plants on the Federal Noxious Weed list that can damage crops, livestock, or other agricultural interests. Suppression activities take place where warranted in accordance with the specifications of the Plant Protection Act. APHIS initiated cooperative agreements with states, territories, and non-governmental organizations to control and eradicate plant infestations.

(h) An increase of $1,118,000 and 0 staff years for the pink bollworm program ($2,133,000 and 20 staff years available in FY 2005)

APHIS has experienced great success with the Pink Bollworm program. The USDA's Agricultural Research Service (ARS) and APHIS have developed sterile insect technologies, which include mass rearing, sterilization, delivery, and moth release, to combat this pest, which costs the cotton industry $21 million annually. Increases in funding will enable sterile moth releases to continue in the San Joaquin Valley in California and maintain beneficial cultural practices, such as crop rotation, stalk destruction, alternate planting dates, and irrigation restrictions. With continued support and program coordination with the government of Mexico, where the pink bollworm also exists, APHIS anticipates continued success toward the eradication of this very destructive pest.

(i) A decrease of $1,238,000 and 3 staff years for the plum pox virus program ($3,443,000 and 8 staff years available in FY 2005)

APHIS has managed this disease so well that the plum pox virus has never moved beyond the borders of Pennsylvania, where it appeared in 1998. As of the end of FY 2004, the disease was limited to four positive trees in two orchard blocks and one homeowner site. Officials removed 7.55 positive acres and another 32.39 exposed acres from quarantine, for a total of 39.94 acres removed. Because of the low number of infected trees, program needs are reduced. Because sporadic findings occur each year, the FY 2006 budget will continue to support surveillance activities in Pennsylvania.

Control of the plum pox virus is economically vital to the stone fruit tree industry. Stone fruits, such as apricots, cherries, peaches, plums, and prunes, are characterized as having stony pits (seeds) surrounded by fleshy fruit. Because there is no cure for a plant viral infection, the only remedy is removal and destruction of the infected plants.

(j) An increase of $1,563,000 and 0 staff years for the scrapie program ($17,626,000 and 79 staff years available in FY 2005)

This program strives to eradicate scrapie from the sheep and goat industry in the United States, in support of the agency goal of safeguarding the health of animals and ecosystems.

APHIS will increase by $1,563,000 in FY 2006 the indemnity and flock cleanup funds available for assistance to producers that experience scrapie infection in their flocks. The indemnities and flock cleanup assistance greatly promote our efforts to control the disease through encouraging the depopulation and disposal of infected and exposed animals. The indemnities help producers to remain viable by providing funds to repopulate their flocks. Any indemnity funds not used for depopulation and disposal will be applied to enhance our current disease surveillance activities.

(k) An increase of $1,850,000 and 15 staff-years for the tuberculosis (TB) program ($14,818,000 and 49 staff-years available in FY 2005)

Bovine tuberculosis (TB) caused more losses among U.S. farm animals in the early part of the last century than all other infectious diseases combined. A program to eradicate the disease from the

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United States began in 1917. Today most States are accredited free; however, cases continue to be detected. Left unchecked, TB would cause an estimated $2.5 billion in losses annually.

APHIS' ultimate goal is to eradicate TB from the United States, making it crucial to detect TB in cattle and bison. For FY 2004, APHIS tested 6,367 samples submissions, a 25-percent increase over the 5,067 samples tested in FY 2003. The requested increase would enable APHIS to test 8,000 sample lesions and provide more successful tracebacks of at-risk animals through disease epidemiology. This will ensure that we detect new incidences of TB quickly and eliminate them before they spread and cause significant economic damage.

By increasing the level of active surveillance, APHIS expects to find more positive cases of TB than in previous years. Although finding more of these positive cases will cause certain States to lose their accredited free status, it is necessary in order to achieve the goal of completely eradicating the disease. For this reason, APHIS expects to maintain TB accredited free status in 45 States and territories in FY 2006.

Of the total amount requested, APHIS plans to use $1.24 million to hire 15 personnel at the major cattle and cervid slaughter plants to increase surveillance; and to hire pathologists and biologists resulting in increased testing. To fully equip these employees, APHIS will spend $325,000 for vehicles, equipment, and laboratory materials; $100,000 for employee travel and training; and $185,000 for transporting surveillance samples to laboratories for histopathology, microbiology, and gamma interferon testing.

Based upon the projected industry loss of $240 million per year for the loss of TB free status in Texas and Missouri, and based upon a $1.85 million investment in the TB program, APHIS projects that for each incremental dollar spent on improving the program, prevention of industry losses of $129.75 will be realized.

(a) A net increase of $2,268,000 and an increase of 59 staff years for the Wildlife Services (WS) Operations program ($73,166,000 and 530 staff years available in FY 2005).

The APHIS Wildlife Services operations program protects U.S. agriculture, natural resources, property, and human safety and health from wildlife damage and wildlife-borne diseases. This links to the Agency's Strategic goal to manage issues related to the health of U.S. animal and plant resources and conflicts with wildlife. Within the change in program funding, APHIS is requesting additional funding for high priority needs, as follows: $3,000,000 for an airport safety program; $5,000,000 for the oral rabies vaccination program (ORV); $5,000,000 for wildlife monitoring and surveillance for homeland security, as part of the Food and Agriculture Defense Initiative; and, $750,000 for brown tree snake (BTS) control activities to prevent the spread of the BTS outside of Guam. Accommodating these critical needs within available resources requires a reallocation of $11,482,000 from other activities.

Wildlife strikes with aircraft are a growing problem because of increasing populations of many Federally protected species of large, flocking birds (e.g., Canada geese) concurrent with increasing air traffic by faster, quieter turbofan-powered aircraft. Increased populations of non-bird wildlife (e.g., deer) also are a threat to aircraft. There have been 19 large transport aircraft destroyed by bird strikes and over 350 people killed. This problem causes serious economic concern to the aviation industry; wildlife strikes cost commercial aviation about $500 million annually in the United States and $1.2 billion annually worldwide.

APHIS will use an additional $3,000,000 to hire 26 additional specialists to conduct wildlife risk assessments, develop wildlife hazard management plans, and conduct operational programs to

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reduce risk at an expanded number of airports nationwide. New methods and technologies will be developed to reduce wildlife hazards to aviation in a socially acceptable and legal manner, recognizing that over 90 percent of strikes occur with bird species that are Federally protected under the Migratory Bird Treaty Act.

Failure to fund the program will lead to an increased risk to public safety due to wildlife hazards. The benefit of reducing these damages and fatalities is tremendous; the APHIS/WS airport safety program benefits not only the airports and air carriers, but also society in the form of fewer human fatalities due to airplane strikes. The program's goal is to reduce, suppress, or prevent wildlife hazards at 650 airports with APHIS assistance by FY 2006.

APHIS will use data from the Federal Aviation Administration National Wildlife Strike Database, the National Transportation Safety Board Aviation Accident Database, and U.S. Fish and Wildlife Service bird population surveys to determine if fewer wildlife strikes to aircraft occur and if costs of strikes decline in proportion to changes in wildlife populations and aircraft movements. These analyses will provide an objective measure of the success of program.

Wildlife rabies poses significant risks to humans, their livestock and pets, as well as wildlife. The Center for Disease Control and Prevention has estimated the annual cost associated with wildlife rabies to exceed $300 million. In FY 1998, APHIS established a Wildlife Rabies Management Team to plan and coordinate rabies control activities with cooperating States and others. Wildlife rabies poses a serious threat to animal and human health in the United States; the areas with significant risks are in Texas and the eastern United States. Additionally, all States west of the line of States extending from northwestern Pennsylvania to southwestern Alabama are vulnerable to but have not yet been infected with raccoon rabies. A total of 111 million livestock in the Midwest will be at higher risk if we do not prevent new strains of terrestrial rabies from infecting this region of the United States.

APHIS will use an additional $5,000,000 for the oral rabies vaccination program. The funding will go toward the purchase of baits to maintain the ORV barrier. With this increase, the program will be able to achieve its goals and decrease the number of breaks in the barrier from three to two.

A critical component of APHIS' mission for safeguarding American agriculture and human health and safety rests upon our ability to curtail the transmission of wildlife animal diseases to domestic livestock and humans. The World Organization for Animal Health encourages all countries to develop wildlife surveillance systems to improve understanding of the epidemiology of infectious animal and zoonotic diseases, such as bovine tuberculosis. A U.S. wildlife surveillance system would provide substantial benefits to the American livestock and poultry industry, which exports approximately $12 billion annually, by protecting that industry from losses due to pests and diseases spread from free-ranging animals.

To implement an effective wildlife disease monitoring and surveillance system, APHIS will use the $5,000,000 increase to hire additional wildlife disease specialists to add to our current cadre of 23 specialists and one national wildlife disease coordinator. This is part of the Food and Agricultural Defense Initiative and is in conjunction with the increase request under the Wildlife Disease Monitoring and Surveillance program. This expanded infrastructure will monitor and gather data on the disease status of free-ranging animals at the State level and integrate this data with existing agricultural animal health monitoring systems. APHIS will use this information to detect and respond to disease outbreaks in wildlife populations and mitigate the risk of wildlife diseases transmission to farmed livestock. The system will monitor losses to the livestock industry attributed to disease found in wildlife, such as bovine tuberculosis, pseudorabies, swine brucellosis, West Nile Virus and chronic wasting disease. Through this system, APHIS could also

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detect diseases affecting wildlife that originate offshore. Of the additional $5 million for the wildlife disease monitoring and surveillance system, APHIS will use approximately $2.5 million to pay the salaries of 26 additional wildlife disease specialists and 7 support positions; $1 million for equipment; $0.7 million for training, laboratory diagnostics, and computer modeling support; $0.8 million program support.

APHIS will use $750,000 to enhance management and development efforts needed to prevent the spread of Brown Tree Snakes (BTS) from Guam to the Western Pacific and Hawaii, protect local agriculture, protect threatened and endangered species, and protect property. There are various costs that the BTS is currently responsible for, and has the potential to be responsible for, if not controlled. The power interruptions caused by BTS cause a multitude of problems that have been valued at over $1 million, ranging from food spoilage to computer failures. They frequently invade poultry houses, homes, and yards to consume domestic poultry, eggs, pet birds, and small mammals associated with residential areas. BTS are frequently accidental stowaways in cargo leaving Guam, and unless intercepted may become established on other islands. Economic and ecological problems like those currently present on Guam would be likely to develop if BTS were to reach other Pacific Islands. These potential losses elsewhere are the value of its containment and eventual eradication in Guam. If the BTS were to become established in Hawaii, for example, it is estimated that it would cause $300 million in damages annually.

The Wildlife Services Operations program uses a combination of Federal and cooperative funding to prevent and reduce wildlife damage primarily to agricultural and natural resources as well as to human health and safety. With the proposed increases above, the budget proposes a reduction of $11,482,000 in other wildlife management programs to stay within the program's overall funding level, while responding to high priority needs including the Food and Agricultural Defense Initiative. APHIS will determine the most effective way of implementing this reduction with minimal impact to current cooperators and existing activities.

(2) An increase of $770,000 and 8 staff years for Animal Care activities:

(a) An increase of $770,000 and 8 staff years for the Animal Welfare program ($16,485,000 and 175 staff years available in FY 2005).

APHIS' Animal Welfare program carries out activities designed to ensure the humane care and treatment of animals. These activities include inspection of certain establishments that handle animals intended for biomedical research, to be sold as pets at the wholesale level, transported in commerce, or used for exhibition purposes. Animal Care personnel inspect licensees to ensure compliance with the Animal Welfare Act. These standards include requirements for adequate housing, sanitation, food, water, exercise (for dogs), veterinary care, and shelter. The program places primary emphasis on the inspection of facilities and records, investigation of complaints, reinspection of problem facilities, voluntary compliance through education, and training of inspectors. Any noncompliance found by inspectors can lead to investigations resulting in fines, suspensions, and license revocations. To counter the problem of dwindling resources and rising costs, the program introduced a risk-based inspection system in 1998 allowing activities to be concentrated on facilities where animal welfare concerns are the greatest.

The program faces a serious threat to its effectiveness due to a rapid growth in the number of new licensees and registrants, especially in the western States where the number of licensed/registered facilities climbed to more than 6,000 by the end of FY 2004, a near doubling from the 3,447 licensed/registered in FY 2001. Since the start of FY 2001, the Western Region had an average net increase of 69 new facilities per month, a trend that has accelerated in FY 2004 to 85 facilities per month. The Eastern Region is also experiencing growth of between 20 and 25 new facilities per month. In the Western Region, the program projects that it will conduct 8,200 inspections in

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FY 2005, an increase of 1,400 over the number conducted in FY 2001 and about 400 more than in FY 2003. This has strained inspector workloads, with the current average number of facilities per inspector standing at 114, compared to 92 in FY 2002. The number of inspections per inspector has risen from an average of 140 in FY 2002 to 154 in FY 2004. APHIS requests this increase in FY 2006 to enable the program to hire and fully equip seven additional inspection and related personnel and station them in areas of the country where the workload demands are most pressing. With the increased staff, we estimate that each new inspector will be able to handle an average of 60-75 inspections the first year as they receive training and learn their territory, which would then increase to 100-120 inspections the second year until full performance is attained in the third year. The additional personnel will help to reduce the current backlog of investigations and cases, promote compliance, and ensure the health and wellbeing of the regulated animals.

APHIS is also proposing new user fees for the program, which would generate $10,857,000 and replace the same amount of appropriated funding.

(3) An increase of $9,438,000 and 70 staff years for Scientific and Technical Services activities:

(a) An increase of $4,320,000 and 24 staff-years for the Biotechnology Regulatory Services (BRS) program ($9,428,000 and 65 staff years available in FY 2005).

The United States is by far the largest grower of genetically modified crops worldwide, accounting for nearly two-thirds of all biotechnology crops planted globally. Domestically, 81 percent of soy, 40 percent of corn, and 80 percent of our cotton crops are genetically modified. In 2003, approximately 105.7 million acres of genetically modified crops were under cultivation in the United States. Other leading producers include Argentina, Canada, Brazil, and China. While the production of genetically modified crops has grown tremendously in the past 10 years, the production of genetically modified or transgenic animals has also grown, but at a slower rate. Direct revenues reported by biotechnology companies within the United States total $34.8 billion compared to $8.1 billion a decade ago.

Along with the Environmental Protection Agency and the Food and Drug Administration, APHIS works to ensure that biotechnologically derived products will not harm agriculture, human health, or the environment. Specifically, APHIS regulates the movement, importation, and field testing of genetically modified plants, microbes, and invertebrates through a regimen of risk assessment, permitting, and compliance activities to ensure that field testing of transgenic plants and above-mentioned organisms does not lead to unwarranted environmental or other adverse effects.

APHIS received an increase for FY 2005 to continue the process begun in 2003 of restructuring and enhancing our regulatory system to ensure that it is keeping pace with continuing rapid advances in biotechnology, such as the emergence of "biopharm" crops genetically engineered to produce pharmaceutical and industrial compounds. This includes: 1) strengthening our regulations regarding the importation, interstate movement, and environmental release of certain genetically modified organisms (GMOs) such as plants, insects, or other microorganisms; 2) reshaping the APHIS Biotechnology Regulatory Services (BRS) organization and increasing our workforce expertise; 3) establishing a dedicated BRS compliance unit to ensure that companies and organizations adhere to regulations, permit and notification conditions, and related requirements for the movement of GMOs; 4) establishing an Environmental and Ecological Analysis team to analyze issues associated with field testing and unconfined release of biotechnologically derived products; and 5) beginning to build staff for a regulatory division for the upcoming functions of animal regulation in response to the new work anticipated under the Animal Health Protection Act.

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These actions are key elements of our effort to build a comprehensive and cohesive regulatory system to oversee biotechnology in the United States, while at the same time protecting domestic plant and animal health, the U.S. food supply, export markets, the economy, and our environment. With the additional funds requested in FY 2006, we plan to continue to implement the needed enhancements in our regulatory system. These include hiring scientists with specialized expertise to conduct risk assessments of novel and complex plants and plant products resulting from recent rapid advances in biotechnology involving perennials and plants genetically modified to produce pharmaceuticals and industrial compounds. We also recognize the need for greater emphasis on compliance and therefore plan to work in FY 2005 and 2006 to establish and staff a new division to handle compliance and other regulatory activities (other than risk and/or environmental assessment). Other initiatives partially funded in FY 2005 and carrying over into FY 2006 include: 1) strengthening our biotechnology regulations, 2) enhancing the compliance unit to ensure that companies and organizations adhere to regulations, permit condition, and related requirements, 3) adding to our environmental and ecological analysis team that analyzes the overarching biological and ecological issues associated with field testing and unconfined release of biotechnologically derived products; 4) adding the necessary legal expertise to address issues involving legal compliance and responding to lawsuits; and 5) assisting developing countries and other nations in building additional capacity in developing their regulatory systems with regard to biotechnology.

Lastly, we intend to begin in FY 2006 to add staff to our regulatory division to initiate APHIS' regulatory role with regard to transgenic animals, arthropods, and disease agents under authority provided under the Animal Health Protection Act. Transgenic animals are genetically transformed by the insertion of foreign animal or human genes into the chromosomes of the animals. The inserted gene enables an animal to make a certain pharmaceutical protein in its milk, urine, blood, sperm, or eggs, or to grow rejection-resistant organs for transplant. These proteins serve numerous therapeutic purposes such as treatments for cystic fibrosis, hemophilia, osteoporosis, arthritis, malaria, and HIV. Transgenic animals can also produce monoclonal antibodies (antibodies specifically targeted towards disease proteins) that are used in vaccine development. It is estimated that one transgenic animal can produce, in its lifetime, $200 to $300 million worth of pharmaceuticals. APHIS has begun building an infrastructure for transgenic animals, arthropods, and disease agents including developing a system for permitting, risk assessments, regulations, and inspections.

While APHIS does not currently regulate transgenic animals and disease agents, we expect to begin work toward developing regulations in FY 2006 to initiate our oversight in this important area. Funds are needed to hire additional scientists and technical support staff including biotechnologists, veterinary medical officers, disease agent specialists, and entomologists, to conduct risk assessments; prepare environmental assessments; analyze animal permit applications; advise on policy in the areas of animal, arthropod, and disease agent biotechnology; develop and implement regulations and guidelines regarding transgenic animals, arthropods, and disease agents; and provide leadership in advancing the Agency's use of biotechnology oversight to protect and enhance American agriculture. We will also use a portion of the requested funds to establish an inspection and compliance program similar to the existing one for biotechnology crops, including hiring or contracting for inspectors to monitor compliance with the new animal biotechnology regulations, and developing and providing inspection-related training.

By regulating this segment of biotechnology, APHIS expects to continue our strategic priority of ensuring the safe research, release, and movement of agricultural biotechnology events. For example, researchers are currently working to genetically modify honeybees to be resistant to certain insecticides so that growers can continue to benefit (estimated at up to $8 billion per year) from the pollination of these honeybees. Our regulatory framework will apply oversight to this

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research to ensure that the genetically modified honeybees are confined under certain conditions and pose no threat to agricultural and environmental health.

We are also seeking additional funds to expand international activities related to biotechnology issues, global capacity building which promotes the development of science-based regulatory programs for biotechnology in developing countries, and outreach activities to help us better communicate our efforts and the regulatory systems to stakeholders and the public.

With this level of increased funding, we expect to conduct 15 risk assessments and 3 environmental assessments specific to transgenic animals, arthropods, and disease agents. In addition, the program expects to conduct 698 inspections in FY 2006, compared to 657 in FY 2005 and 545 in FY 2004. Of these inspections, APHIS will identify and resolve six field test violations, preventing contamination of the domestic food supply, animal health, and/or the environment.

(b) An increase of $2,664,000 and 25 staff years for the Veterinary Biologics program ($15,389,000 and 180 staff years available in FY 2005).

APHIS' Center for Veterinary Biologics (CVB) regulates the veterinary biologics (vaccines, bacterins, antisera, diagnostic kits, and other products of biologic origins) available for the diagnosis, prevention and treatment of animal diseases to ensure that these products are pure, safe, potent, and effective. The biotechnology industry is constantly developing new categories of biotechnology products – including new vectors, delivery methods, and evaluation processes. APHIS' role is to provide regulatory review and testing to ensure that dangerous, contaminated, or harmful genetically modified or biotechnologically derived biologics are not released into the environment or administered to animals.

Domestic sales of agricultural biotechnology products (transgenic seeds [excluding wheat and rice], animal growth hormones, biopesticides, and other products) are projected to increase steadily for the foreseeable future. Between 2003 and 2006, annual sales of these products are projected to increase by $144 million annually. APHIS is required to issue a license for each new veterinary biologics product before it can be brought to market. For FY 2006, we are seeking $2,164,000 to add 25 staff years to support testing activities, inspections, investigations, and information technology support; along with $500,000 for the necessary equipment, supplies and other items to support the new staff. With this funding, APHIS expects to reduce the number of days required to process licensing submissions by approximately 10 percent over a 3-year period. The reduction in turnaround time will enable the CVB to reduce the current backlog which exists due to staffing shortages. The regulated industry will be able to market product more quickly, which will have a positive economic impact. It will also expedite the availability of new products for use by veterinarians, livestock producers, animal breeders, and pet owners for use in the prevention, treatment and diagnosis of animal diseases.

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(c) An increase of $5,867,000 and 24 staff years for the Veterinary Diagnostics program ($20,410,000 and 243 staff years available in FY 2005).

As administrator for the Nation's premier animal health diagnostic laboratory, APHIS' veterinary diagnostics program provides critical services to the animal industry and helps protect the Nation's food supply against acts of bioterrorism. We would use $3,400,000 of the increase to increase services for foreign animal diseases (FADs) in direct support of agricultural defense and homeland security. With this increase APHIS will hire 16 scientists to provide inspections, and expand reagent production which is a critical element in our ability to rapidly test samples and identify the presence of a FAD. This will enable APHIS to expand its diagnostics capability to include such FADs as African Swine Fever, Rift Valley Fever, and Classical Swine Fever. These capabilities support the National Animal Heath Laboratory Network (NAHLN), and taken together, these programs will enhance APHIS' ability to detect emergent, foreign, and bioterrorism agents. The additional 16 scientists will provide the increased capacity that is required to meet the current demand for diagnostic services related to FADs. The increase will also enable APHIS to acquire all goods required for reagent production, storage, and diagnostic services.

We will use the remaining $2,467,000 to expand activities of the National Animal Health Laboratory Network (NAHLN). The NVSL established the NAHLN to address significant emergent biological and chemical threats, including FADs and bioterrorism, to animal agriculture and our national food supply. The NAHLN cooperative network provides: 1) a secure communication, reporting, and alert system; 2) standardized rapid diagnostic techniques; 3) modern equipment and experienced personnel trained in the detection of emergent, foreign, and bioterrorist agents; 4) a training, proficiency testing, and quality assurance system to ensure that all laboratories meet established quality standards; 5) Federal and State facility upgrades to meet biocontainment requirements; and 6) periodic scenario testing of the response network. Through the NAHLN, APHIS is establishing unprecedented proactive emergency avoidance as well as preparedness capabilities. We would hire eight additional personnel to support the management and function of the NAHLN as well as to provide increased training and certification of NALHN members. This funding will also support the aims of the NAHLN by providing the network members supplies required to perform the diagnostic functions required.

(d) A decrease of $3,413,000 and 3 staff years for the Wildlife Services (WS) Methods Development program ($17,289,000 and 165 staff years available in FY 2005).

The National Wildlife Research Center (NWRC) functions as the research arm of APHIS' Wildlife Services by providing scientific information for the development and implementation of effective, practical, and socially-acceptable methods for wildlife damage management. This helps ensure that high-quality technical and scientific information on wildlife damage management is available for the protection of crops, livestock, natural resources, property, and public health and safety. To focus research activities on ongoing wildlife damage management projects, APHIS proposes a decrease of $3,413,000 for Wildlife Services Methods Development activities, which includes activities at the Logan, Utah Predator Research Field Station; the Starkville, Mississippi Research Field Station; the Jack Berryman Institute at Utah State University and Mississippi State University; the Kingsville, Texas Research Field Station; Nicarbazin research; and national trap testing.

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(4) An increase of $3,529,000 and 0 staff years for Management activities:

(a) An increase of $528,000 and zero staff-years for the APHIS Information Technology Infrastructure (AITI) program ($4,552,000 and 0 staff years available in FY 2005).

As part of APHIS' Strategic Plan, the Agency is working to expand electronic government (eGov); improve sharing of information across the Agency; adapt and expand the use of field/mission based technologies, and improve coordination and accessibility of information, processes, and resources available to assist APHIS programs in emergencies. The AITI program is the key technology means for providing e-mail, office automation, Internet/Intranet access, and the platform that supports APHIS mission critical program and administrative applications. As the Agency grows, so too must the capacity for general support systems, (e.g., mail and Internet access), increase to accommodate the growing numbers of employees and contractors hired to carry out the strategic objectives. Further, many of the program's action plans call for developing software applications to support new or growing program activities. APHIS will continue to modernize its IT infrastructure to include network capacity planning and management, implementation of eGov initiatives, and cyber security compliance and management.

APHIS requests an increase for FY 2006 to address the growing increase in hardware and software maintenance costs due to the increase in the complexity and redundancy of the IT infrastructure. In addition, APHIS programs are investing in more integrated and complex software applications to support their activities, which in turn translates into a higher demand for system and network resources. The increase will help us upgrade key resources supporting applications, and make key upgrades in networks to remove impediments to effective use by users and stakeholders. We will use the additional funds to pay for maintenance contracts on the existing server/telecommunications infrastructure; Agency software licenses; to acquire network engineering support to ensure the network performs adequately; to maintain a depot of network equipment components to rapidly replace equipment at sites that experience failure; and to operate security protocols to protect the systems from cyber attacks.

(b) An increase of $3,001,000 and zero staff-years for the Physical/Operational Security program ($0 available in FY 2005).

APHIS has heightened its efforts to secure mission offices and insect production laboratories; ensure employee safety; and prevent access to biohazardous materials, firearms, ammunition, pyrotechnics, and explosives by unauthorized personnel. Physical and operational security is necessary to prevent bioterrorism, which has the potential to harm humans, animals, animal products, plants or plant products in the United States. Deliberate introduction greatly increases the probability of an agent or toxin becoming established and causing wide-ranging and devastating impacts on the economy, disruption to society, diminished confidence in public and private institutions, and possible loss of life.

APHIS requests $2,141,000 to maintain and increase security at our mission critical facilities which were initially funded from the FY 2002 Homeland Security Supplemental (HSS) to include APHIS animal research facilities and Biosafety Laboratories (level 3) facilities; APHIS new research buildings in Colorado, Hawaii and Iowa. The additional funding would be used to deploy the Federal Identification card for all employees in APHIS in accordance with the new government standards as outlined in Homeland Security Presidential Directive/HSPD-12, as well as upgrade 75 State and Regional offices to provide secure and safe operations. APHIS must continue to analyze vulnerabilities, implement needed countermeasures to provide a secure environment in which our employees can carry out the mission of the Agency and to reduce risks to local communities where our laboratories and research facilities are located. APHIS also plans

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to increase the level of security of its aviation assets, including the deployment of cameras, alarm systems, and otherwise secure their hangers.

Beginning in FY 2005, the Department of State will implement the Capital Security Construction program through which all agencies with an overseas presence in U.S. diplomatic facilities will pay a proportionate share for accelerated construction of new, secure, safe, and functional diplomatic facilities. These costs will be allocated annually based on the number of authorized positions. Department of State's key performance measures for the Capital Security Construction Program are: Number of secure facilities constructed at high risk overseas posts to protect employees from terrorists and other security threats. As part of this effort, APHIS will be asked to provide $860,000 to the State Department to provide adequate security for APHIS personnel overseas. This is part of a $16 billion effort to construct 150 new embassies over a 12-year period. APHIS funding for this initiative will progressively increase through 2009.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	FY 2004		FY 2005		FY 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
United States:						
Alabama	$4,425,685	50	$4,337,171	50	$4,293,800	53
Alaska	1,057,447	20	$1,036,298	20	$1,025,935	21
Arizona	10,296,596	119	$10,090,664	119	$9,989,758	125
Arkansas	12,660,287	49	$12,407,081	49	$12,283,010	51
California	52,876,012	379	$51,818,492	379	$51,300,307	398
Colorado	82,800,035	474	$81,144,034	474	$80,332,594	497
Connecticut	1,072,630	15	$1,051,178	15	$1,040,666	16
Delaware	871,380	7	$853,953	7	$845,413	7
Florida	79,689,802	577	$78,096,006	577	$77,315,046	605
Georgia	6,552,102	78	$6,421,060	78	$6,356,849	82
Hawaii	23,698,596	451	$23,224,624	451	$22,992,378	474
Idaho	10,633,648	63	$10,420,975	63	$10,316,765	66
Illinois	15,047,854	79	$14,746,897	79	$14,599,428	83
Indiana	4,188,272	50	$4,104,506	50	$4,063,461	53
Iowa	66,059,307	487	$64,738,121	487	$64,090,740	512
Kansas	5,860,223	45	$5,743,019	45	$5,685,589	47
Kentucky	4,256,438	57	$4,171,309	57	$4,129,596	60
Louisiana	5,649,658	54	$5,536,665	54	$5,481,299	57
Maine	1,915,527	19	$1,877,217	19	$1,858,445	20
Maryland	205,402,826	709	$203,621,144	709	$199,685,196	753
Massachusetts	6,173,585	78	$6,050,114	78	$5,989,613	82
Michigan	39,453,801	116	$38,664,725	116	$38,278,077	121
Minnesota	7,279,573	56	$7,133,982	56	$7,062,642	59
Mississippi	10,745,295	104	$10,530,389	104	$10,425,085	110
Missouri	5,875,405	62	$5,757,897	62	$5,700,318	65
Montana	5,472,331	56	$5,362,885	56	$5,309,256	59
Nebraska	10,567,090	56	$10,355,748	56	$10,252,191	59
Nevada	2,841,518	27	$2,784,687	27	$2,756,841	28
New Hampshire	917,753	16	$899,398	16	$890,404	17
New Jersey	7,872,167	63	$7,714,724	63	$7,637,576	66
New Mexico	7,807,677	62	$7,651,523	62	$7,575,008	65
New York	31,990,409	183	$31,350,601	183	$31,037,095	192
North Carolina	46,152,423	330	$45,229,375	330	$44,777,081	347
North Dakota	4,171,048	58	$4,087,627	58	$4,046,750	61
Ohio	9,130,295	54	$8,947,689	54	$8,858,212	57
Oklahoma	4,985,362	82	$4,885,654	82	$4,836,798	86
Oregon	4,951,323	82	$4,852,296	82	$4,803,773	86
Pennsylvania	12,445,719	73	$12,196,804	73	$12,074,836	77
Rhode Island	293,889	1	$288,011	1	$285,131	1
South Carolina	3,567,472	42	$3,496,123	42	$3,461,162	44
South Dakota	3,964,142	16	$3,884,859	16	$3,846,011	17
Tennessee	7,147,154	72	$7,004,210	72	$6,934,168	76
Texas	56,609,599	490	$55,477,407	490	$54,922,633	566
Utah	13,283,413	57	$13,017,745	57	$12,887,567	60
Vermont	1,856,874	18	$1,819,736	18	$1,801,539	19
Virginia	4,248,433	55	$4,163,464	55	$4,121,830	58
Washington	13,091,156	127	$12,829,333	127	$12,701,040	133
West Virginia	4,213,897	32	$4,129,619	32	$4,088,323	34
Wisconsin	7,153,478	86	$7,010,408	86	$6,940,304	90
Wyoming	4,424,316	53	$4,335,830	53	$4,292,471	56
District of Columbia	16,206,196	66	$15,882,072	66	$15,723,252	69

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Puerto Rico	11,168,641	185	11,168,641	185	11,168,641	185
Virgin Islands	299,998	1	299,998	1	299,998	1
Canada	260,122	2	260,122	2	260,122	2
Mexico	26,024,688	0	26,024,688	0	26,024,688	0
Central America:						
Dominican Republic	2,619,897	5	2,619,897	5	2,619,897	5
Panama	20,123,152	7	20,123,152	7	20,123,152	7
Caribbean	1,979,869	3	1,979,869	3	1,979,869	3
Guatemala	28,571,001	30	28,571,001	30	28,571,001	30
Other, Central America	2,917,861	5	2,917,861	5	2,917,861	5
South America:						
Chile	2,015,381	14	2,015,381	14	2,015,381	14
Brazil	1,163,925	7	1,163,925	7	1,163,925	7
Colombia	1,651,577	4	1,651,577	4	1,651,577	4
Peru	306,107	1	306,107	1	306,107	1
Other, South America	1,357,224	9	1,357,224	9	1,357,224	9
Europe/Africa:	4,912,085	23	4,912,085	23	4,912,085	23
Asia/Pacific:						
Guam	2,526,303		2,526,303		2,526,303	
Japan	1,378,056	5	1,378,056	5	1,378,056	5
China	601,254	3	601,254	3	601,254	3
Other, Asia/Pacific	1,158,523	2	1,158,523	2	1,158,523	2
Total direct obligations:	$1,060,942,783	6,761	$1,044,271,016	6,761	$1,033,038,925	7,145

Note: Total direct obligations does not include advances and reimbursements.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

STATUS OF PROGRAM

PEST AND DISEASE EXCLUSION

Current Activities: Through the programs in this component, APHIS works to safeguard U.S. plant and animal resources against the introduction of foreign disease and pests, while allowing the United States to meet its international trade obligations. These activities include monitoring animal and plant health throughout the world and using this information to set effective agricultural import policy. In addition, APHIS conducts offshore risk reduction activities, such as eradication of certain high-risk pests and diseases in foreign countries. More specifically, APHIS is currently working toward the establishment of a permanent barrier against screwworm at the Panama-Colombia border. The barrier will securely protect U.S. livestock producers against this costly pest. APHIS also conducts pre-departure inspections of passenger baggage destined for the U.S. mainland and foreign commodity pre-clearance programs for specific products. In conducting these programs, APHIS works closely with multilateral organizations, such as the International Office of Epizootics, the Inter-American Institute for Cooperation in Agriculture, and the International Atomic Energy Agency. Through these organizations, we promote effective disease surveillance overseas and gain access to information on animal health issues worldwide.

Program Assessment Rating Tool: The Pest and Disease Exclusion Programs were rated effective with a score of 86 percent. The Office of Management and Budget (OMB) commented that the programs' purpose was clear and addressed a specific and existing problem of foreign plant and animal diseases and pest introduction through several approaches, including on site eradication of pests and regulatory actions to prevent infestations through imports. Two efficiency measures were included regarding disease detection and eradication costs. Outcome and output performance measures accurately reflected program activities. These programs were rated effective because they targeted infestations at their source, reducing the likelihood of the problem reaching the United States. OMB recommended that APHIS continue to establish baselines for its performance measures for pest and disease exclusions. The budget proposes to fund these programs at a total of $158 million in FY 2006, an increase of $13 million from the FY 2005 Budget.

Selected Examples of Recent Progress:

1. Agricultural Quarantine Inspection (AQI)

   Cooperative Program Management: In FY 2004, APHIS and the Department of Homeland Security's Bureau of Customs and Border Protection (CBP) officials initiated a joint quality assurance program to ensure that agricultural inspection policies are effective and that the two agencies are cooperating effectively to manage the AQI program. A series of port reviews is planned for FY 2005; during these reviews, APHIS and CBP will evaluate operations at each port, review the protocols and procedures used, and provide on-the-job training for agricultural inspectors.

   Inspections and Pest Interceptions: During FY 2004, agricultural inspectors checked the baggage of nearly 69 million arriving passengers. Passenger baggage is inspected manually, with x-ray technology, or by detector dogs. Agricultural inspectors also cleared 48,335 ships and 2,580,470 cargo shipments during FY 2004. In total, agricultural inspectors intercepted 49,180 reportable pests at land borders, maritime ports, airports, and post offices.

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Pre-Clearance and Pre-Departure: APHIS is increasing its emphasis on offshore risk reduction strategies. These activities allow us to deal with potential risks before a passenger or shipment departs for the United States while facilitating the entry of passengers and cargo through U.S. ports of entry.

APHIS conducts pre-departure inspections of passengers traveling from Hawaii, Puerto Rico, and other islands to reduce the threats of agricultural pests and diseases before they reach the mainland United States. In FY 2004, APHIS inspected the baggage of 9,772,906 passengers before their departures from Hawaii and Puerto Rico. APHIS also conducts inspections of passengers leaving the Dominican Republic for the United States because of the risk of introducing classical swine fever from that island. During FY 2004, APHIS inspected the baggage of 1,664,075 passengers traveling to the United States from the Dominican Republic.

APHIS also cooperates with the U.S. Department of Defense (DOD) to inspect military passenger baggage and equipment prior to its returning from overseas. Heavy military equipment is frequently encrusted with soil that can harbor a variety of agricultural pests, including invasive weed seeds, live insects and snails, and even disease organisms such as foot-and-mouth disease. During FY 2003, the military pre-clearance program expanded to include personnel and equipment sent overseas for Operation Iraqi Freedom and continued for Operation Enduring Freedom in Afghanistan and Uzbekistan. However, during FY 2004, intermittent personnel shortages forced returning military equipment to be cleared through U.S. ports of entry by CBP inspectors. On numerous occasions, inspectors found that the equipment was contaminated with soil containing live pests. To reduce the risks associated with military equipment before it returns to the United States, APHIS and DOD officials are developing a memorandum of understanding to allow APHIS to place a military attache at the army's Central Command for the Middle East to train DOD employees to clean military equipment according to APHIS guidelines. This initiative will help ensure that returning military personnel and equipment can enter the United States smoothly while protecting U.S. agriculture.

In addition, APHIS conducts foreign commodity pre-clearance programs in 26 countries, facilitating the safe import of more than 168 commodities. The goal of pre-clearance, an activity that importers pay for through trust funds, is to minimize pest and disease risks away from the United States and allow trade to occur more smoothly. After the United States experienced several introductions of *Ralstonia solanacearum*, related to imported geraniums, APHIS implemented new regulatory requirements for geraniums and other hosts requiring that facilities that wish to ship these plants to the United States be certified as using the best management practices to reduce the disease risks associated with the plants. In FY 2004, program officials began certifying nurseries in eight foreign countries to ship geraniums to the United States. This certification program joins a number of more traditional pre-clearance programs for fruits, vegetables, and flower bulbs. These programs ensure commodities meet U.S. entry requirements before they leave their country of origin, which reduces the likelihood that infested shipments will leave for the United States.

Safeguarding, Intervention, and Trade Compliance (SITC) Program: The SITC program works to prevent and detect the unlawful entry and distribution of prohibited agricultural products in the United States. SITC officials analyze potential smuggling pathways and conduct investigations to increase compliance with APHIS' regulatory requirements. SITC seized 5,925 illegal plant, meat, poultry, and dairy products and found 199 reportable pests. In FY 2004, SITC also supported APHIS' emergency response efforts in regard to outbreaks of sudden oak death and chrysanthemum white rust with pathway investigations and examinations and worked closely with private industry on six national recalls of prohibited commodities, including Ya pears from Korea, pine cones from India, and Japanese millet from Australia.

Plant Inspection Stations: In its review of APHIS' plant health safeguarding efforts, the National Plant Board identified the import of nursery stock and other propagative plant materials as a significant pathway for invasive diseases. To reduce the risks associated with such imports, APHIS requires certain imported plant materials to enter the United States through one of 16 plant inspection stations,

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mostly located at major ports of entry. These include a new, biosafety level-3 quarantine facility in Beltsville, Maryland and a new plant inspection station in Guam. APHIS inspectors and identifiers at these stations inspect shipments to ensure that imported plants are not harboring pests and diseases of quarantine significance. In FY 2004, our inspectors cleared 23,678 shipments containing over 998 million plant units (cuttings, whole plants, or other propagative materials) and intercepted 3,204 pests.

Risk Analysis and Scientific Support: APHIS provides scientific support to the AQI program at two laboratories: the Plant Epidemiology and Risk Analysis Laboratory (PERAL) and the Treatment Quality Assurance Unit. PERAL develops pest risk analyses and epidemiological approaches to pest exclusion. In FY 2004, the PERAL group completed over 40 new commodity analyses and 90 new pest analyses. In addition, the program continued to extend its web-based tracking system for pest risk assessments on fruits and vegetables and its export pest list database to support the export of U.S. commodities. The Treatment Quality Assurance United provides assurance that program treatments and mitigation processes are effective and performed according to APHIS guidelines. In FY 2004, the program developed and began using a web-based search engine for its cold treatment vessel and container database. This new online service enables importers to search for APHIS-certified vessels and containers and reduces the misidentification of unapproved containers. During FY 2004, APHIS field officers were able to identify more than 30 containers loaded incorrectly at foreign ports and prevent the release of the contents using the database. This web-based system helps APHIS prevent improperly treated products from entering the United States and provides a valuable service for U.S. and foreign industry.

Export Certification: APHIS facilitates the export of agriculture shipments using EXCERPT, an electronic database containing import requirements concerning plant health for over 200 countries. APHIS provides export certifications to U.S. exporters and ensures U.S. products meet the agricultural requirements of the country of destination. Over 2,000 authorized certification officials (ACO), including APHIS officers and county and state plant regulatory officials, can access information on foreign countries' phytosanitary certification requirements on line. In FY 2004, APHIS issued over 500,000 Federal export certificates for agriculture shipments, including the issuance of heat treatment certificates for coniferous solid wood packing materials to the People's Republic of China. APHIS also placed an additional 25 Export Certification Specialists and Trade Specialists throughout the United States to assist U.S. exporters and ACO's in phytosanitary certification matters.

APHIS continues to develop its Phytosanitary Certificate Issuance and Tracking (PCIT) database. The agency completed its first pilot phase in FY 2003. APHIS will commence the next phase in FY 2005 involving 13 field locations, evaluate progress, and incrementally expand to other locations. This PCIT database captures export application information, documents inspection and certification information, prints an original phytosanitary certificate on secure paper, and generates export reports.

2. Cattle Ticks

During FY 2004, APHIS horseback river patrols along the U.S.-Mexican border apprehended 60 Mexican livestock. This was nearly a 40 percent decrease of total apprehensions from FY 2003. Out of 16 cattle apprehended, six were tick infested. Out of 44 horses apprehended, 15 were tick infested. The cattle apprehensions alone decreased by nearly 80 percent, reversing the past trend of cattle apprehensions outweighing horse apprehensions. This is due to successful communication between Mexican ranchers and APHIS. Mexican ranchers are now aware of the financial charges applied when APHIS apprehends cattle and dips the cattle for 2 weeks. This deterred the owners from allowing cattle to stray.

APHIS shifted its resources normally dedicated to river patrols to manage the increase of infestations outside of the quarantine zone. During FY 2004 APHIS quarantined 94 premises as infested, 20 of which were outside the quarantine zone. This compares to 19 total infestations last year, 4 being outside the quarantine zone. In response to the heightened infestations, APHIS hired an epidemiologist

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to investigate the situation. Thus far, APHIS recognizes several causes for the rising amount of infestations in the free area, such as more exotic livestock (elks, antelopes) ranches without high fencing; heavy rainfall enabling ticks to live longer; and a reduction of river patrols in 2003 due to workforce deployed to other emergencies. APHIS performed eradication methods on all infested premises. All owners were compliant with the eradication process, whether the owner opted for three consecutive dips and pasture vacation, or biweekly dips for 6 to 9 months.

Increasing numbers of white-tailed deer along the Texas-Mexico border have the potential to compromise the eradication efforts of the program. In response, APHIS uses medicated corn feeders to eradicate ticks in wildlife, which deer feed on. Since the Food and Drug Administration bans the use of corn feeds during the hunting season (November through February), APHIS has initiated the use of the four-poster treatment feeder. The four-poster applies acaricide to the head, neck, and ears of the deer as they feed on whole kernel corn. The apparatus does cost more, but APHIS can use it throughout the entire year. APHIS will continue to use the medicated corn-feeders until it is certain the four-poster roller treatment is equally effective.

3. Foot-and-Mouth Disease (FMD) and Foreign Animal Diseases (FAD)

APHIS maintains cooperative agreements with Panama and Mexico, which include laboratories. In FY 2004, the laboratory in Mexico tested 706 samples of which all tested negative for FMD. The laboratory diagnosed 306 of those samples as vesicular stomatitis. The Mexico laboratory tested more than 19,754 samples in efforts to diagnose other diseases of concern to the United States, such as avian influenza, bluetongue, bovine spongiform encephalopathy (BSE), equine encephalitis, exotic Newcastle disease, hog cholera, rabies, and west Nile virus in FY 2004. The laboratory in Panama tested 1,166 samples from Belize, Costa Rica, El Salvador Guatemala, Honduras, Nicaragua, and Panama. The laboratory diagnosed all samples negative for FMD and 758 as vesicular stomatitis.

In FY 2004, APHIS also maintained the cooperative program for eradication of FMD with the Colombian Institute for Agriculture. APHIS, through 17 field epidemiology stations, conducted 415 vesicular disease investigations in Colombia. Of these investigations, there were 255 cases of vesicular stomatitis, 8 cases of FMD, and 100 cases negative for FMD without diagnosis. The program in Colombia also supports surveillance of other foreign animal diseases such as avian influenza, BSE, classical swine fever (CSF), equine encephalitis, and Newcastle disease. Colombia had not had cases of FMD in two years. However, in FY 2004, officials detected cases along the border with Venezuela. The program reported more than 40 outbreaks in the Venezuelan States of Apure, Merida, Tachira, and Zulia. The border with Ecuador is also a high-risk area since this neighboring country has suffered more than 60 outbreaks in the past year. To address this increased risk, APHIS has strengthened the activities by assigning personnel to Ecuador and Venezuela to monitor the cooperative FMD activities. These increased monitoring activities along with enhanced surveillance and cattle movement controls in high-risk areas of Colombia will provide increased protection from the northward spread of FMD.

APHIS was also involved in supporting trade resolution with Colombia, Ecuador, and Venezuela related to avian influenza outbreaks and the case of BSE in the United States. APHIS presented current advances in the BSE surveillance to these South American nations and achieved the lifting of restrictions from almost all States that export poultry or poultry products to these three nations. Furthermore, in FY 2004, 400 government and industry representatives from Bolivia, Colombia, Ecuador, and Venezuela attended an International seminar in Bogotá, Colombia on avian influenza.

In FY 2004, APHIS received $750,000 for CSF activities in the Caribbean. APHIS used the funds to continue the eradication of CSF from Hispaniola. Commodity Credit Corporation (CCC) funding in FY 2002 initiated this project. Our goal is to declare the island of Hispaniola CSF free by 2008. APHIS is cooperating with other international organizations and donors to complete the program and

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make it sustainable. In addition to reducing the immediate threat of a CSF outbreak to the United States, the program aids in long-term surveillance of diseases in the two countries.

In FY 2004, APHIS opened new offices in Egypt, Senegal, and Taiwan. These new offices not only provide APHIS with broader monitoring and reporting capabilities of both plant and animal health but also help facilitate safe agricultural trade.

APHIS participated in a meeting regarding FMD in Taiwan with China participating and provided avian influenza training in the Philippines. APHIS continued to monitor the presence of BSE throughout Europe, including the effectiveness of European control measures to eliminate the disease. Additionally, APHIS monitored other animal health issues in Europe. APHIS actively participated in designing and conducting seminars for African officials, in cooperation with the Foreign Agricultural Service, the U.S. Agency for International Development, and academic partners including Tuskegee University and the Corporate Council on Africa.

4. Fruit Fly Exclusion and Detection

In FY 2004, the Medfly Preventative Release Programs (PRP) in California and Florida and the Mexican Fruit Fly (MXFF) suppression programs in the Lower Rio Grande Valley again achieved their objective of preventing the establishment of fruit flies in the United States. Since the California PRP began in FY 1996, APHIS detected only four Medflies in the State, the most recent in FY 2002. The California PRP has reduced the number of Medfly infestations in the Los Angeles basin by 97 percent, saving over $145 million in eradication costs since the beginning of preventative releases. In response to a recent Medfly outbreak in Tijuana, Mexico, APHIS extended the California PRP to a 251 square-mile area. Florida's PRP also continued to demonstrate success, with no Medflies detected since May 1998.

The program continued to demonstrate successful trapping. In California, the program made 76 Oriental Fruit Fly detections in 23 areas, resulting in three Federal quarantines. Elsewhere in the State, the program made 10 detections of Guava Fruit Fly (GFF) and single detections of Caribbean Fruit Fly, Medfly, Melon Fly, MXFF, and West Indian Fruit Fly. Neither the GFF detections nor the single detections necessitated regulatory action. In Texas, the program made 85 detections of MXFF and 6 detections of Sapote Fruit Fly. These detections triggered protocol suppression activities, but did not warrant an emergency eradication program. The program's rapid response to detections has enabled growers to maintain trade levels with domestic and foreign partners. In Florida, the program made no detections in FY 2004.

Despite a drastic increase in traps placed, Moscamed, a Guatemalan-Mexican-US collaborative program, made 36 detections in Chiapas and Tabasco in 2004, only 14 percent of the 2003 detections. More importantly, the infested area decreased by over 60 percent, and the detections and outbreaks near the Veracruz border were eliminated. Although climatic conditions partially explain this success, the positive results also reflect the improved operations implemented by the United Management Team, and the strategy of focusing on regions I and II, Free and Eradication Regions. The Secretary's transfer of $9.8 million in Commodity Credit Corporation funds aided the program success.

In FY 2004, the program began using a new process capable of releasing 50 million sterile male flies per flight. Preliminary results indicate a 39 percent improvement in sterile fly recapture, and a better distribution, with 70 percent of traps capturing sterile flies. If APHIS confirms these results, this will represent a significant improvement in release capacity and sterile fly survival and dispersal.

By the end of FY 2004, the program's two rearing facilities produced 2.7 billion flies per week; 2.2 billion flies in El Pino and 0.5 billion in Metapa. The program sent some of these flies to domestic PRP's.

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5. Import Export

In FY 2004, APHIS conducted the regulatory oversight for the importation of 10.2 million head of livestock. This included 1.4 million cattle, 8.6 million swine, and 52,000 horses. APHIS also provided regulatory oversight for the importation of 17.9 million poultry, 2.7 million doses of semen, and 5,533 embryos. APHIS reviewed 2,722 new permit applications for animal product imports and reviewed 3,085 renewal or amendment applications.

APHIS observed increased imports in several species including horses and decreased imports in other species including cattle and deer. Cattle imported from Mexico increased from 1 million in 2003 to 1.5 million in 2004. Canadian cattle imports were banned due to restrictions related to bovine spongiform encephalopathy (BSE). Overall, cattle imports were down by 25 percent, from 2 million in FY 2003 to 1.5 million in FY 2004.

Officials confiscated and seized 387 smuggled and/or illegally imported birds at U.S. borders and quarantined them at USDA facilities. APHIS also quarantined and released 3,430 pet birds in FY 2004.

APHIS recognizes risks are often tied to climatic, geographical, and biological factors and are not always defined by national political boundaries. This method is consistent with our obligations under international trade agreements. To help ensure that our standards for regulating imports and assessing disease risk within defined regions, APHIS evaluates the animal health status of countries and/or regions requesting approval to export animals and/or animal products into the United States. In FY 2004, APHIS conducted animal health status evaluations of the following countries or regions:

- Foot and mouth disease in Argentina, Brazil, Croatia, Lithuania, Namibia, Peru, Slovakia, and South Africa;
- Exotic Newcastle disease in Argentina, Denmark, Honduras, Mexico (States of Chihuahua, Coahuila, Durango, Nayarit, Nuevo Leon, and the Lagunera Region), Panama, and Peru;
- Classical swine fever in Hungary, Lithuania, Poland, Slovakia, and Mexico (States of Compeche, Nayarit, Quintana, Roo, Sonora, and Yucatan);
- Swine vesicular disease in Lithuania, Poland, and Slovakia;
- African horse sickness in Saudi Arabia;
- Brucellosis in Mexico (State of Sonora);
- Tuberculosis in certain States in Mexico; and,
- BSE in Canada.

APHIS issued point of origin certificates for the export of

- 424,329 head of livestock;
- 43 million live poultry;
- 65.5 million eggs;
- 38.7 million day- old chicks;
- 30.5 million live fish;
- 154.7 million aquatic embryos and eggs;
- 10.1 million doses of bovine semen and embryos;
- 24,827 pork semen and embryos;
- 19,903 equine semen and embryos;
- 2,171 sheep semen and embryos;
- 369 cervid semen and embryos;
- 694 zoo animals;
- 84 bison; and,
- 259 cervids.

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APHIS negotiated 18 new or revised protocols for exporting poultry, livestock, and germplasm to numerous countries in FY 2004, thus increasing the number of protocols from 61 to 79. The majority of the export protocols retained or reopened markets for bovine embryos and semen that were threatened or closed due to the reported case of BSE in Washington. In addition, APHIS personnel negotiated extensively with various countries to maintain exports of poultry products despite the outbreak of high pathogenic avian influenza in Texas. Furthermore, we negotiated to open new markets for animal products including extensive negotiations with the European Union opening markets for dairy and fish products. Additional markets opened in FY 2004 for pet food and dairy products to Cuba, egg and dairy products to Bulgaria, and dairy products and pet food to Barbados. Other negotiations included exports of meat and bone meal, hides, and poultry worldwide. APHIS negotiated extensively to gain acceptance of USDA inspection and approval facilities with Argentina, Brazil, Canada, China, Japan, Korea, Russia, Taiwan, Thailand, and Ukraine.

As mandated by the Bioterrorism Preparedness and Response Act of 2002, APHIS tracks plant and animal disease agents that could be used in acts of bioterrorism. The Agency requires individuals and facilities to register these agents, and inspects such facilities to ensure that the proper biosafety measures are in place. This program carries out activities that relate to animal disease agents, while the Pest Detection program carries out activities that relate to plant pathogens. In FY 2004, APHIS and the U.S. Department of Health and Human Service's Centers for Disease Control and Prevention (CDC) drafted final rules regarding registration requirements for select agents. These will include an application method, facility requirements, security guidelines, and compliance issues. In FY 2003, APHIS established a secure database to maintain information on select agents. Currently, we are developing an online application for entities to replace hard copy applications. This website will be available in FY 2005. By FY 2006, APHIS aims to coordinate databases with the CDC.

6. Screwworm

In FY 2004, APHIS began construction of the screwworm sterile fly rearing facility in Panama. To date, construction is progressing ahead of schedule. With several design changes, the plant is capable of producing twice the number of sterile flies initially planned under the same budget and time scale.

The screwworm program also continues to over-fly 20 miles into Colombian territory via permission obtained from the Colombian government. This permission allowed the program to release sterile flies on both sides of the barrier at the Colombia-Panama border. Livestock producers in the treated area are amazed at the success of the program in reducing affected animals.

A significant milestone was the last reported case of screwworm in Panama on March 25, 2004. Additionally, the program demonstrated efficiency by improving fly emersion yields from a low of 58 percent to an average of 84 percent in FY 2004.

During FY 2004, the facility in Tuxtla-Gutierrez, Mexico, produced an average of 100 million flies per week. The Tuxtla-Gutierrez facility provides sterile flies for the eradication program in Panama as well as for any potential outbreaks in areas already eradicated.

7. Trade Issues Resolution and Management

Trade Accomplishments: In FY 2004, APHIS opened an office in Taiwan to address the significant trade it has with the United States. In FY 2003, the latest year for available information, APHIS successfully negotiated 75 sanitary/phytosanitary (SPS) trade issues involving U.S. agricultural exports, which permitted trade worth over $2.4 billion to occur. These export accomplishments included opening new markets for various animal products in Lithuania and for stonefruit to Chile, expanding existing market access for apples to Taiwan, and peaches and nectarines to Mexico as well

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as table grapes to Australia. APHIS retained forty-four important markets around the world for products ranging from pet food to poultry.

Sales to Mexico alone accounted for $685 million of export accomplishments. The $685 million involved retaining the poultry and wheat market and expanding the market for products such as citrus, apricots, and plums. Key export accomplishments worth over $1 billion in Europe included animal by-products to the European Union and poultry products to Russia, Estonia, and Lithuania. In Asia, APHIS successfully retained access for $226 million worth of poultry to Japan, Korea, and the Philippines through the concerted efforts of Foreign Agricultural Service, APHIS, Office of the United States Trade Representative, and the Food Safety and Inspection Service. In addition, Korea finalized a rule that allowed additional varieties of U.S. cherries exported, which expanded the market access for U.S. cherries.

In FY 2004, outbreaks of low pathogenic avian influenza (LPAI) and exotic Newcastle disease affected the poultry markets throughout the Americas, Asia, and Europe. Since late August 2004, the United States regained LPAI freedom under the World Organization for Animal Health (OIE) definition. As a result, APHIS has reopened the following poultry markets: Azerbaijan, Bulgaria, Chile, Guatemala, Japan, Jordan, Korea, Malaysia, Romania, Russia, Singapore, Uzbekistan, and the 25 countries of the European Union. All major markets are completely or partially open to U.S. poultry imports except China. APHIS continues to work with the limited number of trading partners that maintain bans on U.S. poultry due to LPAI. Aggressive efforts to have LPAI-related bans lifted as soon as possible have minimized the negative trade impacts of those bans. The total value of U.S. exports of poultry and poultry products actually increased 15 percent to $1.6 billion during January-August 2004 compared to $1.39 billion during January to August 2003.

International Standards: In FY 2004, APHIS worked successfully with other countries through International Plant Protection Convention (IPPC) to develop and adopt three new international standards for trade in plant commodities. These new phytosanitary standards include the following guidelines:

- Conducting risk assessments of living modified organisms, an important foundation standard for evaluating pest risk potential of biotechnology products;
- Implementing a Phytosanitary Import Regulatory System, a standard which defines an internationally acceptable structure and operations of an import regulatory system for plant health protection purposes; and,
- Performing pest risk assessments of "regulated non-quarantine pests", a standard to ensure that phytosanitary measures applied to such pests of regulatory concern based on an internationally recognized risk assessment process.

APHIS also worked closely with 167 other member countries through the OIE to adopt six updated animal disease standards. These included: 1) epizootic haematopetic necrosis, a fish related disease; 2) infection with *Marteilia refringe*, a mollusk disease; 3) white spot disease, a shrimp disease; 4) foot and mouth disease, a cattle disease; 5) classical swine fever, a swine disease; and, 6) bovine spongiform encephalopathy (BSE), a cattle disease. These animal disease standards will help facilitate safe international trade in animals and animal products.

Technical Assistance: In FY 2003, APHIS staff participated in a number of international technical assistance initiatives in the areas of plant and animal health. For example, APHIS hosted several seminars on BSE in the Philippines and Korea. In FY 2004, APHIS continued to assist Colombia in forming the Center for Phytosanitary Excellence as a model for other countries and promoter of new initiatives in pest risk analysis and geographic information systems.

In FY 2004, APHIS staff participated in a 14 international technical assistance initiatives in the areas of plant and animal health. For example, APHIS organized courses on epidemiology for Nigeria and

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Guatemala. In addition, APHIS organized a Foreign Animal Diseases Diagnostic training course for several countries in Central and Eastern Europe. APHIS also organized a conference on pre-clearance and certification programs in Panama and participated in a SPS infrastructure workshop for Afghanistan.

Free Trade Agreements: In May 2004, the United States signed the U.S.-Central American Free Trade Agreement (FTA). This agreement includes a SPS section and may double U.S. exports to the Central America region in 5 years to $2 billion. APHIS participated in negotiations to remove unjustified SPS barriers to U.S. agricultural products and provided guidance on trade capacity building in SPS measures. This helps ensure that trade capacity assistance projects complement APHIS safeguarding programs. APHIS also assisted on negotiations for a FTA with Morocco signed in June 2004, and a FTA with Chile in January 2004, resulting in the elimination of tariffs on 90 percent of U.S. exports to Chile and 95 percent of Chilean exports to the U.S. The United States also signed an FTA with Australia in March 2004 worth $2.1 billion of annual bilateral trade ($300 million exports and $1.8 billion imports). As many U.S. agricultural industries have expressed grave concerns about Australia's extremely conservative quarantine requirements, APHIS worked to ensure that important market access issues are addressed resulting in market access for U.S. grapes and creating opportunities for U.S. exports including pork, citrus, and stone fruit.

8. Tropical Bont Tick (TBT)

In FY 2004, the Caribbean Amblyomma Program (CAP) Regional Coordination Unit Office relocated from Barbados to Antigua. Following the termination of an epidemiology position funded under the European Union component, the Food and Agriculture Organization of the United Nations and APHIS hired a CAP epidemiologist to enhance surveillance, as well as data collection and reporting.

The program has declared six of the ten CAP islands (St. Vincent, St. Lucia, Anguilla, Montserrat, Barbados, and Dominica) provisionally free of TBT. In November 2004, officials decertified St. Kitts because of TBT reoccurrence. In FY 2004, the program continued to focus on those islands that have not achieved provisional freedom (Antigua, St. Maarten, and Nevis) and on continuing surveillance on those that have achieved provisional freedom.

The pilot project in St. Phillips Parish of Antigua progressed on schedule with over 98 percent of livestock registered and under regular treatment. Registration of all livestock and their owners in Antigua is now almost complete, with greater than 95 percent completion in the parishes of St. George, St. Peter, and St. Paul: St Mary has about 85 percent and St. John over 50 percent of livestock registered. Officials deferred Bayticol distribution on Antigua pending resolution of the CAP financial crisis, but will commence on January 1, 2005 on a full cost recovery basis.

PLANT AND ANIMAL HEALTH MONITORING

Current Activities: The program activities under this component minimize agricultural production losses and export market disruptions by quickly detecting and responding to new invasive agricultural pests and diseases or other emerging agricultural health situations. APHIS monitors animal and plant health to detect and react to exotic pests and disease introductions to enhance the quality, safety, and competitiveness of U.S. products. The Agency focuses on preventing the introduction of diseases by responding to outbreaks quickly and efficiently at the national, State, and local levels. The Agency is also developing and implementing mitigation strategies in an environmentally sound manner to minimize the impact of negative health events to the nation's food supply; identifying resources locally, regionally and nationally that can mount these responses; developing streamlined avenues for animal producers to obtain assistance during the recovery phase of an emergency; and educating and training veterinarians, producers, and the general public about the threats associated with foreign animal diseases (FAD).

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Regulatory enforcement activities prevent the spread of communicable animal pests and diseases in interstate trade. These activities include inspection, surveillance, animal identification, and prosecution. The investigative arm of APHIS aims to achieve voluntary or enforced compliance of our regulations and significantly reduce the likelihood of a foreign disease or pest introduction and the associated costs of an eradication program. The Agency also investigates alleged violations of Federal animal welfare and horse protection laws and regulations. The Agency oversees and coordinates subsequent prosecution of violators through appropriate civil or criminal procedures.

The Agency maintains a cadre of trained professionals, prepared to respond immediately to potential animal and plant health emergencies. Program personnel investigate reports of suspected exotic pests and diseases and take emergency action if necessary. To facilitate these efforts, we develop pathway studies and thoroughly investigate the progression of outbreaks to determine the origin of plant and animal pests and diseases.

Program Assessment Rating Tool: The Plant and Animal Health Monitoring programs received an effective rating with a score of 87 percent. The Office of Management and Budget recommended the programs develop efficiency measures. Accordingly, APHIS developed an efficiency measure and began collection of the data needed to calculate efficiency.

Selected Examples of Recent Progress:

1. Animal Health Monitoring and Surveillance

APHIS continues disease surveillance and detection, emergency disease preparedness and response, health monitoring, and epidemiologic delivery upon completion of disease eradication programs. Some of the examples of the monitoring and surveillance provided include foreign animal disease (FAD) investigations. To prevent FAD incursions, APHIS thoroughly investigates all suspicious situations. APHIS conducted 870 suspected-FAD investigations in FY 2004, compared to 480 conducted in FY 2003. The most common investigation was for vesicular conditions. Investigations are broken down into the following categories:

FOREIGN ANIMAL DISEASE INVESTIGATIONS	FY 2002	FY 2003	FY 2004
Vesicular conditions	311	186	554
Mucosal conditions	4	3	3
Avian diseases	0	142	103
Hemorrhagic conditions	12	2	2
Respiratory conditions	11	5	7
Encephalic conditions	358	81	130
Excess deaths	109	12	24
Myiasis/Ascariasis	7	6	5
Other disease conditions	25	43	42
TOTAL NUMBER OF INVESTIGATIONS	837	480	870

In December 2003, APHIS identified bovine spongiform encephalopathy (BSE) in Washington State. APHIS completed the BSE investigation and implemented an enhanced BSE surveillance program. The Secretary transferred approximately $70 million in Commodity Credit Corporation emergency funds to collect samples from non-ambulatory cattle; cattle exhibiting signs of a central nervous system disorder; cattle exhibiting other signs that may be associated with BSE, such as emaciation or injury; or dead cattle. APHIS is sampling as many cattle from these high-risk categories as possible in a 12-18 month period. In FY 2004, the Agency tested approximately 90,868 samples under the enhanced surveillance plan with negative results, significantly greater than the 40,000 originally targeted. The

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enhanced surveillance effort will provide sufficient data and information to establish the probable prevalence level of BSE in the United States.

During FY 2004, APHIS approved five additional State laboratories to assist in the surveillance program for BSE, bringing the total to twelve. These labs use approved rapid tests for BSE surveillance. APHIS' National Veterinary Services Laboratories (NVSL) remains the national reference lab for BSE and conducts confirmatory testing. All of these laboratories are part of an existing network of State and Federal labs that assist USDA with animal disease testing as needed.

APHIS conducted 3,157 premise searches for non-licensed garbage feeders under the Swine Health Protection Act in FY 2004. The Agency licenses facilities that feed cooked garbage to swine and conducts surveillance to locate facilities that are feeding raw garbage, the primary way for transmission of numerous infectious or communicable diseases of swine.

In FY 2004, APHIS continued to enhance the National Surveillance System (NSS) by building upon the existing decentralized surveillance system directed at specific diseases and commodities. APHIS relied on its own animal production expertise and resources, broadened its network by developing partnerships with State governments, tribes, veterinary colleges, animal and livestock industries, public health agencies, and other governmental and private groups, and considered the needs of all animal related industries. APHIS addressed veterinary public health and environmental issues that involved linkages between farm-raised animals, wildlife, and companion animals. The Agency continued to implement recommendations made by the National Association of State Departments of Agriculture in the Animal Health Safeguarding Review, filling in gaps and enhancing the NSS for animal diseases. Furthermore, the NSS Steering Committee met and discussed the surveillance system strategic plan and prioritization of activities. APHIS has drafted a survey to assess the development of an integrated and coordinated national animal health surveillance system. Through this survey, input will be gathered which will be utilized to create a common vision about surveillance. We initiated a critical evaluation of databases available for use in connection with national animal health surveillance purposes. This evaluation will determine current surveillance and program disease databases to collect and manage national level surveillance data.

APHIS has completed "Procedure for Investigating a Suspected Foreign Animal/Emerging Disease Incident" with specific instructions for conducting and reporting FAD/Foot and Mouth Disease investigations. The Agency distributed the information to Federal animal health first responders, including a compact disc entitled, *Food Security: The Threat to American Livestock*, offering comprehensive information on infectious disease threats to livestock, animal disease awareness briefings, standard veterinary medical information for diagnosing such diseases, and emergency information gathering and reporting mechanism.

In March 2004, APHIS released and tested the first phase of an information technology system connecting the National Animal Health Laboratory Network (NAHLN) pilot laboratories. This first phase provides identified NAHLN laboratories with the ability to submit formatted messages containing diagnostic test results for Johne's disease and exotic Newcastle disease to the system for distribution to NVSL and other APHIS source systems. The system allows data integration and creates a messaging hub.

APHIS published the final rule regarding blood and tissue collection at slaughtering and rendering establishments in March 2004. With this rule, APHIS will list establishments that can receive or ship animals or animal products interstate. The rule also requires approved slaughtering and rendering establishments to grant APHIS or its designee access to the establishment and space for the purpose of collecting, preparing, and testing samples.

APHIS progressed on a number of National Veterinary Accreditation Program (NVAP) activities in FY 2004. The Agency tested new evaluation forms for the NVAP at core orientations and expedited

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records in the Veterinary Accreditation Database using the American Veterinary Medical Association's database. APHIS completed the new Practitioner's Guide for Accredited Veterinarians and distributed it to field offices for review. APHIS received the final report for the Comprehensive Assessment of Veterinary Accreditation and FAD Training at Schools of Veterinary Medicine in May 2004. This report evaluates the current state of veterinary accreditation training and relevant foreign animal disease instruction at each College of Veterinary Medicine. APHIS will use the report's findings to guide future refinements of the NVAP training and FAD education.

APHIS launched a national awareness campaign to educate non-commercial bird owners about avian health and poultry diseases. The Biosecurity for the Birds campaign is designed to inform people who raise their own poultry or own exotic birds about the clinical signs associated with diseases such as avian influenza and exotic Newcastle disease. The ongoing campaign includes an expanded emergency poultry surveillance and outreach program. The Agency also includes information on biosecurity. Educating animal owners about clinical signs and encouraging early reporting will increase quick identification of emerging and FAD events.

In FY 2004, APHIS launched an interactive, internet-mapping site highlighting equine infectious anemia (EIA) test data. The website allows users to display a national map with information about the number of horses tested for EIA, the number of test-positive horses, the percentage positive, or a reactor rate. The user can customize the map by selecting a data set and zooming in to focus on a specific state or region.

APHIS has developed a QuickPlace website to serve as a repository for geographical information. Along with serving as a tool for discussion and communication regarding geographical information systems (GIS) in APHIS, the QuickPlace also provides a repository of map documents along with links to specialized applications.

In April 2004, APHIS announced the framework for implementation of a National Animal Identification System (NAIS) by transferring $18.8 million from the Commodity Credit Corporation (CCC) to provide initial funding in FY 2004. The NAIS is designed to identify any agricultural premise exposed to a FAD so that it can be more quickly contained and eradicated.

APHIS has completed an independent evaluation of information systems previously funded through cooperative agreements. APHIS has made the decision to use the Standardized Premises Registration System (SPRS), initially developed by the Wisconsin Livestock Identification Consortium (WLIC). Currently 24 states are operational under the SPRS. The evaluation also led to the conclusion that States may use their own system or one provided by a third party technology company named Compliant Premises Registration Systems (CPRS). However, CPRS must be evaluated by USDA and meet the NAIS standards.

APHIS also completed the development of the national premises system. Features of this system include the National Premises Information Repository, enhancements to the number allocator system, and the premises registration system. Currently, 70 percent of the States have the capability to register premises according to national data standards developed by the United States Animal Identification Plan.

The FY 2005 Omnibus Consolidated Appropriations Act includes an additional $33 million to continue this initiative.

2. Animal and Plant Health Regulatory Enforcement

APHIS Investigative and Enforcement Services (IES) continues to provide support to all APHIS programs by conducting investigations of alleged violations of Federal laws and regulations under

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APHIS' jurisdiction through appropriate civil or criminal procedures. At the same time, the demand for IES services continues to grow and affect the human, fiscal, and information technology resources available to deliver those services.

In FY 2004, APHIS personnel conducted 2,391 investigations involving plant quarantine violations resulting in 214 warnings, 807 civil penalty stipulations, 27 Administrative Law Judge decisions, and approximately $1.4 million collected in fines. The Agency conducted widespread market surveillance to intercept prohibited foreign fruits and vegetables illegally smuggled into the United States, as well as prohibited plants and plant materials. In one such case, the Agency seized shipments of 3,600 geraniums potentially infected with Ralstonia at a nursery in Ohio. In another, we investigated the possession of unregistered rice bacteria, listed as a select agent under the Agriculture Bioterrorism Protection Act, at a seed testing company in Colorado. In another high profile case, APHIS efforts led to the conviction and sentencing of an individual in southern Florida to 17 months' imprisonment and two years of supervised release in connection with an ongoing conspiracy to smuggle into the United States orchid specimens protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

APHIS conducted 774 investigations involving animal health programs in FY 2004, resulting in 271 warnings, 71 civil penalty stipulations, six Administrative Law Judge Decisions, and $158,625 collected in fines. In addition, APHIS took several hundred administrative actions on animal health program violations disclosed at the border ports by agricultural quarantine inspectors. The alleged violations were concentrated in veterinary accreditation, animal identification, brucellosis, pseudorabies, and import-export programs. High profile cases include smuggling of 28 rodeo bulls into the United States from Canada; the movement of garbage from Canada into the United States that contained dead chickens from the avian influenza quarantine area; unregistered production of *Clostridium perfringens* epsilon toxin, an animal-related select agent listed on the Agriculture Bioterrorism Protection Act; and mobilization of a Quick Response Team to document approximately 300 violations involving Federal Express in Memphis.

APHIS conducted 288 animal care investigations in FY 2004, resulting in 205 formal cases submitted for civil administrative action. We also issued 120 letters of warning for animal care. During FY 2004, we resolved 56 cases with civil penalty stipulations resulting in $92,972 in fines. Administrative Law Judge Decisions resolved another 41 cases resulting in $455,642 in fines. High-priority and significant cases included several involving the sale of dogs and exotic animals by unlicensed dealers as well as numerous handling violations involving exhibition animals attacking and/or injuring the public.

In February 2003, IES administered a client survey to set future direction and focus for APHIS, and an employee survey to help shape and focus the organizational foundation to enhance the Agency's ability to accomplish its mission. IES recently issued an updated Business Plan for 2004 through 2008 to provide a blueprint that will improve services that are most important to the overall success of the APHIS mission. IES is currently enhancing its Penalty Branch to meet International Organization for Standardization (ISO) standards and become ISO 9000 certified. In FY 2005, ISO will conduct an audit of IES' processes for issuing penalties to determine if the branch can be ISO certified.

APHIS is working to improve the timeliness and quality of investigations despite a consistent increase in the number and scope of violations. The Agency has entered the development phase of a multi-year project to develop a new computer tracking system. When fully implemented, the new Violation, Investigation, and Enforcement Tracking System will help ensure the safe research, release, and movement of agricultural commodities by allowing programs and other agencies to better share critical information related to the ability to identify individuals, companies, cargoes, carriers, or pathways that pose a risk. The system will also allow us to send and receive sensitive data to and from other government electronic information systems such as the Treasury Enforcement Communication System and the systems at the Department of Homeland Security and the Federal Bureau of Investigation.

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Emergency Management System

During FY 2004, APHIS held two table-top training exercises with Canada and Mexico, each having several agencies involved. The two table-tops were part of a series of events between the nations that have and will take place during the 2003 through 2005 period. These exercises covered specific issues. With them, APHIS intended to provide training and identification of weaknesses in the emergency management of animal health issues. The two recent exercises covered an outbreak of foreign animal diseases (FAD) and vaccine distribution from the vaccine bank.

Throughout 2004, APHIS focused on fulfilling the requirements of the Homeland Security Presidential Directive (HSPD) by establishing curriculums and required training. We have established the level 100 and 200 Incident Command System (ICS) basic training requirements and courses and have diligently incorporated ICS practice and protocol into other training, such as tabletop exercises, and incidents. We are continuing to develop a position and experience requirements for ICS staffing, especially in the area of command staff positions. All of the training will be either Web-based or off site approaches. A primary focus of our training and curriculum development will be FAD training, beginning with foot and mouth disease (FMD).

APHIS works with the Southeastern Cooperative Wildlife Disease Study (SCWDS) at the University of Georgia to avail the Agency of their expertise in the area of wildlife disease. The role of SCWDS in zoonotic outbreaks includes sampling of wildlife populations and expert advice in control and assessments of the outbreak. SCWDS also provided training on disease identification and control in wildlife and developed wildlife outbreak guidelines that will support APHIS response protocol.

3. Pest Detection

APHIS and its cooperators have established State, regional, and national Cooperative Agricultural Pest Survey (CAPS) committees to ensure that stakeholders at each level are involved in the process of targeting pests for survey each year. APHIS targets pests based on their risk of entry and potential to cause significant economic or environmental damage. In FY 2004, the CAPS committees began institutionalizing a system to choose survey projects based on both the pest's risk factors and States' priorities. In 2004, the Agency and its cooperators are conducting national surveys for 20 high-risk pests and 424 individual surveys across the country.

In FY 2004, APHIS continued working with State cooperators, the American Soybean Association, and university partners to prepare for the arrival of soybean rust, *Phakopsora pachyrhizi*, in the United States. As part of our efforts to minimize the impact of the disease, we trained more than 300 soybean producers, handlers, and consultants in soybean rust detection and worked with pesticide companies to ensure that options for fungicide mitigation would be available to soybean producers. We also assembled a soybean rust detection assessment team and put the assessment team into action early in FY 2005 when the Agency detected soybean rust for the first time in Louisiana. APHIS is continuing to conduct outreach activities to educate all involved in the soybean industry and soybean rust diagnostic training for cooperating universities and laboratories.

APHIS and North Carolina State University recently developed a weather-based mapping system to improve our pest risk analysis capabilities. The new system, the North Carolina State University-APHIS Plant Pest Forecast System (NAPPFAST), allows the program to target certain areas for survey based on a pest's likelihood to establish in that area based on climate and weather factors. The Agency is currently using NAPPFAST to determine what areas of the country are at risk for soybean rust spread based on weather patterns. We will be providing daily on-line updates for producers in FY 2005.

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APHIS has begun developing commodity and resource-based surveys to monitor for the presence of a group of pests that threaten a specific commodity or resource. These surveys will allow us to gather data about a larger number of pests and establish better baseline data about pests recently introduced into the United States. In FY 2004, the Agency conducted the exotic woodborer and bark beetle surveys for the second time and the soybean pest survey for the first time.

APHIS is also working to involve volunteers in its early detection efforts. Gardening clubs, outdoor enthusiasts, 4-H clubs, and many others are already in place to spot new and unusual pests, and the Agency is developing pilot projects to train and equip them to look out for high-risk pests. We conducted three pilot projects in FY 2004: a volunteer corn pest survey in Nebraska, a project to train master gardeners for invasive species detection in New Jersey, and a geographical information system (GIS) coordinates collection project (for "high hazard" sites such as nurseries and log yards) by 4-H volunteers in Ohio.

As mandated by the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, APHIS tracks plant and animal disease agents that could potentially be used in acts of bioterrorism. APHIS also requires individuals and facilities to register these agents and inspects such facilities to ensure that the proper biosafety measures are in place. Activities that relate to plant pathogens are carried out under the program, while activities that relate to animal disease agents are carried out under the Import/Export program. In FY 2004, APHIS and the U.S. Department of Health and Human Service's Centers for Disease Control and Prevention (CDC) drafted final rules, regarding registration requirements for select agents. These will include an application method, facility requirements, security guidelines, and compliance issues. In FY 2003, APHIS established a secure database to maintain information on select agents. Currently, we are developing an online application for entities to replace hard copy applications. This website will be available in FY 2005. By FY 2006, APHIS aims to coordinate databases with the CDC.

APHIS is completing pest risk assessments (PRA) for the ten pathogens listed as select agents through the process mandated by the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The PRA's help State officials determine whether areas within their State are at risk for the introduction of these pathogens and contain guidelines for conducting surveys for the pathogens.

APHIS is measuring its success through tracking the percentage of significant pest introductions, or those that have the potential to cause severe economic and environmental damage, before they spread from the original area of colonization. For FY 2004, our target was to detect 94 percent of such introductions prior to their spread. While we believe we have met this target, the data to verify our performance is not yet complete because States in warmer climates conduct surveys through the fall months.

PEST AND DISEASE MANAGEMENT PROGRAMS

Current Activities: The programs within this component minimize risks to agricultural production, natural resources, and human health and safety by effectively managing agricultural pests and diseases, and wildlife damage in the United States. APHIS cooperates with States to protect American agriculture by eradicating harmful pests and diseases or, where eradication is not feasible, by minimizing their economic impact. The Agency monitors endemic pests and diseases through surveys to detect their location and through inspection to prevent their spread into non-infested parts of the country.

APHIS coordinates several programs that control or eradicate plant pest and diseases. Eradication programs include Asian longhorned beetle, boll weevil, citrus canker, emerald ash borer, plum pox, and witchweed. In addition, the Agency conducts risk-based management activities to prevent the spread of glassy-winged sharpshooter, golden nematode, grasshoppers, gypsy moth, imported fire ants, noxious weeds, and pink bollworm. In both eradication and control programs, APHIS develops and enforces

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quarantines to restrict the movement of hazardous pests and diseases. The Agency also conducts a biological control program, using natural enemies of pests, diseases, or weeds to provide cost-effective, environmentally friendly pest control. APHIS conducts disease control and eradication programs involving testing, quarantine, treatment, and depopulation of infected animals. Examples include brucellosis, chronic wasting disease, Johne's disease, low pathogen avian influenza, pseudorabies, scrapie, and tuberculosis. The Wildlife Services program protects American agriculture from predators through identification, demonstration, and application of control measures.

Program Assessment Rating Tool: APHIS will assess Pest and Disease Management programs by BY 2008.

Selected Examples of Recent Progress:

1. Aquaculture

In FY 2004, APHIS faced a protracted infectious salmon anemia (ISA) control operation at Cobscook Bay, Maine. First identified in 1999, the disease continues to affect both the U.S. and Canadian Atlantic salmon farming industries. Current APHIS operations at Cobscook Bay encompassed 17 sites, with each site containing 12 to 18 cages. APHIS officials surveyed each site at least monthly. Depending upon the findings of this surveillance, officials may have monitored some cages daily. The Agency collected the samples and sent them to a contract laboratory for testing. APHIS completed the confirmatory testing at its National Veterinary Services Laboratories. APHIS depopulated infected fish, and cleaned and disinfected the equipment.

APHIS has also responded to outbreaks of spring viremia of carp (SVC) across the country. In FY 2004, APHIS discovered two new outbreaks of SVC. APHIS confirmed the first outbreak in Snohomish County, Washington, and the second in Pike County, Missouri. In both cases, the epidemiology indicated that the infection was introduced through imported Koi. In response, we depopulated the infected fish, and disinfected and cleaned the facilities and equipment.

Throughout FY 2004, APHIS personnel continued to assist various States to mitigate the damage caused to aquaculture resources through control of bird predation, damage assessment and technical assistance.

2. Biological Control

APHIS' Center for Plant Health Science and Technology (CPHST) National Weed Management Laboratory (NWML) continued in the third year of a five-year action plan with USDA's Agricultural Research Services (ARS), to develop biological control-based management tools for Canada thistle. We engaged our European collaborator, CABI Biosciences (Delémont, Switzerland), to conduct host specificity research on the mite *Aceria anthocoptes*, a potential biological control agent of Canada thistle in the United States, and to examine its ability to transmit Canada thistle diseases.

Suites of biological control agents released by APHIS and its cooperators since the late 1980s are established throughout leafy spurge-infested regions of the United States. These insects are responsible for significant reductions in the weed over large areas. Reductions of 95 percent or more in spurge abundance are not rare. Additionally, in FY 2004, NWML completed evaluation of a relatively new leafy spurge biological control agent, the root-boring moth *Chamaesphecia crassicornis*. This project was undertaken in cooperation with Agriculture and Agri-Foods Canada in Lethbridge, Alberta; unfortunately, FY 2004 observations indicate that *C. crassicornis* does not survive winters in the northern United States.

For purple loosestrife, APHIS shipped over 310,000 *Galerucella* beetle adults to project participants in 16 states (CT, IL, IN, KS, ME, MD, MA, MI, MO, MT, NE, NH, PA, TN, WV, and WI) to establish

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field insectaries of this key natural enemy of purple loosestrife, *L. salicaria*. Using a semi-artificial diet developed by Cornell University, the Niles Laboratory also produced over 7,700 adult weevils and shipped over 4,900 to cooperators in five states (CA, IN, MI, NY, and PA).

3. Boll Weevil

In FY 2004, APHIS provided a 30 percent cost-share to various grower organizations in support of the Cooperative Boll Weevil Eradication Program. Cooperators in Mexico agreed in 2004 to expand their boll weevil eradication efforts to the entire northern half of their country. Their success in that region will significantly reduce the risk, to U.S. production, of infestations from the south.

As FY 2005 began, more than 9 million acres of cotton, spread over nine States, were weevil-free. In addition, eradication efforts were underway on 6.1 million additional acres of cotton in Arkansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Tennessee, and Texas. APHIS expected to move a large portion of that acreage into the weevil-free phase by the end of FY 2005. During the 2004 season, however, significant weather events had a negative impact on progress. Across much of Texas and the mid-South, frequent rainfall hampered trapping, reduced the effectiveness of treatments, and generally slowed progress. Regardless, the boll weevil was eliminated from about 4 million additional acres in FY 2004.

By the end of FY 2004, APHIS eliminated the boll weevil from 700,000 acres in Arkansas, 1,000,000 acres in Mississippi, 200,000 acres in Tennessee, and 1,675,000 acres in Texas.

Progress, although slightly behind projections made earlier in FY 2004, remain an impressive result of an effective eradication program that combines extensive trapping with the prudent use of pesticides to treat only infested fields. Cotton producers are enjoying lower production costs, increased yields, and less dependence on chemical pesticides.

4. Brucellosis

APHIS tested approximately 9.1 million cattle. Of these, officials sampled 770,500 (8.5 percent) cattle on farms or ranches and approximately 8.3 million (91.5 percent) cattle under the Market Cattle Identification (MCI) program. APHIS conducted Brucellosis Milk Surveillance Tests (BMST) in commercial dairies twice in Class Free states and four times in Class A States. BMST's led APHIS to 65 suspicions, which APHIS retested using a confirmatory test. No suspicions were positive for brucellosis. With thorough surveillance in FY 2004, APHIS identified seven newly affected herds. This compares to only two new brucellosis affected cattle herds disclosed in FY 2003. Texas discovered two affected herds. Three months after Missouri received Class Free status the State discovered one brucellosis-affected herd. Missouri quickly identified the herd, immediately depopulated it, and completed the necessary area testing and epidemiologic investigation within the required timeframe, thus maintaining their Class Free status. Wyoming, a Class Free State since 1975, found the other four brucellosis affected cattle herds. Subsequently, Wyoming was reclassified to Class A status. At the end of FY 2004, 48 States and 2 Territories held Class Free status, and two States held Class A status, Texas and Wyoming. Approximately 84 percent of all beef and dairy cattle in the United States are located in Class Free States and approximately sixteen percent are located in the two Class A States. APHIS prefers depopulation as the method of handling affected herds. In FY 2004, APHIS depopulated five brucellosis-affected herds. APHIS also purchased MCI reactor cattle for further diagnostic testing.

Through successful outreach activities on protecting herds against brucellosis, owners vaccinated approximately 4.04 million calves for brucellosis in FY 2004. APHIS also vaccinated 10,100 head of adult cattle pursuant to the finding of affected herds in the area.

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APHIS designates States to a stage based on their swine brucellosis infection rate. Texas is in Stage II while the remaining States and Territories are Stage III: free of swine brucellosis. APHIS upgraded Florida Stage III in FY 2004. The Agency also depopulated herds of swine in Oklahoma and Hawaii in FY 2004.

APHIS continues to recognize the importance of cooperating with the Federal and State agencies in management of the wild bison and elk in the Greater Yellowstone Area. The Secretaries of the U.S. Department of Agriculture, the U.S. Department of the Interior, and the Governors of Montana, Wyoming and Idaho are currently reviewing the new Greater Yellowstone Interagency Brucellosis Committee Memorandum of Understanding (MOU). The previous MOU has expired. The Agencies are continuing to evaluate research regarding the safety and efficacy of *Brucella abortus* strain RB51 vaccine in bison, elk and other species. When the Agencies determine that RB51 vaccine is safe for use in bison, the vaccine will be injected by hand to calves and non-pregnant yearlings that are captured outside of Yellowstone National Park (YNP). Research and development is also being conducted on oral vaccination through RB51 baits.

APHIS works closely with the Department of Interior's National Park Service (NPS) to maintain bison population and eradicate *Brucella* in the wildlife, ultimately preventing transmission to domestic herds. The Agencies conduct hazing operations to persuade bison to return to the park and to prevent the opportunity for the bison to transmit brucellosis to domestic livestock. During the bison season (July 2003- June 2004), APHIS hazed 1,530 bison back into the park in 60 operations. APHIS utilizes capture operations to conduct surveillance. APHIS captured 482 bison, 276 were positive for brucellosis and 206 were negative. Of the 482 captured, 111 bison were vaccinated.

APHIS and the State of Montana are currently evaluating sites and protocols for a bison quarantine feasibility study. The purpose of this feasibility study is to determine whether bison captured outside of YNP can be released onto Native American and public lands after they have completed an extensive and conservative quarantine protocol. The study has three sites/phases: holding of brucellosis seronegative bison; breeding of seronegative bison; and soft release of bison. APHIS has selected two sites for the first and second phases of the study. Up to 100 head of bison, if captured, may be placed in the first phase of the study. APHIS expects the first phase of the study will begin early in 2005. Before APHIS and the State of Montana release bison from quarantine, the Agencies must be confident, using the best science and tests available that the bison are not infected with brucellosis. Typically, APHIS collates surveillance data from all States, which is a time consuming activity. In response to the challenge, APHIS has enhanced the Generic Database (GDB) to a web based entry system. This replaces the tedious process of having personnel at headquarters consolidate State data manually. The GDB enhancement will begin in FY 2005.

APHIS amended regulations to allow the payment of indemnity for sheep, goats, and horses destroyed because of brucellosis. This action makes it easier to eliminate affected herds/flocks and infected animals as sources of infection by encouraging herd and flock owners to cooperate with APHIS. The Agency published the final rule in the Federal Register on July 13, 2004, with an effective date of August 12, 2004.

APHIS is amending regulations by adding the Fluorescent Polarization Assay (FPA) to the lists of confirmatory and official tests for determining the brucellosis disease status of test-eligible cattle, bison, and swine. FPA has proved to provide an efficient, accurate, automated, and cost-effective means of determining the brucellosis status of cattle, bison, and swine. APHIS published the proposal to add the FPA to the list of official tests in the Federal Register on May 6, 2004. APHIS solicited comments until July 21, 2004. APHIS will publish the final rule in early FY 2005.

APHIS conducted epidemiological training for 40 State/Federal Veterinary Medical Officers and field staff to acquaint the trainees with rapid eradication of brucellosis and to broaden the trainees' knowledge, understanding, and appreciation of brucellosis as it occurs in various species of animals.

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The Agency covered information about the disease and the species it affects, spread, immunology, vaccination, tests, Uniform Methods and Regulations (UMR), and Federal policy. Moreover, four APHIS experts conducted a similar training course in Mexico for 60 participants.

Although Mexico does not have a national brucellosis program, there has been much progress. The Mexican State of Sonora (borders Arizona, California, and New Mexico) applied for U.S. recognition of its Class Free status in FY 2004. APHIS evaluated Sonora's brucellosis status. Based on the investigation of cattle movement, collection of samples, lab procedures, slaughter plant methods of testing, and UMR's, APHIS denied Sonora its Class Free status. However, we provided recommendations that if fulfilled will enable Class Free recognition and exempt the State of strict testing requirements of non-Class Free States.

5. Chronic Wasting Disease (CWD)

APHIS continues to assist States with CWD surveillance and management in wild cervid populations. States and Federal wildlife agencies are continually collecting data. APHIS continues its larger scale support of surveillance in wild, free-ranging deer and elk by providing CWD testing for 90,000 of an estimated 114,000 to 118,000 samples collected nationwide during the 2003/2004 hunting season, nearly the same number tested the year before. In FY 2004, APHIS approved two additional antigen-based test kits for CWD testing in wildlife, bringing the total to four. The Agency will continue to provide support for evaluation of new testing methodologies in FY 2005. In addition to the National Veterinary Services Laboratory in Ames, Iowa, there are 26 contract laboratories in 21 States certified for CWD diagnostics. These labs provide more than ample capacity for CWD diagnostic needs of APHIS.

APHIS has developed a Herd Certification Program (HCP) in coordination with States, the farmed cervid industry, and the U.S. Animal Health Association to support this effort. APHIS submitted the HCP for public comment in December 2003 and APHIS received comments between December 2003 and February 2004. Currently, this rule is undergoing final regulatory review and we expect implement the rule in FY 2005. There was a delay in the rule process due to the BSE issue. The APHIS will "grandfather in" the HCP existing in State programs, which have the necessary authorities and meet or exceed national program standards for surveillance, inventory, identification, and fencing. Once APHIS implements HCP, captive cervid owners can participate in their approved State program or they can participate directly in the national program if no approved State program exists. Interstate movement of animals will be dependent on participation in the program and influence herd status.

APHIS will continue to build the cooperative partnership with Federal Agencies, the States and tribes in FY 2005 as well as to implement the National Herd Certification Program, which will greatly increase our ability to control and eradicate CWD. The program will cosponsor and present at an international CWD symposium in Madison, WI, in FY 2005, one of many conferences and public meetings in which we participate. We also continue to work jointly with the APHIS Scrapie program in presenting an annual Transmittable Spongiform Encephalopathy epidemiology course at Ames, IA. Finally, we plan to design and distribute a brochure for industry producers explaining the Herd Certification Program, once the final rule is published.

6. Emerging Plant Pests

In FY 2004, APHIS has the following funds available for this program (dollars in thousands):

Asian Longhorned Beetle	Citrus Canker	Glassy-Winged Sharp Shooter	Sudden Oak Death	Emerald Ash Borer	Karnal Bunt	Olive Fruit Fly	Hydrilla	Pay and Miscellaneous Pests	Total
$30,003	$33,441	$22,119	$1,988	$1,491	$864	$318	$99	$2,775	$93,098

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Asian Longhorned Beetle (ALB): APHIS has drastically reduced ALB populations in heavily infested areas and made outstanding progress in tree removal and chemical treatments, resulting in the deregulation of some areas. In August 2004, the Agency responded to a detection of ALB in Carteret, New Jersey, by inspecting nearby trees, implementing regulations to contain infested wood, and investigating the outbreak's origin and pathway. As of October 1, 2004, APHIS had found 400 infested trees covering 1 sq mile. We project to eradicate the area by FY 2010, and to eradicate the Jersey City infestation by FY 2007. The Illinois program deregulated the Addison and Summit areas, and projects deregulating Kilbourn Park, Park Ridge, Loyola, and near O'Hare Airport in FY 2005. However, the Ravenswood area will not be fully eradicated until FY 2009 because of detection in FY 2004. The New York program projects to eradicate in Islip in FY 2007, in Manhattan in FY 2010, in Long Island by 2012, and in Brooklyn and Queens by 2013.

Citrus Canker: APHIS' Citrus Canker Eradication Program (CCEP) made significant progress by the summer of 2004, limiting infestations to Southeast Florida. At the onset of summer, the CCEP was on pace to remove all exposed and infected trees by January 2006. *Exposed* trees are those within 1,900 feet of an infection. By fall, three hurricanes passed through Florida, re-infesting canker-free areas and increasing infection elsewhere. Despite the increased spread caused by the hurricanes, the CCEP mitigated significant spread outside the current known infested areas through immediate response, enhanced surveys, and expedited tree removal.

Glassy-Winged Sharp Shooter (GWSS): APHIS and the California Department of Food and Agriculture (CDFA) significantly suppressed GWSS populations with area-wide management programs. To reduce the pest problem in production areas, APHIS participated in research to identify cost effective and environmentally safe insecticides. The Agency also completed a pilot program in Kern County, which maintained GWSS populations at extremely low levels. As a result, APHIS expanded the pilot program through all of Kern County, and infested areas of Riverside, Tulare and Ventura Counties. In addition, area-wide control activities progressed into production areas in Tulare County, Ventura County, and Coachella Valley in Riverside County. Implementing these strategies has significantly reduced GWSS incidence in the new areas.

Sudden Oak Death (SOD): In FY 2004, APHIS funded SOD activities primarily through emergency funds, but also through appropriated funds. In March 2004, SOD was found in Monrovia Nursery, in Azusa, California, which ships millions of plants every year across the country. SOD detections in nurseries would greatly threaten U.S. ornamental and wood industries as well as the nation's natural resources. California's nursery industry, for example, generates $13 billion in sales. In response to the March detection, APHIS and States destroyed all plants linked to SOD in affected nurseries, and instituted quarantines to require nursery inspections before host plants can be sold. This action helped prevent further SOD spread via nursery shipments, while still allowing the movement of healthy plants. In addition, APHIS conducted "tracebacks" to determine the origin of infected plant material, and "trace forwards" to determine where a nursery sent infected plant material. These activities determine the extent of SOD migration within California and to other States, and prevent further spread, while minimizing its impact on commerce and the environment. Through these activities, APHIS helped protect the Californian and the nation's landscape and the complex ecosystems supported by native oaks. The Agency also helped protect the economic livelihood of several industries - such as forest products - from huge losses. As of December 1, 2004, the program confirmed 15 nurseries positive through the national nursery survey, and 173 confirmed positive sites in 22 States from trace forwards.

Emerald Ash Borer (EAB): EAB, a foreign pest that has killed 8-10 million ash trees since it entered the United States, affects over 9,000 square miles in Indiana, Michigan, and Ohio. In addition, isolated infestations were found in Maryland and Virginia. Since May 2003, APHIS and States have addressed EAB infestations through survey, tree removal, and quarantine enforcement. In FY 2004, the Agency began using a promising survey tool that is much less labor-intensive than visual surveys. Instead of technicians visually examining every ash tree at a given site, the program is using "trap trees", or trees

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that have been girdled to release volatile chemicals attractive to EAB adults. The use of trap trees with visual surveys allowed the program to cover over 12,000 square miles in FY 2004, a 50 percent increase over FY 2003. FY 2004 surveys revealed infestations in 26 new counties, mostly in Michigan. In addition, officials completed tree removal at the Maryland and Virginia sites. Preliminary data indicates that the program successfully eliminated these infestations, but surveys must continue for 2 years to ensure that the pest is not present. APHIS officials also completed tree removal activities at 10 Michigan and 3 Ohio sites.

Karnal Bunt (KB): KB is a wheat disease that has significant impact on U.S. wheat exports. Eighty countries currently ban imports of wheat grown in KB-infected regions. Because the United States exports one-third of the world's wheat exports, KB establishment would cause severe economic disruption. The risk is likely to remain as long as other nations continue to regard KB as a phytosanitary risk, as opposed to a grade and quality issue. In FY 2004, APHIS continued efforts to implement the USDA's KB Strategic Plan, which involves a two-pronged approach. Between nations, USDA works to convince trading partners that KB is not a pest of worthy of quarantine. Among all nations, the USDA works with international plant health organizations to reduce KB's quarantine status. Domestically, APHIS regulates infected areas to prevent the spread of KB. Through this program, APHIS prevents KB from affecting our $3.5 billion wheat export market.

Olive Fruit Fly (OLFF): The OLFF is found throughout the Mediterranean Basin countries of southern Europe, northern Africa, the Middle East, northern India, and northwestern Pakistan. It has successfully colonized in southern Africa and most recently in California. First discovered in the Los Angeles area in 1998, the fly is now found throughout Southern California, the San Joaquin Valley, and along the central coast extending north into the Bay Area. Since FY 2002, APHIS has cooperated with the California Department of Food and Agriculture (CDFA) on OLFF control efforts. In FY 2004, the program discovered several promising biological control candidates in Asia and Africa. Scientists tested these candidates for host specificity against beneficial fruit flies, and conducted studies to determine the impact of Spinosad on candidate natural enemies as well as on parasites controlling the OLFF. In addition, three grower meetings were held in Northern California to discuss the importance of OLFF and develop a brochure to help growers and homeowners reduce OLFF populations.

Hydrilla: In FY 2004, APHIS continued a cooperative agreement with Virginia Polytechnic Institute and State University to conduct surveys of Lake Gaston in Virginia to determine what resources are necessary to eradicate this weed. Researchers tested hydrilla flies, and developed an Integrated Aquatic Vegetation Management program.

Pay and Other Miscellaneous Pests: In addition to the pests specifically addressed above, in FY 2004, the EPP program also incurred minor costs associated with other miscellaneous pests, including the pine shoot beetle and the Japanese beetle. This category also includes pay increases for the EPP program.

[Expanded versions of the ALB, Citrus Canker, EAB, GWSS, and SOD narratives can be found under the CCC section at the end of this package.]

7. Golden Nematode

In FY 2004, APHIS developed a more efficient method of cleaning farm equipment using low-cost high-volume water pumps to conduct regulatory cleaning of farm equipment. We also increased use of a steam heat treatment in place of methyl bromide fumigation and purchased new equipment for performing these regulatory treatments.

In FY 2004, APHIS, the Center for Plant Health Science Technology, and the New York Department of Agriculture and Markets began a new initiative to improve facilities used by growers and increase

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the effectiveness of farm equipment sanitation. APHIS performed over 400 regulatory treatments of used farm equipment to prevent interstate and intrastate spread of golden nematode.

Although hampered by heavy rainfall, APHIS surveyed approximately 5,000 acres and collected nearly 10,000 samples statewide.

APHIS purchased a new geographical information system (GIS) workstation and software to convert from pen-and-ink methods to computerized maps. The Agency is also making progress developing a database for program records. APHIS also purchased a new soil survey tractor and made building improvements to an APHIS owned facility located in Westhampton, Long Island NY.

8. Grasshopper and Mormon Cricket

In FY 2003, APHIS began using the reduced area and agent treatment strategy (RAATS) to conduct suppression treatments for grasshoppers and Mormon crickets. In using this strategy, APHIS officials and cooperators apply pesticides at low levels to alternate swaths of rangeland. The use of RAATS is nearly as effective as full-coverage treatment and allows us to protect over one and a half times as many acres, while protecting natural grasshopper predators and parasites in the untreated swaths. Agency officials protected 778,553 acres with the RAATS technique in FY 2004. The following chart shows the acres protected by State:

State	Acres Protected
California	300
Colorado	2,200
Idaho	21,465
Montana	101,962
Nebraska	122,956
Nevada	259,361
North Dakota	11,122
Oregon	654
South Dakota	3,540
Utah	226,850
Washington	220
Wyoming	27,923
Total:	**778,553**

APHIS is undergoing a programmatic consultation with the U.S. Fish and Wildlife Service (FWS) and the National Oceanic and Atmospheric Administration (NOAA) concerning 205 threatened and endangered species that could be affected by grasshopper or Mormon cricket suppression treatments. Currently, APHIS is conducting individual biological assessments for each area or State where suppression treatments are needed. Once the programmatic consultation is completed, we will be able to conduct treatments according to standardized environmental guidelines.

The grasshopper and Mormon cricket program met its performance target for FY 2004 of conducting surveys in all 17 States. APHIS covered over 30,000 survey points in these States.

9. Gypsy Moth

In 2004, APHIS treated seven isolated infestations of European Gypsy Moth requiring eradication in the states of Tennessee, Iowa, Washington, and Oregon. In 2004, the Agency implemented intensive surveillance activities following the detection of one male Asian Gypsy Moth (AGM) in California in

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2003. APHIS transferred $485,396 in contingency funds to the California Department of Food and Agriculture, which carried out the activities. Rigorous trapping efforts revealed no other AGM; therefore, a portion of the transferred funds remained unused. In October 2004, the remaining $166,677 was transferred to cover the need of an Oriental Fruit Fly emergency.

10. Imported Fire Ant (IFA)

In FY 2004, APHIS investigated 26 potential violations of the IFA quarantine regulations on nursery stock and other host materials. These quarantine regulations, which require that host materials from infested areas be certified free of IFA, are our primary method of preventing the spread of the pest. APHIS is currently developing protocols to certify pine straw and honeybee equipment as IFA free to allow trade in these items to continue while protecting free areas.

APHIS and its cooperators are continuing a biological control project using various species of phorid flies, a natural enemy of imported fire ants. With technical support and funding from APHIS, State officials conduct releases in infested areas with the hope that the flies will become established and ultimately spread over entire areas. The presence of the flies should negatively affect IFA populations and allow native ants to compete for resources, thus aiding in the restoration of the ecological balance. Preliminary data from a USDA-Agricultural Research Service integrated pest management project utilizing the flies, along with another biological control agent and insecticidal bait applications, has shown that IFA populations can be controlled with fewer insecticide applications over time when biological control agents are in place.

Since spring 2002, 43 releases have been completed (17 in FY 2004), with several releases in each of 13 States/territories under federal quarantine, except California (California elected not to receive flies while conducting an eradication program). Because phorid flies are extremely small and the adults live for only 2-3 days, it is difficult to determine how many populations are reproducing. Program officials have documented overwinter flies in five of the 10 releases that took place in FY 2002, and we believe that additional populations are reproducing as well. We will continue to evaluate release sites but will not know the true success of the program for several more years.

In FY 2004, APHIS met the performance measure target of no IFA infestations outside of regulated areas. APHIS expects to maintain the zero infestation level for the future. However, we conducted fewer biological control releases than planned because the program's main production facility in Florida lost power and was shut down several times during the unexpectedly severe hurricane season.

11. Johne's

At the end FY 2004, 42 states were in full compliance with the national program standards compared to the goal of 45 States. The States slowest to adopt the voluntary program are those with high urban populations in the northeast or States with limited dairy operations that do not see a significant impact from the disease. A total of 5,522 herds were enrolled in the Voluntary Bovine Johne's Disease Control Program, exceeding the initial goal to enroll 4,000 herds by 38 percent.

Approximately 11.8 percent of cattle herds are enrolled in the voluntary program with a test negative herd classification for Johne's, below the target of 20 percent. Since this program is voluntary, the ratio of test negative to test positive producer participation cannot be controlled. This may also indicate that there are fewer Johne's free herds in the country then estimated through prevalence studies or that herds free of the disease perceive less benefits from the program.

In cooperation with States, affected industries, and producers, APHIS recently developed a national Johne's disease strategic plan to help reduce the prevalence of the disease in the United States. The strategic plan includes the voluntary program, which provides testing guidelines for States to use to identify cattle herds at low risk for Johne's disease infection. Currently, the program is supporting a

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national demonstration project. The program implemented pilot studies focusing on current testing schemes and control methods in each region of the country in FY 2003. Once we collect enough data (at least 3 years), we hope to determine which management practices lead to decreased disease prevalence and/or increased milk production.

APHIS is seeking greater diagnostic test sensitivity and specificity of and testing strategies such as validating pooled fecal culturing or environmental sampling as a way to screen herds to determine infection status. Tests that are more sensitive could lead to more rapid identification of infected animals, allowing for more rapid disease containment.

The voluntary program is managed using a Federal, State and industry cooperative approach. It has been developed in cooperation with the National Johne's Working Group and the Johne's Committee of the U.S. Animal Health Association, State Veterinarians, and industry representatives. Select State-level Designated Johne's Disease Coordinator is done by State and Federal representatives jointly. In FY 2004, each State had a Johne's Disease Group (comprised of producer, university, laboratory, regulatory and veterinary practitioner representatives) to assist the State with program development.

APHIS continued to encourage producer participation by emphasizing the implementation of comprehensive producer education and training programs; defining and prioritizing knowledge gaps that influence producer participation and affect Johne's disease control; enhancing State implementation of the voluntary program, and thus uniformity, through better participant coordination; and strengthening the standardized national database to allow measurement of program progress and participation.

12. Low Pathogenic Avian Influenza (LPAI)

In FY 2004, APHIS' major success was the cooperation of industry, the States and Federal government in developing the Uniform Standards for the Control and Prevention of LPAI in the Live Bird Market (LBM) System and in the adoption of an avian influenza-monitoring program as part of the National Poultry Improvement Plan (NPIP). In FY 2004, the LBM Working Group, made up of representatives from commercial industry, LBM stakeholders and State and Federal government was reactivated. While participation in the monitoring program is voluntary, we have noted that all of the States in the northeast with significant populations of commercial poultry and/or LBM (NY, NJ, PA, MD, DE, CT, MA, ME) are participating in the LBM Working Group in preparation for membership in the program. Necessary decisions for finalizing the standards were made through the efforts of the LBM Working Group. The Working Group came to agreement on a number of issues in FY 2004 through the activities of subcommittees covering standards, surveillance, education and outreach, and bird identification.

In October 2004, the Program for Prevention and Control of LPAI in the LBM was finalized with the presentation of the Uniform Standards to the Transmissible Diseases of Poultry Committee at the United States Animal Health Association meeting. Finalization of the these standards for the LPAI program in the LBM System will now allow APHIS to develop Memoranda of Understanding with individual States, formalizing their participation in the program.

At the biennial conference of the NPIP in July 2004, the membership voted to expand the avian influenza surveillance program to cover the broiler, layer, and turkey industries. The program for primary breeder industries has been implemented and is covered in 9 CFR, Subchapter G, Part 145.

In FY 2004, there were several cases of LPAI in the commercial poultry industry that likely originated from the LBM's, resulting in cooperative State and Federal interactions. These occurred in Maryland, Delaware, and Texas. There were also positive cases of high pathogenic avian influenza reported in Texas and in British Columbia at the Washington state boundary with Canada. APHIS successfully

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eliminated the Texas infection before it was able to spread into other areas and cause significant incidents.

13. Noxious Weeds

APHIS continued to encourage development of multi-state regional alliances for management/eradication of Tropical Soda Apple, Cogongrass, and Giant Hogweed. Additionally, APHIS is cooperating in the development of a Mid-South regional invasive species coordination effort. An organizational meeting was held in Mississippi in FY 2004. Memoranda of Understanding among the States, as well as APHIS Regional coordinators are in place for Tropical Soda Apple, and Giant Hogweed.

APHIS regulatory and survey efforts continued with primary emphasis on Asian dodder, Cogongrass, Giant Hogweed, Giant Salvinia, Goatsrue, Small broomrape, branched broomrape, Tropical Soda Apple, and Wormleaf salsola.

Special projects included:

- Research on Cogon grass, a cost sharing initiative in Mississippi;
- Evaluation the efficacy of various control measures such as hydrilla flies and development of an Integrated Aquatic Vegetation Management program for Lake Gaston, Virginia;
- Survey and control of Japanese knotweed, giant hogweed, and other pest plants in Pennsylvania; and
- Rearing, distributing, and monitoring the effectiveness of bio-control organisms at the Nez Perce Bio-control Center (NPBC).

The Plant Protection Act (PPA) (7 U.S.C. 7701 et seq.), consolidated most APHIS plant statutory authorities, significantly broadened the definition of noxious weed and otherwise enhanced APHIS' ability to address noxious weed problems. APHIS has developed a final version of the Weed Action Plan to strengthen the noxious weed regulations and continue implementation of the PPA. The Action Plan draft is currently in review for publication.

During FY 2004, APHIS sought stakeholder comments regarding changes to the regulation of *Caulerpa taxifolia*. APHIS also participated as a member of the Caulerpa Committee within the Aquatic Nuisance Species Task Force. The Committee recently developed and presented a Caulerpa management plan for review by the full task force.

14. Pink Bollworm (PBW)

Eradication Program: APHIS, the New Mexico Department of Agriculture, the Texas Department of Agriculture, Sanidad Vegetal of Mexico, and cotton producers continued the eradication program on approximately 160,000 acres of cotton in Phase I. The U.S. cotton industry led by the National Cotton Council and assisted by APHIS and Federal and State cooperators developed an area wide eradication plan to eradicate PBW from all cotton-producing areas of the United States and northern Mexico. Pending growers' approval through scheduled referendums, APHIS plans to implement the cooperative eradication program in three incremental phases. Phase I, in FY 2001 to 2002, consisted of 160,000 acres of cotton in western Texas, New Mexico, and Chihuahua, Mexico. Phase II, in FY 2006, will consist of 240,000 acres in southeastern and central Arizona. Phase III, in FY 2008, will consist of 980,000 acres in western Arizona, California, and the Mexicali Valley of northwest Mexico. The Operational elements of the program include: 1) mapping to identify cotton field locations, acreage, and genotypes; 2) detection by trapping and visual inspection; and 3) control using cultural practices, mating disruption using pheromone, Bt transgenic cotton, sterile moth releases, and minimal insecticide applications.

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In FY 2004, APHIS was highly effective in reducing the overall PBW population in Phase I. Agency trapping data shows a reduction in PBW adults of over 94 percent in Texas, 97 percent in New Mexico, and 99 percent in Chihuahua when compared with FY 2001 trapping data. This low-level population maximizes the effectiveness of the sterile moth component.

Suppression Program: APHIS, the California Department of Food and Agriculture, and Californian cotton producers implemented another successful year of the PBW suppression program on approximately 700,000 acres of cotton in the San Joaquin Valley of California. The program conducted weekly trapping surveys, mass-reared sterile moths, and shipped and released sterile moths daily throughout the cotton-growing season. The sterile moths are the primary method of control throughout the season. The program released approximately 3.7 million sterile PBW moths daily for total release of 492 million moths in the 2004 season. The suppression program has maintained low-level populations in the San Joaquin Valley. The season-long total number of native moths trapped in FY 2004 was 63, a steady reduction from the 429 trapped in FY 1999. The program continued to prevent migratory PBW populations from becoming established in the San Joaquin Valley. APHIS plans to continue the suppression efforts until Phase III of the eradication program.

15. Plum Pox

In FY 2004, APHIS found four trees positive for plum poxvirus (PPV) in two orchard blocks and one homeowner site. APHIS officials removed 7.55 positive acres and another 32.39 exposed-acres from quarantine, a total of 39.94 acres. APHIS collected 238,000 samples from orchards, homeowners, and sentinel tree sites this year. APHIS collected and tested an additional 12,000 samples from native wild plants. APHIS officials also conducted a nationwide survey gathering over 52,000 samples taken from the States of California, Maryland, Michigan, New Jersey, New York, and South Carolina. All of the samples produced negative results.

On June 1, 2004, APHIS published the Final Compensation Rule that increased compensations to growers from 3 years up to 5 years, because of longer replanting prohibitions. The rule also authorized compensation for less than 1-year-old blocks of trees that had been destroyed, and authorized higher compensation rates for direct marketers that met specific conditions. The total compensation for these three items totaled $1.676 million in FY 2004.

Effective October 1, 2004, the Pennsylvania Department of Agriculture lifted the PPV Quarantine from Quincy Township and Mount Alto Borough, in Franklin County, and from Southampton Township in Cumberland County.

16. Pseudorabies

At the end of FY 2004, 47 States and 3 territories were in Stage V (free) status, thus meeting the FY 2004 target. At the beginning of FY 2005, all 50 states and 3 territories are in Stage V status of the Pseudorabies program (Free). Iowa gained free status in July, while Florida, Texas, and Pennsylvania gained free status in October.

In FY 2004, there were seven outbreaks of Pseudorabies that were confined to transitional production swine (pigs in contact with feral swine), with no spread to commercial production herds. These outbreaks occurred in Arkansas, South Carolina, Texas, Ohio, and Illinois. All positive herds were promptly destroyed.

APHIS updated the Pseudorabies Eradication Program Standards in November 2003. States must now develop and adopt a management plan that adequately separates and addresses controls of the interface of feral and transitional production swine with commercial production swine.

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APHIS has increased emphasis on separation of feral and transitional pigs rather than commercial swine production, with a requirement that States take responsibility for developing feral-transitional swine management plans as part of annual pseudorabies reporting requirements.

17. Scrapie

APHIS did not reach its performance goal for sample collection in FY 2004. This was primarily due to the reallocation of resources in APHIS due to the bovine spongiform encephalopathy (BSE) emergency effort. During FY 2004, APHIS sampled 25,178 animals at 42 slaughter facilities. During this period, APHIS inspected 308 plants that slaughter sheep. Of these plants, only 56 slaughtered one or more adult sheep per week. APHIS focused efforts in the largest facilities to ensure cost effectiveness of the sampling effort. The sampling data collected in FY 2004 enabled us to identify a downward turn in percentage of black and mottled faced sheep that tested positive. Black and mottled faced sheep have higher scrapie prevalence than white face sheep, making them the best population for assessing progress.

APHIS encountered several obstacles in FY 2004. The most significant being the previously mentioned redirection of resources to the BSE emergency effort. In response, we adjusted our operations to compensate for this and managed to maintain steady increases in our sample collections. APHIS also encountered a delay in the implementation of slaughter regulations, which delayed our ability to collect samples at some plants for several months. The regulation has since been promulgated and we look forward to greater success in our sampling efforts. Finally, APHIS has been experiencing failures of some States to implement the intrastate identification requirements in a timely manner. Proper identification of adult slaughter sheep is a critical component of a successful, coordinated disease eradication effort. We are currently reviewing all States for consistent State status and are taking action to correct shortfalls that are identified.

In FY 2004, APHIS recognized three major efforts contributing to an operational savings over $1 million. First, APHIS has allowed private laboratories to bid to genotype samples from breeding animals to help develop a scrapie resistant line. (This differs from diagnostic sampling conducted by NVSL). This has the cost to producers and to APHIS for the tests. APHIS estimated the cost saving to be $25,000 in FY 2004 and projects $100,000 in FY 2005. Secondly, advancements in testing procedures during FY 2004 have led to an immunohistochemistry (IHC) test requiring one slide instead of two. This will result in a 50 percent cost savings, or $600,000 to $900,000 in FY 2005 and future years. Lastly, there will be a 50 percent cost reduction in slaughter sample collection. Collection time, cost of shipping, and sampling supplies will all be decreased as the result of the implementation of genotyping formalin-fixed tissue. This form of genotyping will also reduce the need for frozen sample storage at NVSL.

18. Tuberculosis (TB)

At the end of FY 2004, the program designated 46 States, Puerto Rico, and the Virgin Islands accredited TB-free, thus meeting the FY 2004 target of 48 States and territories considered class free. Fifteen States and the U.S. Virgin Islands have maintained their TB-free status for more than 25 years; 16 States have been TB-free for 15-24 years; 8 States have been TB-free for 10-14 years; and 7 States have been TB-free for 5-9 years.

During FY 2004, APHIS detected 6 newly affected cattle herds and 1 newly affected elk herd compared to 10 detected in FY 2003. Of these, three were located in Michigan, and one each was found in Texas, New Mexico, and Arizona. Of the herds located in Michigan, one was a beef herd and two were dairy herds. These herds most likely acquired the disease through contact with an infected population of white-tailed deer in the endemic area of northeastern Michigan. Dairy calf raising operations were affected in Arizona and New Mexico, and epidemiological studies associated with them suggest that new additions to the herds were the sources of infection; raising questions as to the

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source and potential for spread to milk producing dairies via infected purchased replacements. A milk producing diary herd was detected in Texas.

In FY 2004, APHIS detected 42 comparable cases for tracing through slaughter surveillance; of that number, 16 are pending closure. Of the remaining 26 cases that have been closed, we determined 6 to be something other than bovine TB. Of the remaining 20 bovine TB cases, 19 (95 percent) were successfully traced to their herd of origin with the majority tracing back to Mexico. This resulted in APHIS exceeding their target of tracking positive signal animals back to their herd of origin.

APHIS has formed and supported a small working group of Subject Matter Experts and industry leaders to develop and finalize more effective surveillance standards and plans that are acceptable to the industry and State cooperators. One very beneficial outcome of this project could be some collaboration of surveillance efforts for TB and chronic wasting disease in the captive cervid segment of the industry.

To keep bovine TB out of the United States, APHIS took several preventative measures including finalizing regulations to reinforce risk-based interstate and international movements. Because of these regulations, the Agency placed stricter testing requirements on cattle entering the United States from Mexico. APHIS has also elevated the priority level to improve slaughter surveillance to more effectively detect, confine, and eliminate positive cases of TB. A revised and updated Uniform Method and Rules Administrative Infrastructure and Strategic Plan for 2004 will go a long way towards strengthening all components of the TB eradication program.

19. Wildlife Services Operations

In FY 2004, APHIS reinforced oral rabies vaccination (ORV) zones along the Appalachian Ridge through the distribution of 6.3 million baits on 31,000 sq miles from the Ohio-Pennsylvania border to northern Alabama. The goal of this portion of the national ORV project is to prevent the westward spread of raccoon rabies. Enhanced rabies surveillance, which included collection of potentially rabid raccoons and skunks, road-kill surveys, and focal sampling, was intensively implemented to help measure project progress and better prepare APHIS and cooperators to respond to rabies exigencies that could jeopardize long-term project success. APHIS and cooperators continued to conduct ORV in eastern Maine, northern New Hampshire, Vermont and New York. We distributed almost 32 million baits over 11,000 sq miles. The immediate goals of this portion of the project are to contain raccoon rabies from spreading farther into Ontario and New Brunswick and free areas in New England and New York from raccoon rabies. APHIS and cooperators continued to conduct ORV and rabies surveillance projects in Florida, Maryland and Massachusetts in FY 2004.

In FY 2004, there were two breaches of existing ORV zones, near Lake Erie in Ohio and on Cape Cod, Massachusetts. APHIS responded immediately to these breaches with enhanced rabies surveillance to characterize the severity and scope of each breach. We distributed approximately 131,000 baits over 550 square miles surrounding the outbreak zone, and hand-vaccinated over 750 raccoons in a strategy to contain this outbreak and restore the barrier. Active surveillance remains in place to monitor this breach. There have been no cases detected beyond the new contingency action ORV zone.

APHIS continues to assume a key role with the Texas Department of Health and several other cooperators in an effective ORV program in south Texas. The purpose of this project is to maintain an ORV zone along the Mexican border in south Texas to prevent the canine strain of rabies in dogs from re-emerging in coyotes in Texas. APHIS and cooperators worked with Mexican authorities to increase surveillance along the border. In FY 2004, the barrier covered approximately 11,000 square miles and included the distribution of approximately 750,000 vaccine-laden baits. APHIS also cooperates with the Texas Department of Health in ORV program efforts to contain gray fox variant of rabies in west central Texas. In FY 2004, we distributed approximately two million baits over 18,000 square miles to

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contain the unique strain of gray fox rabies in Texas. We achieved our performance target of no breaches in the maintenance ORV zone in south Texas. A single rabies case was detected near Laredo in FY 2004, but did not breach the maintenance barrier.

APHIS continued to implement its Wildlife Disease Surveillance and Emergency Response Program in FY 2004. The program's twenty-three wildlife disease biologists participated in disease surveillance activities including technical assistance, surveillance, and control of over 15 wildlife and domestic animal diseases as well as emergency response. For example, we assisted with CWD surveillance in 17 States and the District of Columbia. APHIS collected over 1,500 deer heads and 750 brain stem samples for the Maine Department of Inland Fisheries and Wildlife. We also assisted the Wisconsin Department of Natural Resources in collecting samples from over 7,000 deer heads. In addition, program personnel responded to a request from the Arizona Game and Fish Department to remove domestic goats believed to be infecting bighorn sheep with pneumonia. We collected samples from coyotes believed to be infecting drinking water through fecal contamination for the University of California. Several states requested assistance with West Nile virus monitoring. For example, program personnel in Illinois and Missouri cooperated on one project to collect 190 samples from birds in the St. Louis, Missouri area for the Missouri Department of Health and Senior Services. In Maryland and New Jersey, program personnel collected samples from resident Canada Geese captured during wildlife damage management and submitted them to the respective laboratories for analyses. APHIS personnel were also instrumental with emergency response having the ability to mobilize employees in disease control efforts. For example, APHIS employees participated in the loading and clean-up operations at the Washington State bovine spongiform encephalopathy Task Force. We also responded to a request from the Texas Animal Health Commission to collect cattle egrets, feral pigeons, house sparrows, and migratory birds for analysis of highly pathogenic avian influenza.

Airports reported approximately 6,000 wildlife strikes to civil aircraft in 2003, with the U.S. Air Force alone reporting more than 4,200 strikes to military aircraft. Wildlife strikes cost civil aviation in the U.S. over $500 million in damages in 2003. Airports and military bases continue to increase requests for APHIS assistance in managing wildlife hazards. In FY 2004, APHIS wildlife biologists provided hazard management assistance to over 550 airports nationwide for the protection of human safety and property, compared to only 42 airports in FY 1990. APHIS provided full-time assistance at 20 civil airports nationwide. At JFK International Airport, a program led by APHIS biologists has reduced gull strikes by over 80 percent in 2000-2003 compared to strike levels in the early 1990s. At Chicago-O'Hare, a deer management program led by APHIS biologists has eliminated deer strikes from 1994-2004 compared to eight deer strikes from 1986-1993. In addition to the work on civil airports, APHIS has full-time biologists stationed at 25 Military or Joint-use (civil-military) airbases including Whiteman Air Force Base (AFB) in Missouri, Homestead Air Reserve Base in Florida, Langley AFB in Virginia, and Seymour Johnson AFB in North Carolina. APHIS biologists reduced the strike rate per 1000 flying hours from 11.5 during the 1990s to less than 4 since 2000 at the Whiteman AFB. At Seymour Johnson AFB, there has been a 98 percent reduction in maintenance costs related to bird strikes since 2002 because of the APHIS-led integrated bird hazard management at the base. APHIS biologists reduced, suppressed, or prevented wildlife hazards at 441 airports in FY 2003 compared to 450 in FY 2004.

During FY 2004, the APHIS Aviation Program continued to expend considerable effort on the development and implementation of the APHIS Aviation Training Center. With cooperation from the Southern Utah University in Cedar City, Utah, APHIS continues to establish quality-training curriculums. Having completed initial classroom instructor-type training for all APHIS fixed-wing and rotary wing aircraft, the Center is ready for full implementation. Large hangar and warehouse facilities acquired last year are fully functional for housing training simulators, training equipment and an APHIS training fixed-wing aircraft. Included in the training curriculum will be flight training for all agency and contract pilots, gunner (crewmember), ground crew, and Senior Level Aviation Management training.

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In FY 2004, wolf populations continued to increase, as did the requests for assistance with wolf predation. APHIS responded to 146 requests for assistance with wolf predation during FY 2004 in Minnesota alone. APHIS also worked with Michigan and Wisconsin to coordinate wolf depredation control. In the west, APHIS responded to 79 requests for assistance with gray wolf predation in Idaho, 95 in Montana, and 75 in Wyoming. APHIS continued to use specialized electronic frightening devices called RAG (radio-activated guards) boxes developed by our National Wildlife Research Center to protect livestock from predation

In 2004, APHIS continued to assist State and Federal agencies to implement various projects across the country for the protection of endangered species. In addition to ongoing work in areas with high concentrations of listed species and high levels of depredation pressure such as Guam, and Puerto Rico, APHIS conducted activities is 29 States. For example, APHIS worked with Florida, the U.S. Fish and Wildlife Service, various National Parks, and the U. S. Marine Corps in North Carolina to protect nesting sea turtles from coyote, fox, and raccoon predation. Predator control efforts in Puerto Rico assisted in the conservation of the Puerto Rican parrot, and livestock protection in Arizona and New Mexico has increased public tolerance for the recently reintroduced Mexican wolf, which contributes substantially to wolf recovery efforts in the southwest. APHIS continued to participate in the conservation effort of the black-footed ferret through active management activities and participation in work group efforts. APHIS set a performance target of protecting 144 threatened and endangered species for FY 2004, but our work actually included 164 species in 128 projects. In addition, our beaver damage management activities in the western United States benefited the Lahontan cutthroat trout and greenback cutthroat trout by improving the quality of the water flow and the health of the waters where they exist.

In FY 2004, APHIS addressed various livestock and property damage request. For example, APHIS personnel responded to 19 livestock damage complaints of grizzly bears in Wyoming. The Mexican wolf population in New Mexico and Arizona is at approximately 55 animals. APHIS has been instrumental in the recovery efforts through response activities to 11 livestock damage situations from Mexican wolves. APHIS also received requests for assistance with bear problems in Colorado, Wisconsin, New Hampshire, Louisiana, Maine, Massachusetts, Georgia, and Mississippi. Wildlife specialists in New Hampshire alone responded to over 500 requests for assistance regarding bear damage to apiaries, agriculture crops, livestock, property and human health and safety, and installed over 70 temporary electric fences to avoid losses to apiaries.

APHIS continued to direct the cooperative program to prevent the inadvertent introduction of the brown tree snake (BTS) from Guam to other Pacific Islands, Hawaii, and the U.S. mainland in FY 2004. During the year, the Department of Defense allocated $1 million and the Department of Interior provided $456,000 to help fund the BTS program in Guam. The Agency has trained 14 Jack Russell terriers to detect snakes in outbound military and civilian cargo at transportation facilities. Our wildlife specialists also use traps, barriers, nighttime fence-line searches with spotlights, habitat modification, and prey-based removal to control the BTS. Additionally, APHIS established a protocol for responding to snake sightings in Hawaii and has provided traps and equipment to cargo facilities in Hawaii as part of BTS contingency plans. In FY 2004, APHIS achieved its target of zero BTS sightings on Oahu, and the Agency exceeded its target of 6,500 BTS interceptions on Guam and at or near ports of exit by 3,218.

20. Witchweed

As of September 30, 2004, the total infested acreage stood at 2,000, which is approximately 800 acres less than the total infested acreage at the end of FY 2003. As APHIS reduces sites of infection to an extremely low level, it is common for new detections to occur on small plots of land while eradication occurs on others. However, new detections are offset by a greater number of acres being released from

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the program due to completion of surveys confirming the absence of witchweed for at least 5 years. As of September 30, 2004, the Agency declared an additional 3,600 acres free of witchweed, since the agency has not found witchweed for 10 years or more.

ANIMAL WELFARE

Current Activities: The program activities under this component ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA) and the Horse Protection Act (HPA). Under this legislation first enacted in 1966 and amended several times thereafter, APHIS carries out activities designed to ensure the humane care and handling of animals used in research, exhibition, the wholesale pet trade, or transported in commerce. APHIS places primary emphasis on inspection of facilities, records, investigation of complaints, inspection of problem facilities, and training of inspectors. Regulations supporting the AWA, which appear in 9 CFR, Chapter 1, Subchapter A, Parts 1-3, provide minimum standards for the handling, housing, feeding, transportation, sanitation, ventilation, shelter from inclement weather, and veterinary care of regulated animals.

APHIS performs pre-licensing inspections because, according to statute, applicants must be in full compliance with AWA regulations and standards before being issued a license. After APHIS issues a license, program personnel perform unannounced compliance inspections and inspections to verify continued compliance. By law, all registered research facilities are inspected at least once a year. If violations discovered during a compliance inspection remain uncorrected at the time of the inspections process, these violations are documented for possible legal action.

APHIS also administers the HPA of 1970 as amended, which prohibits the showing, sale, auction, exhibition, or transport of sored horses. Sponsors and/or management of shows, sales, auctions and exhibitions have statutory responsibility under the HPA to prevent unfair competition, and must identify and disqualify sored horses.

Program Assessment Rating Tool: APHIS assessed the Animal Welfare programs and received a grade of adequate. Specific Office of Management of Budget (OMB) findings included: (1) the program has a clearly defined purpose; (2) there is a need for more independent evaluations; and (3) the program has made improvements in performance measures. APHIS considered the OMB findings in the Agency's budget proposal, as well as the substantial growth in the number of licensees and registrants and its impact on APHIS' ability to meet performance targets.

Selected Examples of Recent Progress:

1. Animal Welfare

APHIS continues to focus on conducting quality inspections under the AWA at USDA licensed and registered facilities. The program's risk-based inspection system concentrates activities on facilities where animal welfare concerns are the greatest. During FY 2004, the program conducted 16,828 inspections of licensees, registrants, and prospective applicants. This represents a 14-percent increase over FY 2003, and continues the upward trend in inspections begun in FY 2001 following a sustained period of decline throughout the 1990s. By the end of FY 2004, the number of animal care inspectors stood at 106, an increase from the low of 64 at the end of FY 1998.

APHIS recruited and filled three specialty positions in FY 2004 – one in non-human primates and the other two in large exotic cats and elephants. With these specialists, we conducted several inspections at the National Zoo in 2003-04 to identify problems and assist in resolving deficiencies.

APHIS focused on adapting new technology to improve the effectiveness and efficiency of its field inspectors in FY 2004 through the introduction and testing of two instruments. The first was a hand-held

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gas chromatograph device capable of identifying chemical vapors within 10 seconds. Applications for this technology include identifying illegal "soring" chemicals applied to the legs of show horses to make them feel sore; bacteria from wounds or animal solid waste; and harmful chemical vapors in animal housing facilities. Inspectors also tested a handheld infrared camera capable of detecting surface temperatures on living or inanimate objects. The device will evaluate the adequacy of temperature, shade, and ventilation management in zoos, kennels, and research facilities, and has applications in enforcement of the Horse Protection Act.

The Alternatives Research and Development Foundation (ARDF) filed a lawsuit in FY 2000 seeking to include birds, rats, and mice under the AWA. After consultation with the Department of Justice, the Department opted to settle by agreeing to initiate a rulemaking to change the regulatory definition of "animal" to include birds, rats, and mice under the AWA authority. Subsequently, Congress included a provision in the FY 2002 Farm Bill to amend the AWA to explicitly exclude rats, mice, and birds used in research from coverage under the Act. In June 2004, the Agency published a docket in the Federal Register announcing a 60-day period to receive comments from the public, the research community, and other interested parties, either by mail or on-line, about how the Department should regulate birds, rats, and mice under the AWA. We subsequently extended the comment period through November 1, 2004. In response, we have received approximately 7,500 on-time comments, which are under review.

We recently awarded a contract to upgrade and improve our Licensing and Registration Information System (LARIS), a much needed and overdue project in light of advances in computer technology since the system was first developed. LARIS will enable animal care inspectors to access records of prior compliance and/or deficiencies, as well as to facilitate headquarters tracking of inspections and performance. The new system will also encompass the Horse Protection Program for the first time.

In October 2003, APHIS issued a Strategic Direction for the Animal Care Program reflecting the organization's strategic planning process and setting program direction for the 3-year period FY 2004 through FY 2006. The plan addresses the operational and external challenges that APHIS expects to face in the coming years, and outlines guiding principles, goals, and objectives. Included in the plan is a need to establish an Animal Care Center for Education, Outreach, and Technology, to provide education to the regulated community on appropriate methods of animal care and best practices within the industry. Education and outreach will help improve overall conditions and humane treatment of the animals.

APHIS continued to emphasize public education and outreach in FY 2004 through efforts consisting of: (1) canine care workshops around the country with commercial breeders as the target audience, (2) attending veterinary workshops to educate veterinarians providing services to regulated facilities, and (3) exotic cat workshops. In October 2004, APHIS conducted the first of two one-day educational symposia in St. Louis, MO, to present and discuss current information on the care and maintenance of exotic big cats. Topics included veterinary care issues, transportation, new training methods, nutrition, and more. A second big cat symposium was held in early December 2004 in Riverdale, Maryland. A first-time meeting is planned for next spring for animal welfare officials from all of the States to discuss issues of mutual concern including the resolution of conflicts between the various State and Federal statutes and authorities.

Through regulatory inspections and educational efforts, the Animal Welfare Program has succeeded in raising the level of facility compliance from a baseline of 58 percent in 2001 to 70 percent in 2004. With FY 2004 funding, the target was raised from 68 percent to 70 percent. This new, more difficult target was met.

APHIS did not meet the target of having only 340,000 animals affected by noncompliance documented in inspection reports. During FY 2004, APHIS found 383,563 animals affected by noncompliancy. The increase is attributable to several factors, including: (1) a change in inspection methods; (2) a change in the composition of the industry; and (3) an increase in the size of the industry. During the past year, field inspectors focused on facilities posing the highest risk. High-risk facilities are defined by several factors,

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including those being larger. With more animals to oversee, large facilities are more likely to neglect some of them. Another explanation is that the mix or composition of the industry has changed slightly due to many new entrants having just received their licenses and being less informed about the AWA requirements. Lastly, there has been a 40 percent increase in facilities since 2001, greatly expanding the universe of animals and in turn the potential for instances of noncompliance.

2. Horse Protection

APHIS initiated training and field-testing of two technological tools previously mentioned in FY 2004: (1) an infrared thermograph camera and (2) an ultra fast gas chromatography instrument. The infrared thermograph research shows promise for detecting objective heat measurements of the lower limb of the horse that are indicative of soring. The gas chromatography research is being conducted to detect prohibited foreign substances on horses' legs at regulated events. APHIS conducted public meetings in Tennessee, Kentucky, Missouri, California, and Washington in FY 2004 to share the results of the research and to discuss plans with exhibitors, horse industry organizations (HIO) and other interested parties. Goals for implementation of both tools are late in the 2005 show season.

The level of cooperation between APHIS Veterinary Medical Officers, HIO inspectors, and regulated parties improved greatly in 2004, resulting in increased HIO-cited violations and zero incidents of violence or threats directed at APHIS personnel. Staffing choices, conflict management training, and increased communication and outreach efforts have resulted in a 75-percent reduction in dollars spent for armed contract security guards compared to 2003.

SCIENTIFIC AND TECHNICAL SERVICES

Current Activities: The programs within this component ensure the effectiveness of the technology and protocols used in APHIS programs. The Agency conducts these programs to develop new or improved methods for managing wildlife damage to crops, livestock, natural resources, property, and public health and safety; detecting, identifying and/or diagnosing plant pathogens, insect pests and weeds; developing and evaluate quarantine treatments for trade commodities; dealing with foreign animal diseases and bioterrorism threats which endanger animal agriculture and the food supply in the United States.; controlling or eradicating harmful plant pests; facilitating global agricultural trade; ensuring that new products produced using biotechnology are safe for agriculture and the environment; and, applying new technology to protect the health and marketability of animals and animal products. The Agency also conducts laboratory testing programs to support disease and pest control and/or eradication programs. Additionally, APHIS provides advice and assistance to agency programs on environmental compliance requirements with respect to pesticide registration and drug approvals for products used in implementing these programs.

Program Assessment Rating Tool: Specific Scientific and Technical Services programs were assessed as part of the plant and animal health monitoring programs which received an effective rating with a score of 87 percent. The Office of Management and Budget recommended the programs develop efficiency measures. Accordingly, APHIS has developed an efficiency measure and is collecting the data needed to calculate efficiency.

Selected Examples of Recent Progress:

1. APHIS Information Technology and Infrastructure (AITI)

APHIS Cyber-security Improvements: APHIS undertook a comprehensive certification and accreditation initiative in support of the Office of Management and Budget's (OMB) direction, and USDA's goal to have 80 percent systems accredited in FY 2004. AITI enabled APHIS to certify and accredit its general support systems (email, network, etc.); eliminate threats and vulnerabilities by

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preventing viruses, worms, operating system/applications software weaknesses; and managing undesirable activities that have an impact on productivity and efficiency of employees. APHIS has stopped 970 million intrusion attempts and removed 830,000 viruses.

Employee Productivity Improvements: APHIS has made several improvements that help employees in the use of computer technology. Initiatives include web-based databases that allow employees to find their own answers or that make it easier to get them a quick answer resulting in time saved and reduced cost for support; access to a technical assistance center that addresses computer problems, thereby reducing non-productive time.

Standard Computer Suite Provision: APHIS maintains its hardware and software tools to receive vendor support when problems emerge and to receive vendor upgrades. A standard set of tools allows the agency to maximize the exchange of information in a manner that is consistent, cost effective and easy to support. Such an approach is considered a best practice within the IT discipline because it helps manage costs, improve security, and reduce risk to an organization. Training and support costs are reduced as well.

E-mail Improvements: Employees heavily rely on email and instant messaging to accomplish program activities. APHIS currently routes 7.6 billion system transactions annually, and expects this to grow by 20 percent next year. AITI has allowed APHIS to invest in new technology to meet this demand and address reliability and availability. AITI supported an initiative to procure tools to address spam, which has changed from a nuisance to a significant threat to security. This effort will continue into mid 2005, and will improve the safety of individual email users, as well as improve productivity by eliminating unwanted or unnecessary messages.

Network Availability: APHIS program activities continue to grow in complexity, which creates a demand for data and information. The APHIS network has grown in response, and must improve capacity, reliability, and proactive monitoring. In FY 2003, the network provided an aggregate bandwidth of 174,000 kilobytes/second, which doubled in FY 2004 to 351,131 kilobytes/second. APHIS also provided new telephonic capabilities, which maximize productivity and improve communications by delivering increased mobility, advanced functionality, and streamlined administrative tasks.

Emergency Response Support: APHIS has improved the security, reliability, and robustness of its network. This is necessary in an emergency, which allows APHIS to direct critical program operations. The APHIS Continuity of Operations Centers utilize the telephonic capabilities described previously to provide support to emerging emergencies in providing information to the public and employees.

Information Infrastructure Improvements: APHIS uses database and web infrastructure, including capabilities to store and manage vast arrays of data and information in a highly available and reliable manner. Infrastructure stability and availability is critical to support timely delivery of information for emergencies such as BSE. In FY 2004, outside people visited an aggregate number of 19,629,000 web pages in 4,990,000 separate visits. APHIS currently manages 10 terabytes of program data that has grown by 50 percent since last year, with expected estimates of 25 percent growth in FY 2005.

Support for E-Gov, Government Performance Evaluation and Assessment (GPEA), and Federal Enterprise Architecture (FEA): AITI provided content management and information taxonomy support, which are essential components of the USDA E-Gov initiatives. APHIS implemented 895 standard electronic forms and workflow to comply with the GPEA mandate to provide customers with an electronic and more efficient means to conduct business with APHIS, saving them time and money. Lastly, APHIS began enterprise architecture (EA) work with an initial emphasis on emergency

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management processes, due to their importance to APHIS and its stakeholders. These efforts will fit in well with USDA efforts, and ultimately with OMB's FEA initiative.

2. Biosecurity

In FY 2004, APHIS established one Inter-governmental Personnel Act position (acting as an APHIS liaison) at the Department of Homeland Security's Center for Domestic Preparedness (CDP) in Anniston, Alabama. The APHIS liaison at CDP serves as the APHIS on-site liaison and coordinator for all USDA training activities currently under way or planned at the CDP, and coordinates directly with the leadership of the CDP. APHIS conducted two pilot projects to evaluate services (from Intellibridge Corporation) and to test systems (the Digital Analysis Environment, DIANE, developed by the Arlington Institute) that will allow APHIS access to open source agricultural information to collect information and perform risk assessments on threats of foreign pests and disease entering the United States.

3. Biotechnology Regulatory Services

APHIS is currently working on making changes to its regulations regarding the importation, interstate movement, and environmental release of certain GE organisms such as plants, insects, or other microorganisms. Regulations were strengthened when the Plant Protection Act of 2000 broadened USDA's regulatory authority and the National Academy of Science issued a report that made recommendations to view the Plant Protection Act of 2000 as an "opportunity to increase the flexibility, transparency, and rigor of the APHIS decision-making process." APHIS is currently preparing an Environmental Impact Statement (EIS) and is evaluating several possible regulation changes. The most significant change being considered is broadening the scope of regulations to reflect the full authorities of the Plant Protection Act of 2000. APHIS also anticipates in the implementation of other changes based on the results of the EIS including evaluating the development of a multi-tiered, risk and familiarity-based permitting system to replace the current permitting and notification system. The program is also evaluating our deregulation process to build in additional flexibility when deregulating GE organisms. On January 22, 2004, the Department issued a press release announcing its intention to update and strengthen its biotechnology regulations for the importation, interstate movement and environmental release of certain GE organisms.

APHIS continues to strengthen the biotechnology regulatory program by reshaping the organization and increasing our workforce expertise. APHIS' Compliance Unit, established in 2003, is currently putting programs in place to ensure that companies and organizations adhere to regulations, permit and notification conditions, and related requirements for the introduction or movement of GE organisms. The Agency has recruited a new compliance director and two regulatory specialists, with additional recruitment planned for the future. In addition, an Environmental and Ecological Analysis team was established recently to analyze the overarching biological and ecological issues associated with field-testing and unconfined release of biotechnologically derived products. APHIS has also begun building staff for a regulatory division for the upcoming functions of animal regulation in response to the new work the program anticipates under the Animal Health Protection Act.

APHIS has successfully regulated the biotechnology industry for more than 15 years. During that time, the Agency has overseen approximately 10,000 field trials without incident, and has evaluated more than 90 petitions for deregulation to ensure these plants posed no threat to other plants or the environment. As of September 30, 2004, APHIS has granted 63 petitions for deregulation for the following products: tomatoes, squash, cotton, soybeans, rapeseed, potatoes, papayas, beets, rice, flax, tobacco, and corn. Traits of these products include but are not limited to fruit ripening and oil profile altering, pest and herbicide resistance, lepidopteron resistance, glyphosate and phosphinothricin tolerance, pollination control, and nicotine reduction.

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APHIS has made considerable efforts to increase transparency to the public and stakeholders. This year, the Agency developed a new process for environmental assessments (EA) for field tests of genetically engineered plants used to manufacture pharmaceutical and industrial compounds. In cases where EA's are required for pharmaceutical and industrial crop filed tests, APHIS now posts the EA's on its website for public and stakeholder viewing. In addition, the Agency announces the availability of the EA's in the Federal Register for a 30-day comment period, thereby allowing stakeholders and the public to be part of the decision-making process before APHIS approves a permit. In June 2004, APHIS also launched a new website that has been completely reorganized at its previous web location. The new site provides greater accessibility to our permits and decisions, and news and upcoming events. The program also worked with the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA) to launch the Unified Website for Biotechnology, a comprehensive website describing the Agencies' activities in reviewing the products of modern biotechnology. An important feature of the Unified Website is a searchable database of biotechnology products that have completed reviews for use in this country.

Also in relation to increasing transparency, APHIS sponsored a meeting with the National Association of the State Departments of Agriculture to discuss the USDA's role in the regulation of biotechnology and possible changes to that regulatory system, along with ways to strengthen the program's critical working relationship with the States. The Agency also co-sponsored a workshop with the Pew Initiative on Food and Biotechnology where critical information was gathered on the special needs of academics and small businesses.

APHIS continues to make significant accomplishments in its international activities related to regulatory coordination. This year, the Agency played a key role in ensuring that an international standard that addresses plant pest risk analysis for living modified organisms adopted under the International Plant Protection Convention was consistent with USDA policies. Program experts also participated in the drafting of the standard on the "Importation and Release of Transgenic Plants in North American Plant Protection Organization (NAPPO) Member Countries" that addresses unconfined release, which was adopted by the NAPPO. In addition, the Agency participated in the North American Biotechnology Initiative, under which a trilateral agreement between the United States, Mexico, and Canada was signed that implements how trade of biotechnology products would comply with the articles of the Biosafety Protocol, thus helping to ensure uninterrupted trade between the countries.

During the past year, APHIS personnel met with about twenty teams of foreign officials (primarily from developing countries) and traveled internationally on at least ten trips to provide regulatory overviews and conduct risk assessment training. Additionally, the Agency participated in an initiative with China that facilitated that country's first permanent approval of imports of GE foods.

4. Environmental Compliance

Environmental Compliance Documentation: APHIS prepares an Environmental Impact Statement (EIS) when an action or a program may have the potential to affect the human environment. During FY 2004, APHIS continued to work on two EIS projects for animal and biotechnology activities. APHIS also started work on two new biotechnology EIS documents. These programs may potentially have adverse impacts that are intense and that potentially affect the environment on a regional or broader scale.

During FY 2004, APHIS completed 74 environmental assessments (EAs). APHIS prepares an EA to analyze the potential for environmental impact of a proposed APHIS action that generally is classified in the EA category under NEPA regulations (7 CFR 372.5). For example:

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- Rangeland Grasshopper and Mormon cricket Cooperative Suppression Programs: APHIS prepared EAs for programs in twelve States during the spring of 2004 in anticipation of increased populations of grasshopper and Mormon cricket species. The primary programs in FY 2004 occurred in the States of Idaho, Montana, and Utah. Program action is necessary in situations where these species can devastate agricultural crops and damage wildlife habitats. The active programs protect forage in rangelands and adjacent croplands from the potential destruction posed by heavy infestation of grasshoppers and Mormon crickets.

- Oriental Fruit Fly Cooperative Eradication Programs, California: APHIS prepared three EAs for outbreaks of Oriental fruit fly in California. The program areas were primarily urban or suburban, but included some agricultural lands. There were issues of concern regarding movement of the produce out of these areas. Completion of the environmental documentation provided the flexibility needed by the programs to eradicate this pest and to meet the needs of growers in the area.

- Emerald Ash Borer Cooperative Eradication Program in the Lower Michigan Peninsula: APHIS prepared an EA to address expanded program actions needed to contain and eradicate this infestation in Michigan. Officials found breeding populations of the emerald ash borer, a highly destructive Asian pest of ash trees, at certain locations in Michigan, Ohio, Indiana, and Ontario. The damage from this pest could be devastating to forests in the Midwest and other parts of the country. Additional documentation may be needed for this highly invasive pest species if eradication at new locations and more intensive control measures become necessary.

- Field releases of biocontrol agents: APHIS prepared four EAs for the release of biocontrol agents. This included assessments for control of ivy gourd, old world climbing fern, mile-a-minute weed, and pigeon pea pod fly. The three weed species control documents are for plants that have already been introduced in the United States. The fly control document is for a species that is anticipated to pose pest problems based upon likely the spread to and throughout parts of the continental United States.

- Importation documents: APHIS prepared EA documents for importation of moth orchids, penning plants, and eucalyptus wood products. It is anticipated that similar documents for importation of other ornamentals and other wood products will be requested as demand for specific new products are determined to pose potential pest and disease risks not previously determined.

Compliance with the Endangered Species Act: Before implementing a proposed action, APHIS must carefully consider the Endangered Species Act of 1973 (ESA), enforced by the U.S. Department of the Interior's U.S. Fish and Wildlife Service (FWS) and the U.S. Department of Commerce's National Marine Fisheries Service (NMFS). Once initiated, the ESA process can take many months to complete.

APHIS actions should not have an adverse effect on endangered and threatened species or their habitats. If APHIS officials determine that a program may affect listed species or their habitats, a biological assessment is sent to FWS and/or NMFS for review and concurrence. If FWS and NMFS determine that a program is not likely to affect endangered and threatened species then a program action may proceed. During FY 2004, APHIS conducted several ESA consultations:

- Emerald ash borers are non-indigenous beetles from Asia and feed on ash trees in Michigan, Indiana, and Ohio. Larvae feed on phloem and outer sapwood, producing galleries that eventually girdle and kill branches and entire trees. APHIS is attempting to eradicate this pest from the United States using methods including cutting, soil drenches, and trunk injections with insecticides, and trap trees. APHIS submitted three biological assessments to FWS field

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offices for programs in Michigan, Ohio, and Indiana, requesting concurrence with determinations that program activities were not likely to affect listed species or their habitats. In all three consultations, FWS concurred with APHIS' determination.

- Melaleuca quinquenervia, commonly called "melaleuca," has become a successful invasive weed in south Florida because of its ability to produce large quantities of seed. Melaleuca was first imported to south Florida from Australia as an ornamental tree around 1900. Later it was widely planted in wetlands as an inexpensive production method for the nursery trade. By the late 1970s, melaleuca became recognized as an invasive weed. Melaleuca has invaded more than a half-million acres in south Florida and over $25 million has been spent over the past decade to manage it, yet it continues to spread. Officials evaluated the release of biological control organisms, a non-indigenous fly, and its obligate nematode, for its potential effect on endangered and threatened species and their habitats. Based on host-specificity testing and the biology and location of the endangered and threatened species, it was determined that there would be no effect from the environmental release of the organisms.

- Boll weevil is a devastating pest of cotton, an economically important and valuable crop in the U.S. Cotton belt that has caused extensive economic damage in the past. ES consulted with FWS on the Southeast (Arkansas, Louisiana, Mississippi, Missouri, and Tennessee) and Southwest boll weevil programs (New Mexico, Oklahoma, and Texas). Yearly pesticide programs against boll weevil infestations help to protect the cotton crop from devastation. Fifteen pesticides were available for use in the Southeast program and two pesticides were available for use in the Southwest program against boll weevil, requiring an intricate ESA review that the pesticides planned for use would not adversely influence endangered and threatened species or their habitats. Without successful consultation, the annual program to protect the U.S. cotton crop from boll weevil would not be able to proceed. The FWS concurred with APHIS' determination that the boll weevil program activities for 2004 were not likely to affect listed species.

Pesticide Registration and Drug Usage Approvals In accordance with the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Federal Food, Drug, and Cosmetic Act (FFDCA), APHIS obtains and maintains pesticide registrations and drug approvals for products used in many of APHIS programs. In particular, APHIS provides the following services:

- Identifies products that are less harmful to the environment than conventional pesticides;
- Determines the most efficient and timely approvals from Environmental Protection Agency (EPA) and Food and Drug Administration for any unregistered products; and
- Serves as a liaison to pesticide manufacturers to obtain label and use amendments.

In meeting specific program needs under the FIFRA and the FFDCA during FY 2004, APHIS processed numerous types of pesticide and drug applications and amendments: sixteen pesticide registration amendments; six emergency exemption applications; seven emergency exemption amendments; eight special local needs pesticide registration application; six special local needs pesticide registration amendments, and two product determinations. Special local needs pesticides are those chemical products designed to fulfill actions limited to State or local pest and/or disease control efforts.

FIFRA and FFDCA also require periodic reporting on pesticide use. APHIS submitted documentation to EPA of twelve pesticides approved under § 18 of FIFRA. In addition, APHIS submitted reports to FDA documenting the usage of five investigational new animal drugs.

APHIS continued to coordinate with EPA and Navajo Nation representatives to negotiate and finalize a Memorandum of Understanding to allow Navajo Nation tribes a mechanism to obtain an emergency exemption for a pesticide under § 18 of FIFRA.

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5. Physical Operational Security

APHIS established the Physical and Operational Security program under the FY 2002 Homeland Security Supplemental (HSS). This provided APHIS with a jumpstart in establishing a baseline of protection nationwide for its facilities and critical infrastructure.

During FY 2004, APHIS continued to increase security at our 19 mission critical facilities with funding from the FY 2002 Homeland Security Supplemental (HSS) Appropriation. APHIS must continue to analyze vulnerabilities, implement needed countermeasures to provide a secure environment in which our employees can carry out the mission of the Agency, and reduce risks to local communities where our labs and research facilities are located. The FY 2002 HSS funds have been exhausted. This program line item was not funded in FY 2005. The following security measures were implemented in 2004, which included information relative to specific issues NSP is working to address:

Physical Security: The security program has been very aggressive and diligent in implementing security equal to or above the Federal standard. The following outlines the security measures implemented:

- Completed physical security upgrades of 19 APHIS critical facilities and over 15 secondary facilities with funding from the FY 2002 Homeland Security Supplemental Appropriation;
- Installed countermeasures including CCTV, access control, intrusion detection, fencing, lighting, barriers and other countermeasures at 40 APHIS facilities,
- Implemented or increased guard service totaling $4 million at 20 critical and secondary facilities;
- Installed pesticide cabinets, explosive magazines, drug safes, ammunition, and weapons safes at over 80 facilities;
- Upgraded the National Access Control Enterprise system by adding a backup COOP server. The system includes national identification/access cards of approximately 7000 cardholders, 512 card readers, over 1000 alarm points, and approximately 120 cameras;
- Provided body armor to APHIS technicians serving on the U.S./Mexican border thus mitigating the ongoing threats to them;
- Exceeded U.S. Nuclear Regulatory Commission standards for access control and securing APHIS self contained irradiators; and
- Reviewed and designed security construction plans meeting EPA requirements.

Security for Bioterrorism Database: Congressional mandate for select agent information and exchange information between the Centers for Disease Control and Prevention (CDC), Department of Justice (DOJ), and APHIS required modifications to facilities and structures, and increased security requirements to meet national security information requirements. These requirements include access control, guards, intrusion detection devices, white noise systems, and GSA approved containers. Furthermore, APHIS:

- Increased Security and guard countermeasures at the National Veterinary Services Laboratory (NVSL) in Ames IA, ensuring all select agents and information concerning them are protected from loss;
- Conducted bio-security compliance review at NVSL, to ensure select agents are properly handled and secured; and
- Provided guidance to a full-time on-site security specialist.

Storage Space and Security for Sensitive, Non-classified Information: APHIS' sensitive information continues to come to the forefront as each program adapts to life after the events of September 11, 2001. Sensitive information such as bio-security, economic agricultural data, trade issue information,

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emergency management for diseases, interagency data exchange, congressional mandated controls on information, aircraft, critical infrastructures, critical databases, law enforcement sensitive information, terrorist threats, are being secured. The need to provide appropriate storage for sensitive information becomes more acute with each new development, threat, or determination on critical information.

6. Plant Methods Development Labs

Pest Exclusion and Detection Technology: APHIS met its performance target of developing five new quarantine treatments or improving existing ones for commodities of trade. Quarantine treatments are applied to agricultural products being moved interstate or imported from abroad to mitigate potential pest risks. Among the treatments approved for use in FY 2004 are a vacuum and heat treatment for dried bay laurel leaves and other spices being shipped out of areas affected by sudden oak death (SOD); adjustments to cold treatment schedules for pecans and hickory nuts; and the addition of a fumigation requirement to the existing cold treatment for apples, grapes, and pears from certain areas.

In FY 2004, APHIS completed construction of a bio-security level 3 laboratory at its National Plant Germplasm and Biotechnology Laboratory in Beltsville, Maryland. The facility will support diagnostic work and test validation activities for high-consequence plant pathogens such as those on the select agents list. It will also provide secure quarantine space for high-risk imported nursery stock and germplasm destined for breeding programs in the United States. The facility is in the final stages of testing before becoming operational in February 2005.

In support of APHIS pest detection activities, this program continued evaluating advanced aerial imaging technology for use in plant pest and disease surveys. The program conducted a pilot project using remote sensing (or hyperspectral imaging) technology for the Emerald Ash Borer program. The technology, which can capture the specific light wavelengths emitted by different plant species, has the potential to identify tree species and tree stress levels from aerial photographs, allowing us to cover large areas to be covered quickly. The information can then be used to determine where more intensive site surveys are necessary, rather than covering large areas manually.

As part of APHIS' efforts to analyze and shut down pathways used by smugglers, this program is investigating the use of trace element concentration in commodities, particularly fruits and vegetables, as an indicator of the product's country or point of origin. APHIS scientists are also using commercially available instrumentation to identify smuggled commodities in various containers.

APHIS also developed chemical analysis methods to identify several noxious weed seeds commonly intercepted in imported oats and rice. Chemical analysis is faster and more precise than traditional visual examination of foreign seeds. The Agency will continue expanding the library of noxious and exotic weed seeds that can be identified through chemical analysis.

Sterile Insect Technology: In FY 2004, APHIS continued its work in support of area-wide eradication of Pink bollworm (PBW) in Texas, New Mexico, and adjacent areas in Mexico with efforts to enhance and make pheromone-based technology for mating disruption more cost effective. In cooperation with Oxford University of England, the University of California at Riverside, and Kansas State University, APHIS is working to improve sterile insect technology for the PBW program with the use of genetically modified insects that are dependent on tetracycline for survival. Because tetracycline is not available in the wild, offspring that result from the pairing of the genetically modified pink bollworms with wild pink bollworms will not survive. If successful, this technology will eliminate the need to irradiate insects for use in programs that use sterile insect technology. Irradiation is both expensive and potentially damaging to the insects' ability to mate in the wild. Accordingly, the use of genetically modified insects may be able to reduce costs associated with sterile insect programs while making them more effective at the same time. The program now maintains 9 experimental lines carrying these traits. They will undergo substantial further evaluation for environmental effects before the program can determine whether to release them in the field.

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Emergency Response: To ensure the accuracy of diagnostic tests used in APHIS emergency response programs, the program must thoroughly evaluate and validate each test before it can be approved. In FY 2004, the program validated real-time polymerase chain reaction (PCR) tests for *Ralstonia solanacearun* R3B2 and soybean rust. The program is currently completing the validation of a new real-time PCR test for SOD. Real-time PCR tests produce results much faster than traditional PCR tests and allow the program to take necessary actions, such as ordering the destruction of diseased plants, quickly.

APHIS scientists have also developed a method to concentrate and detect, using real-time PCR, *Ralstonia solanacearum* from greenhouse effluent water for offshore certification of geranium production facilities. The final stages of testing prior to deployment in FY 2005 are being completed this fall, in addition to instruction manuals and training for correct usage.

As part of APHIS' response to the outbreak of SOD, the program conducted confirmation testing using PCR testing for over 2,800 suspect SOD-positive samples forwarded to the lab as trace back, trace forward, and SOD National Survey samples.

Support for Ongoing Plant Health Programs: The program confirms that pesticides and pesticide application techniques used in APHIS programs are effective. In FY 2004, the Plant Methods completed nearly 9,700 total samples, including routine environmental monitoring samples for APHIS programs, special projects samples, work plan samples, and associated quality assurance samples.

Transfer of Skills and Technology to Cooperators: The program conducted four hands-on lecture and laboratory training sessions on molecular detection techniques for SOD, *Ralstonia solanacearum*, and soybean rust. Scientists were trained from the Universities of Florida, North Carolina State, Purdue, Cornell, Clemson, Texas Tech, Michigan State, Oklahoma State, Oregon State, Mississippi State, Virginia Polytechnic Institute, Kansas State, and the Departments of Agriculture from Michigan, Florida, Virginia, and California. Providing technology and training to cooperators to conduct testing for these diseases, increases our testing capacity many times over and will reduce APHIS' response time during an emergency outbreak situation.

The program also provided training in molecular diagnostics to the New Zealand Ministry of Agriculture and Forestry for citrus canker, plum pox virus, and SOD.

The program is cooperating with State officials in Texas, Louisiana, California, Arizona, and North Carolina on a biological control initiative to combat giant salvinia, an invasive aquatic weed. APHIS and its cooperators have released over 2 million biocontrol weevils (*Cytobagous salviniae*) in these States as part of the program. The Agency has also transferred technology relating to the rearing, establishment and evaluation procedures for *Cytobagous* to cooperators in those States. Aerial remote sensing of the release sites has shown successful establishment and control.

7. Veterinary Biologics

In FY 2004, APHIS issued 124 product licenses, of which 17 are new products for the diagnosis, prevention, or treatment of animal diseases. APHIS substantially increased new product licenses for biotechnology-based products, with 24 new licenses for biotechnology products in FY 2004. The Agency also terminated 141 product licenses at licensee request for obsolete products, as compared to 83 in FY 2003 and 76 in FY 2002.

There were 2,518 active licensed or permitted products for the control of 208 animal diseases in FY 2004. APHIS approved 15,789 serials of veterinary biologics in FY 2004, while rejecting 13 serials for failing to meet Agency requirements. The Agency tested 19 master cells and 101 master seeds. APHIS performed 56 regulatory actions and 35 investigations of possible regulatory violations

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in FY 2004. The Agency also received 259 adverse event reports related to veterinary biological products in FY 2004. APHIS shipped 3,811 vials of reagents to facilitate testing for consistency and quality by biologics manufacturers and other regulatory authorities

APHIS issued 3,523 official certificates that indicate licensed production and testing facilities and products have met or exceeded U.S. marketing requirements. The regulated industry used these certificates to register their products for sale in foreign countries.

APHIS continues to support the licensure and permitting of kits that support diagnostic surveillance activities for foreign animal diseases. In FY 2004, APHIS evaluated and licensed or permitted seven diagnostic test kits for the detection of bovine spongiform encephalopathy (BSE) in cattle. This required setting up new laboratory facilities to meet the requirements for testing tissues that have the potential for containing the select agent. Licensure activities for BSE test kits were given a high priority and expedited to meet surveillance needs following the discovery of a BSE-positive animal within the United States.

In FY 2004, over one-third of the investigations conducted by APHIS were related to the marketing of unlicensed veterinary biologics. Investigations of licensed veterinary biologics most frequently involved follow-up for adverse event reports (pharmacovigilance) or false or misleading advertising.

8. Veterinary Diagnostics

APHIS continues to move forward with the Ames Modernization Project. In October 2004, APHIS opened a new diagnostic laboratory building which constitutes phase I of the Consolidated Laboratory Facility of the Modernization Project. These facilities provide the latest technology for the pathobiology and bacteriology operations. Another component of the Ames Modernization Plan that is under construction is the High Containment Large Animal Housing Facility. This building is a joint undertaking of APHIS and USDA's Agricultural Research Services (ARS) National Animal Disease Center.

APHIS is continuing efforts to provide the highest quality instruments in animal disease detection. The Agency is currently in the process of completing validation assays for classical swine fever (CSF), foot and mouth disease (FMD) and vesicular stomatitis virus (VSV). These assays, once validated, increase APHIS' capability and precision in detecting these diseases.

At the end of FY 2004, the National Animal Laboratory Health Network (NALHN) consisted of 44 State and university laboratories in 37 States that are available to assist APHIS in animal disease testing. This key resource of APHIS has increased testing capacity significantly. As an example of the current testing capacity, APHIS can now test up to 7,000 samples per week for bovine spongiform encephalopathy, 246 samples per lab per month for chronic wasting disease, and 761 samples per lab per month for scrapie. Currently, there are no labs in the NAHLN used for Foreign Animal Diseases (FAD). FAD testing services are provided by the APHIS staff located on Plum Island, New York.

In FY 2004, APHIS trained over 100 people from the NAHLN laboratories in a variety of testing procedures for animal diseases. The training provided is directly related to the NAHLN lab certification program. The certification of NAHLN laboratories enables APHIS to provide a standard, uniform approach to disease testing as well as enhanced quality assurance in the testing procedures and protocol. APHIS also continually provides 26 training courses in disease testing and reagent production for individuals from outside of the NAHLN.

APHIS exceeded its long-term performance measure target for FY 2004 of 28 States involved with the NAHLN. At the end of FY 2005, there were 37 States in the NAHLN with 44 participating laboratories. The testing capacity now exceeds daily operational demands. APHIS trained 12 labs in

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testing for CSF, FMD, and VSV. In addition, the agency has now trained 38 labs in testing for avian influenza (AI) and exotic Newcastle disease (END). These labs are now available to provide testing services for these FAD's in the event of an outbreak emergency.

9. Wildlife Services Methods Development

In FY 2004, APHIS scientists continued to develop nicarbazin as a chemical for reducing hatchability in eggs of overabundant avian species such as Canada geese. Laboratory and pen data with both mallards and geese have shown that animals fed with nicarbazin during the nesting period show a significant reduction in both number of eggs and percentage of eggs that hatch. National Wildlife Research Center (NWRC) developed a semi-soft wheat-based extruded bread bait that was highly palatable to geese, and is now working with a private company to commercialize a nicarbazin contraceptive. The program conducted a large-scale field effectiveness trial of nicarbazin in Oregon in the spring of 2004. Data from this study is being submitted to the Environmental Protection Agency to support the approval of the product as a contraceptive drug for geese.

APHIS also continued to evaluate impacts and develop methods to manage American white pelicans and double-crested cormorant damage to aquaculture in the southeastern United States, as well as in Michigan and New York. APHIS biologists continued studies on the distribution, movements, foraging habits, and management methods of pelicans and cormorants. Other studies investigated new techniques for determining the age of cormorants, whether pelican diets included farm-raised catfish, and the response of double-crested cormorants to lethal roost dispersal efforts. In Michigan, the program is evaluating research to determine the effectiveness of lethal and non-lethal management strategies to achieve local population control and to understand how these management actions affect cormorant behavior. The New York study is evaluating the effectiveness of non-lethal techniques to reduce cormorant use of a large body of water, specifically Oneida Lake, NY.

During FY 2004, APHIS continued multi-year research studies in Ohio and at various airports in the United States to reduce wildlife strike hazards to aviation. Studies evaluated the attractiveness of refuse, water management facilities and vegetation to wildlife, alternative fencing to keep deer off airports, avian responses to visual stimuli, and the population demographics of selected avian species. APHIS research played key roles in programs to reduce wildlife strike risks at civilian and military airfields in several states. Research efforts at JFK International Airport have reduced aircraft collisions with gulls by 74-88 percent during 1992-2003, compared to baseline years, 1988-1990.

During FY 2004, APHIS expanded research efforts to develop and improve methods for managing blackbird damage to rice in Louisiana, Texas, and Missouri. Under sponsorship of the Louisiana Rice Research Board, APHIS scientists conducted studies to evaluate the effectiveness of potential chemical repellents to reduce blackbird damage to newly seeded and ripening rice and developed a model to estimate the take of target birds during baiting operations using DRC-1339, a slow-acting avicide registered by APHIS with the Environmental Protection Agency. With support from the Rice Foundation and the Louisiana Rice Research Board, NWRC scientists completed studies that estimated the economic impacts of blackbirds to newly planted and ripening rice in Louisiana, Arkansas, Texas, Missouri, and California at $13.5 million in damage and $3.4 million in losses from government subsidy programs.

APHIS established a field station in Kingsville, Texas, during FY 2004 to conduct studies and evaluate management options to control pseudorabies in feral hogs, and to manage other wildlife diseases that affect livestock (e.g., Texas cattle fever, Heartwater). APHIS, in collaboration with Texas A&M, renovated laboratory and office space on the campus, hired a Field Station Leader, and initiated research on pseudorabies in feral hogs. APHIS plans to evaluate the role wildlife plays in maintaining the disease reservoir. The Agency also intends to develop surveillance strategies that evaluate the potential or actual risk that pseudorabies and other diseases in feral hogs pose to Texas livestock; develop pharmaceutical delivery and baiting strategies to control wildlife diseases including

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pseudorabies; and develop physical methods to minimize the transmission of pseudorabies and other diseases between livestock and wildlife.

APHIS scientists, in cooperation with Utah State University, are in the process of upgrading and expanding the capabilities of the Center's Predator Research Facility in Millville, UT. In FY 2004, construction began on 12 large-area pens and 14 additional observation pens, which will allow increased testing of new animal capture and handling systems and the development and evaluation of non-lethal techniques for predator management. Similarly, a major renovation of the research support building is underway which researchers will better address the growing and challenging conflicts between humans and predators.

During FY 2004, APHIS scientists in Hawaii evaluated the impacts of invasive vertebrates on agricultural crops and on rare and endangered native floral and faunal resources. Research is focusing on invasive tree frogs, birds, rats, and mongoose. APHIS has taken the lead in

- Developing several effective pesticides to control invasive tree frogs;
- Evaluating the effectiveness of bird repellents to reduce the impacts of francolin and parrots on corn and other crops;
- Evaluating mongoose baits to increase the effectiveness of traps to reduce their predation on endangered bird species; and,
- Obtaining data regarding registrations to apply rodenticides aerially (including diphacinone and brodifacoum) to protect endangered species.

APHIS worked on various other projects and studies in FY 2004 such as

- Development of an immunocontraceptive vaccine for use in deer;
- Studies on dispersal of vulture roosts;
- Research on blackbird foraging sites in an effort to reduce the attractiveness of nearby commercial sunflower fields;
- Research to address the problems generated by invasive monk parakeets; and,
- Research to better document demographic characteristics of beaver in the South and studies to assess the potential of four toxicants registered for underground use to control mountain beaver.

In addition, APHIS established a fully functioning biosafety level-2 research diagnostic laboratory to support its new wildlife disease research program and nearly completed a Biosecurity Level-3 lab facility to address the role of wildlife in the maintenance and transmission of high consequence pathogens and select agents. APHIS' wildlife disease research at the NWRC concentrated on diseases of importance to domestic animals and human health, and included multiple studies on wildlife rabies, bovine tuberculosis, chronic wasting disease, west Nile virus, pathogenic bacteria of birds, and pseudorabies. Furthermore, APHIS provided wildlife-damage management classes, lectures, and cooperative research funding to numerous graduate and undergraduate programs.

In FY 2004, APHIS met its performance target of testing and/or improving 18 wildlife-damage management methods.

CONTINGENCY FUNDS

Animal Disease Surveillance on Native American Lands

In FY 2004, APHIS released $850,000 from the contingency fund to assist Native American Tribes with the development of animal disease surveillance programs to incorporate their livestock surveillance needs into the national comprehensive animal disease surveillance system. Of this

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funding, the Agency used $300,000 to enter into cooperative agreements with three tribes in Arizona: the Navajo, Hopi, and Tohono O'Odham tribes. The remaining $550,000 was used for cooperative agreements with numerous tribes to set up emergency action plans in case a foreign animal disease outbreak is introduced. APHIS is working to expand its outreach to Tribal Nations and incorporate their livestock surveillance needs into the national comprehensive animal disease surveillance system. The risk of disease/pest introduction through accidental entry or bioterrorism activities along the U.S. border with Mexico is significant. Currently, there is no surveillance for foreign animal diseases or program diseases within Tribal lands along the border or within other Tribal lands. If a disease were introduced, it would spread rapidly throughout these lands and via livestock markets to other areas before being detected. If this occurred, it would cause significant economic consequences to the U.S. livestock and agriculture industries.

2. Asian Gypsy Moth (AGM)

In FY 2004, APHIS released $485,396 in contingency funds to conduct Asian Gypsy Moth eradication activities after the discovery of one AGM in California. Eradication activities include egg mass survey, delimiting pheromone trap survey, and mapping of host vegetation. APHIS provided the funds to the California Department of Food and Agriculture, which carried out the activities. Not all of the transferred funds were used because rigorous trapping activities revealed no other AGM. In October 2004, the remaining $166,677 was transferred to cover the need of an Oriental Fruit Fly emergency. (See additional information below)

3. Avian Pneumovirus (AP)

In FY 2004, APHIS released $560,000 in contingency funds to assist the State of Minnesota with a vaccination and control program using a modified live AP vaccine recently licensed by the Center for Veterinary Biologics, and to expand their Geographical Information System (GIS). By expanding the GIS, APHIS is working to complete epidemiological investigations of AP outliers would benefit initiatives for emergency response capabilities, and collaborative studies to protect the turkey industry in Minnesota. By taking a proactive approach to the vaccination and eradication procedures of AP, trading partners would be assured of quality turkey exports. Failure to control and eradicate AP in Minnesota would cause restrictions on poultry exports and would devastate Minnesota's turkey industry.

4. Citrus Longhorned Beetle (CLHB)

In FY 2004, APHIS released $350,000 in contingency funds to conduct surveys and manage the quarantine. Through a cooperative agreement with the Washington State Department of Agriculture (WSDA), WSDA inspected 60 percent of the land area in the quarantine zone, which contains approximately 35,000 potential host trees. They inspected 23,376 of these trees and found no evidence of infestation. In addition, WSDA continued to restore the 200-meter zone around the introduction site where trees had been cut, adding grasses and mulch to stabilize the hillsides and promote new growth. As of September 2004, many of the cedar and evergreen trees that were planted had grown to approximately nine feet in height.

The CLHB Science Advisory Panel, which includes representatives from APHIS, the Agricultural Research Service, the Forest Service, the Oregon Department of Agriculture, and the University of Washington, affirmed their October 2001 conclusion that five years of negative survey are necessary before eradication can be declared. Although the WSDA requires only two years of negative surveys to declare regulatory pests eradicated when trap-based surveys are used, CLHB surveys are less efficient with a lower probability of detection. Therefore, the required pest-free period for CLHB must be longer. The WSDA has found no evidence of beetle activity in the infested area since FY 2002. Therefore, the program expects eradication by FY 2007.

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5. European Gypsy Moth (AGM)

In FY 2004, APHIS released $826,462 in contingency funds to support the European Gypsy Moth program. The $826,462 funded cooperative agreements, primarily for aerial and ground treatments, delimiting, and APHIS direct costs, including temporary employees, travel, and trapping supplies. Pre-treatment delimiting surveys were conducted in each of the States where detections had occurred to determine the extent of the infestations. The effectiveness of the control activities remains unknown until the performance of post-treatment delimiting surveys the following fiscal year.

6. Oriental Fruit Fly (OFF)

In FY 2004, APHIS released $167,000 in contingency funds to address OFF infestations in three California areas: Ontario in San Bernardino County, Santa Ana in Orange County, and Westchester in Los Angeles County. The detection of an OFF infestation triggers an immediate response from APHIS and the California Department of Food and Agriculture (CDFA) to prevent the exotic fruit fly from spreading. APHIS is using $280,363 in FY 2005 contingency funds to continue program operations into the current year.

APHIS and CDFA eliminated the Ontario outbreak through detection trapping and male annihilation treatments early in FY 2004 and released the area from quarantine in May 2004. The Westchester outbreak is located near Los Angeles International Airport, and program officials have signed compliance agreements with airlines and produce distributors to prevent untreated host materials from being shipped out of the quarantined area. Program officials also used information campaigns and limited pre-departure inspections to prevent air passengers from taking fruit on planes to other locations. No flies have been trapped since the initial detection, and we expect to release the area in early in FY 2005. The Santa Ana area program involves a 116-square-mile quarantine encompassing 13 growers, 36 nurseries, 39 markets, and 2 processors, all of whom have signed compliance agreements with program officials. The last fly was trapped on September 29, 2004, and program officials expect to release the area from quarantine in February 2005.

7. Sudden Oak Death (SOD)

In FY 2004, APHIS released $2 million in contingency funds to address the SOD detections in nurseries. Further information is available under "Emergency Fund Transfers from the CCC."

8. Tropical Bont Tick Eradication (TBT)

APHIS released $1,000,000 in contingency funds to continue the surveillance and eradication of TBT from the Caribbean, including the U.S. Virgin islands. Of this amount, $500,000 was provided as a grant to the Food and Agriculture Organization of the United Nations for the Caribbean *Amblyomma* Program (CAP). The funds enabled ongoing animal health surveillance efforts to continue on the six islands declared provisionally free and allowed us to begin eradication efforts on the four English-speaking islands infested with the tick. We used the remaining $500,000 to address the TBT infestation on the island of St Croix. Through a cooperative effort with the University of the Virgin Islands (UVI) Extension Service, APHIS conducted outreach activities at local fairs and in the local newspapers. APHIS and UVI developed bulletins and pamphlets to illustrate tick identification methods and educate the community on the tick cycle, transmission of the tick disease, and ways to control it. Outreach methods equipped farmers with the knowledge to identify, notify, and eradicate. In an effort to quickly eradicate the tick from St. Croix and prevent the spread of further infestations to Puerto Rico, the mainland United States and other islands, APHIS and the Virgin Islands' Department of Agriculture (VIDA) jointly began a comprehensive program to treat livestock that are host to the pest. Through this cooperation, VIDA made regular visits to farms, examined each animal, and treated the livestock with an approved pesticide. One of the main concerns of eradication for livestock owners is the application of acaricide every two weeks, a method that is costly and timely. As part of the

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eradication effort, USDA's Agricultural Research Service is transferring new technology to APHIS to replace the old method, a biweekly spray-on solution with the use of a gel formulation of an acaricide to be injected into the livestock. Livestock will be treated every 90 days as opposed to every 2 weeks. APHIS has completed the first year of the two-year eradication process.

9. Tropical Spiderwort (TSW)

In FY 2004, APHIS transferred $500,000 in contingency funds to conduct TSW control activities in the North Carolina, South Carolina, Alabama, Florida, and Georgia. Methyl bromide fumigation destroyed the perennial creeping herb. APHIS and the infested States shared responsibility for the control of this pest, which is a host to the cucumber mosaic virus.

	Activity	FY 2004 Releases from Contingency
1	Animal Disease Surveillance on Native American Lands	$ 850,000
2	Asian Gypsy Moth	318,719
3	Avian Pneumovirus	560,000
4	Citrus Longhorned Beetle	350,000
5	European Gypsy Moth	826,462
6	Oriental Fruit Fly	166,677
7	Sudden Oak Death	2,000,000
8	Tropical Bont Tick Eradication	1,000,000
9	Tropical Spiderwort	500,000
	Total FY 2004 Contingency Transfers	$6,571,858

EMERGENCY FUND TRANSFERS FROM COMMODITY CREDIT CORPORATION (CCC)

1. Avian Influenza (AI)

In FY 2004, the Secretary transferred $13.67 million to APHIS to ensure that all AI detections were successfully eliminated and to "jump start" the LPAI Program to help prevent future incidents. The Agency reprogrammed an additional $3 million from the exotic Newcastle disease CCC request of 2002 for surveillance activities in Washington State related to the positive finding in British Columbia. APHIS detected several cases of low pathogenic avian influenza (LPAI) in the commercial poultry industry that likely originated from the live bird markets (LBM's), resulting in cooperative State and Federal interactions. These occurred in Maryland, Delaware, and Texas. There were also positive cases of high pathogenic avian influenza (HPAI) reported in Texas and in British Columbia at the Washington state boundary with Canada.

APHIS used approximately $10.8 million toward the development and implementation of a national LPAI Program. Officials set aside $6.1 million in emergency funding for indemnities if a significant outbreak should occur, and used the remaining $4.7 million to enhance State and Federal field monitoring and surveillance capabilities and to expand the scope and volume of Federal and state laboratory testing capacities. The program provided more than $2.5 million of the allocation for monitoring, surveillance, and testing to the cooperating States. State approved laboratories will conduct tests on specimens collected from the live bird markets. The National Veterinary Services Laboratories will continue to serve as the reference laboratory, confirm positives, and provide reagents to expand the scope and volume of laboratory testing. Some of these efforts have already been initiated through the National Animal Health Laboratory Network that will need to be supplemented to

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provide equipment and reagents specific for AI. Funding was also provided for compliance support, critical to the success of the national program.

The State of Texas received $2.9 million from the CCC allocation to help allay costs of disposal of infected birds, flock surveillance, and indemnification of producers in connection with the February outbreak of HPAI. The positive finding in Texas led to more than 30 countries suspending poultry trade with all or part of the United States.

2. Asian Longhorned Beetle (ALB)

In FY 2004, APHIS used $22.7 million in available emergency funds carried over from FY 2003. APHIS has drastically reduced ALB populations in areas that had been heavily infested and made outstanding progress in tree removal and chemical treatments, resulting in the deregulation of some areas.

In August 2004, the program responded to an ALB detection in Carteret, NJ, by inspecting nearby trees, implementing regulations to contain infested wood, investigating the outbreak's origin and pathway, and soliciting the public's help in finding the beetle. As of October 1, 2004, the program had found approximately 400 infested trees covering 1 sq mile. The program projects to eradicate the area by FY 2010, and projects to eradicate the Jersey City infestation by FY 2007.

The Illinois program deregulated the Addison and Summit areas, and projects deregulating Kilbourn Park, Park Ridge, Loyola, and the area near O'Hare Airport by FY 2006. However, the Ravenswood area will not be fully eradicated until FY 2009 because of a FY 2004 detection south of Ravenswood. The New York State program projects to eradicate in Islip in FY 2007, in Manhattan in FY 2010, in Long Island by 2012, and in Brooklyn and Queens by 2013.

As of December 1, 2004, the quarantine area includes 132 square miles in New York, 35 square miles in Illinois, and 15 square miles in New Jersey. The New York quarantine covers the width of lower Manhattan and includes parts of northern Brooklyn, western Queens, and eastern Queens. It also covers two Long Island areas, one in Islip and the other on the Nassau/Suffolk county line. The Illinois quarantine covers the Ravenswood, Loyola, and Kilbourn Park areas in north Chicago, and smaller areas in Park Ridge, and near O'Hare Airport. The New Jersey quarantine area includes Jersey City, part of Hoboken, and 11 square miles in Carteret.

3. Bovine Spongiform Encephalopathy (BSE)

In FY 2004, the Secretary transferred $80.4 million in response to the positive identification of BSE in Alberta Canada and in Washington State, to enhance national surveillance. The goal of the enhanced surveillance program is to test as many cattle from the targeted high-risk population as possible in a 12 to 18-month period. To reach as many targeted cattle as possible, the program will take samples from the farm, slaughter facilities, rendering facilities, livestock auctions, veterinary clinics, and public health laboratories. The enhanced BSE surveillance effort is utilizing many of the approaches recommended in the Safeguarding Review. APHIS' new approaches include rapid screening tests at a network of state laboratories; tablet or hand-held computers for entering and transmitting the electronic submission form; and a web-based data entry system.

The program provides conference training on identifying the target population and procedures for sample collection and submission and has developed and implemented an extensive communications plan. Officials ensure quality control through a third party review of the process. As of January 23, 2005, the program has tested approximately 216,318 samples since the inception of the enhanced surveillance program.

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4. Citrus Canker

In FY 2004, the Secretary transferred $13.34 million from the CCC to APHIS to address citrus canker ($10.5 million for compensation and $2.84 million for eradication activities). In February 2004, the Florida Supreme Court upheld the constitutionality of the State law requiring Florida Department of Agriculture and Consumer Services (FDACS) to remove *exposed* trees, that is, those within 1,900 feet of an infection. This ruling enabled the Citrus Canker Eradication Program (CCEP) to resume an optimal, efficient eradication program for the first time since legal obstruction began sabotaging program progress in November 2000. By the summer of 2004, the CCEP made significant progress, limiting infestations to Southeast Florida (Palm Beach, Broward, Miami-Dade and Monroe counties), and expediting tree removal. In addition, the program greatly reduced quarantine areas in Collier, De Soto, Hendry, and Manatee Counties. As summer approached, the CCEP had removed all known positive trees in Lee and Orange Counties, and was on pace to remove all exposed and infected trees by January 1, 2006, and declare eradication two years later.

By fall, however, three hurricanes increased infected areas of Lee and Orange Counties; and re-infested canker-free ("clean") areas in Charlotte, Orange, and Osceola Counties, as identified by APHIS' Sentinel Survey Program. This program's ability to detect new finds is the main contributing factor in the CCEP's success at excluding canker from citrus-producing areas. Despite the increased spread caused by the hurricanes, the CCEP mitigated significant spread outside known infested areas through immediate response, enhanced surveys, and expedited tree removal.

5. Emerald Ash Borer (EAB)

In FY 2004, the Secretary transferred $43.36 million from CCC to APHIS to continue addressing EAB infestations in Michigan, Ohio, and Indiana. Over 9,000 square miles in the three States (the majority in Michigan) are currently affected by EAB, an exotic foreign pest that has infested and killed an estimated 8-10 million ash trees in the United States since it entered the country. Isolated infestations related to quarantine violations were also found in Prince George's County, Maryland, and Fairfax County, Virginia. APHIS has been cooperating with affected States since May 2003 to address EAB.

Survey, tree removal, and quarantine enforcement are the program's primary methods of finding and eliminating infestations and preventing them from spreading. The program began using a promising new survey tool in FY 2004 that is much less labor-intensive than the visual surveys used last year. Instead of sending survey technicians to examine every ash tree at a given site, the program is using "trap trees", or trees that have been girdled to release volatile chemicals attractive to EAB adults. The use of trap trees in combination with visual surveys allowed the program to cover more than 12,000 square miles in FY 2004, a 50 percent increase over last year. FY 2004 surveys revealed infestations in 26 new counties, mostly new areas in Michigan.

During the fiscal year, program officials completed tree removal at the isolated infestation sites in Maryland and Virginia that resulted from the shipping of ash nursery stock out of Michigan in violation of the EAB quarantine. Preliminary survey data indicates that the program successfully eliminated these infestations, but surveys must continue for two years to ensure that the pest is not present. Program officials also completed tree removal activities at ten sites in Michigan and three in Ohio.

6. Exotic Newcastle Disease (END)

On October 1, 2002, after END was detected in backyard poultry flocks in Southern California, the California Department of Food and Agriculture (CDFA) and APHIS activated emergency response systems and began a disease eradication campaign. The Secretary transferred $226 million from the Commodity Credit Corporation (CCC). APHIS, CDFA, and many other cooperating Federal, State, and local entities have carried out eradication and surveillance activities to contain the spread of the

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disease and eradicate it from the States where it has been detected: Arizona, California, Nevada, and Texas. In FY 2004, APHIS used $17 million of prior year CCC recoveries to continue surveillance and biosecurity activities through FY 2004, as part of the Avian Health Mitigation Program (AHMP), especially in and around commercial premises in the affected areas of Southern California. AHMP conducted 2,290 bilingual sessions on how to identify poultry diseases and how to notify USDA if it is suspected that a bird is infected. The program also conducted 705 sessions on biosecurity training for commercial properties and responded to 225 sick calls, all within 24 hours. AHMP obtained 9,549 samples using a pilot bar code system. Of these, 1,920 samples were from backyard premises. APHIS also carried out national surveillance activities that focused on educating a segment of the poultry-owning population that was overlooked and provided them with necessary diagnostic services. This included 14,654 presentations on avian health. Three bilingual public service announcements were broadcast over radio and television. Furthermore, APHIS continued to maintain a website for the latest poultry disease information with monthly updates. Since the END outbreak was ignited by a smuggled bird from Mexico, we have identified the need to better educate Mexico on poultry diseases and have conducted seven border campaigns.

7. Glassy-winged Sharpshooter (GWSS) and Pierce's Disease (PD)

In FY 2004, the Secretary transferred $5.2 million from the CCC to APHIS to continue addressing GWSS and PD in California. Currently, the GWSS is established in eight counties, (Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Tulare, and Ventura). APHIS and the California Department of Food and Agriculture (CDFA) have significantly suppressed GWSS populations with area-wide management programs in Kern, Riverside, Tulare, and Ventura Counties. In these counties, APHIS and CDFA continued area-wide management programs to mitigate the GWSS. To reduce the pest problem in production areas, APHIS continued developing long-term strategies by participating in research to identify cost effective and environmentally safe insecticides. Also, the Agency completed a 3-year pilot program over 13,000 acres in Kern County, in which APHIS and CDFA maintained GWSS populations at extremely low levels. Based on this success, the program expanded the pilot program through all of Kern County, and infested areas of Riverside, Tulare, and Ventura Counties. In addition, area-wide control activities progressed into crucial production areas in Tulare County, Ventura County, and Coachella Valley in Riverside County. Implementing these strategies has significantly reduced GWSS incidence in the new areas.

8. Infectious Salmon Anemia

In FY 2002 the Secretary transferred $8.2 million from the Commodity Credit Corporation (CCC) to address Infectious Salmon Anemia in the United States. In FY 2004, $1.9 million remained and APHIS used $700,000 of this for continued disease control in Cobscook, Maine. Current operations at Cobscook Bay encompass 17 sites, with each site containing 12 to 18 cages. The purpose of the program is to work with the States to respond rapidly to control the disease infection outbreak; ensure the disease does not spread; depopulate and dispose of infected fish; and decontaminate infected facilities. Where appropriate the program will pay indemnities to commercial operations in accordance with USDA published guidelines.

9. Pseudorabies

The Accelerated Pseudorabies Eradication Program (APEP) began in FY 1999 with the transfer of $80 million from CCC APHIS used the funds to quickly remove any of the remaining infected swine to prevent further spread of the disease. In FY 2000, the Secretary authorized the transfer of an additional $40 million to continue the program. In FY 2004, there was approximately $13.7 million remaining for indemnities, euthanasia, and disposal of carcasses, cleanup, and surveillance activities. APHIS used $2.6 million for the enhanced pseudorabies surveillance initiative, which included meat juice testing on slaughter hogs. An additional $74,000 was used for indemnity and disposal of infected transitional production swine herds found during slaughter surveillance. At the beginning of FY 2005,

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all 50 States and 3 Territories are in Stage V (free) status for pseudorabies, matching their FY 2006 target. APHIS will continue to use the remaining $11 million for the enhanced surveillance program and to provide indemnities for positive cases to ensure there is no further spread of the disease.

10. Medfly

In FY 2004, USDA used $9.8 million in CCC funds remaining from FY 2003 exotic Newcastle disease CCC funding for the continuation of the Medfly eradication program in Mexico and Guatemala. APHIS works cooperatively with the Governments of Mexico, Guatemala, and Belize on the Medfly program. The program increased area wide spraying of the organic bait application "Spinosad" and the sterile insect technique. To produce enough sterile flies for the eradication effort, the program has also increased capacity at sterile Medfly production facilities. The program was very successful; there were only 36 Medfly detections in Chiapas and Tabasco in 2004, less than half the number than in 2001, and only 14 percent of the amount in 2002 and 2003. Even more importantly, the infested area has decreased by more than 60 percent in Chiapas and Tabasco, and the detections and outbreaks close to the Veracruz border have been eliminated.

11. Mexican Fruit Fly

In FY 2004, APHIS spent $160,000 on post-eradication activities in San Diego, California, primarily to close the program.

12. Mormon Cricket

In FY 2004, USDA transferred $20 million in CCC funding for the control of Mormon cricket damage in Idaho, Nevada, and Utah. APHIS granted these funds in equal amounts to the three States, and is cooperating with the States to conduct treatments where requested.

13. National Animal Identification System (NAIS)

In FY 2004, the Secretary transferred $18.8 million from the CCC to APHIS for the implementation of an animal identification system. The initial focus, registration of premises that manage or hold livestock is already underway. Through an independent study, we evaluated information systems previously funded through APHIS cooperative agreements. The Standardized Premises Registration System (SPRS), initially developed by the Wisconsin Livestock Identification Consortium, is available through APHIS, to States. Over 30 States plan to use the SPRS; twenty states are currently operational on the SPRS. States may also use their own system, or one provided by third party technology companies. Such systems, referred to as Compliant Premises Registration Systems, must meet the NAIS standards through an evaluation by USDA and are maintained at the state cost. Eleven states indicate they plan to use one of nine approved compliant systems. Two systems have been designated as compliant systems and are operational with the Premises Number Allocator.

APHIS has made available over $13 million to 43 States and Tribes through cooperative agreements to help them implement premises identification as well as to carry out field trials or research to test and fine-tune identification technologies and collect animal movement data.

APHIS published an interim rule on Alternative Identification Numbering systems in the Federal Register on November 8, 2004. The numbering systems support the transition to the NAIS standards for premises and animal identification.

14. Plum Pox Virus (PPV)

In FY 2004, the Secretary transferred $3.476 million from Chronic Wasting Disease for the continuation of the Plum Pox Virus (PPV) program. A final compensation rule was passed in May

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2004. The new rule prohibited growers from replanting for 5 years instead of the prior limit of 3 years to ensure the area was free of PPV. The rule also provided compensation for growers who were regulated the year they planted, but were not compensated. Compensation totaling $1.661 million was paid for these activities.

Compensation claims for FY 2004 orchards were $634,500 and carry-over claims for FY 2003 were $497,000. In addition, a direct marketer received $173,000 in compensation because of the greater value of the variety of stone fruit trees grown. Remaining funds were carried over to FY 2005 for disbursement as compensation.

15. Rabies

In FY 2004, the Secretary transferred $5.35 million from CCC for the continuation of the Oral Rabies Vaccination (ORV) program. The Agency works cooperatively with several States to address expanding rabies outbreaks by implementing ORV programs. Based on enhanced wildlife rabies surveillance, APHIS implemented a nationally coordinated ORV to establish and maintain immunization barriers integrated with natural land or water barriers to control the disease in the outbreak zone and thwart its spread to new areas. The long-term goals of the ORV program are to contain specific strains of the rabies virus in raccoons, coyotes, and gray foxes. Once containment is achieved, the ORV barrier is shifted into areas that have been infected that serve as the source of infection for new areas with the goal of strain elimination.

The increased ORV program activities included the completion of the containment phase, addressing "hot spots" within existing barriers to ensure barrier integrity, containing a breaches in the barrier, continuing Pennsylvania elimination efforts, and supplementing State funding in Texas. In FY 2004, APHIS responded immediately to two breaches of existing ORV zones, in Ohio near Lake Erie and on Cape Cod in Massachusetts. Cases have not been detected beyond the new contingency action ORV zone.

16. Scrapie

In FY 2000, the Secretary transferred $10 million from CCC to address scrapie in the United States. The scrapie program strives to eradicate scrapie from the United States from the sheep and goat industry; hence, being a component in safeguarding the health of animals. CCC funds in FY 2003 and 2004 was used to indemnify owners of high risk, suspect, and test-positive animals found through surveillance and for activities such as necropsy and disposal of animal carcasses. APHIS carried over $1.6 million of CCC funds into FY 2004. In FY 2004 only one herd was identified for indemnification. APHIS provided the State of Texas with $49,350 of CCC funds through a cooperative agreement to assist in the scrapie eradication effort.

17. Spring viremia of carp

In FY 2003 the Secretary transferred $11.7 million from CCC to establish a spring viremia of carp (SVC) indemnity and control program. In FY 2003, APHIS spent $6 million of these funds for outbreaks of SVC in North Carolina and Virginia. APHIS completely depopulated all fish infected with SVC from the 214 affected ponds, drained the ponds according to State guidelines, chemically disinfected the pond bottoms with lime, and completed all necessary trace-backs of fish. As of October 30, 2003 all quarantines were released on these facilities by the affected. APHIS is currently working with the producers and the States to coordinate the repopulation of these sites with SVC-free fish and SVC-free water.

In FY 2004, APHIS used $410,000 of the remaining funds in response two new outbreaks of SVC. The first outbreak was confirmed in Snohomish County, Washington, in June, and the second in Pike County, Missouri, in July. In both cases the epidemiology indicated that the infection was introduced

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through imported Koi. APHIS assisted mitigating the two recent SVC outbreaks through depopulation and disposal of fish, and decontamination fishponds and equipment. The tracebacks indicate that the infected fish were imported from foreign sources.

18. Sudden Oak Death (SOD)

In FY 2004, the Secretary transferred $15.5 million from the CCC to APHIS to address the nationwide SOD emergency. Together with appropriated funds, a total of $19.1 million was available in FY 2004 for the SOD program.

In response to the March detection, APHIS and States destroyed all plants linked to SOD in nurseries. In addition, APHIS and CDFA instituted quarantines to require nursery inspections before host plants may be sold. This action helped the program prevent further SOD spread via nursery shipments, while still allowing the interstate movement of healthy plants. In addition, APHIS conducted "tracebacks" to determine the origin of infected plant material, and "trace forwards" to determine where a nursery sent infected plant material. These activities helped determine the extent of SOD migration within California and to other States, and prevent further spread, while minimizing its impact on commerce and the environment. Through these activities, APHIS helped protect the nation's landscape and the complex ecosystems supported by native oaks. In addition, the Agency helped protect the economic livelihood of several industries, such as forest products, from huge losses.

As of December 1, 2004, the program has completed the National Survey in 22 of 23 participating Western States, 17 of 27 Eastern States, and Puerto Rico. States surveyed 3,110 sites and collected 51,078 samples. Fifteen national survey sites were confirmed positive. The program discovered 173 confirmed positive sites in 22 States from the trace forward, national, and local surveys. The total includes 53 from California, 25 from Washington, and 18 from Oregon.

19. Tuberculosis (TB)

In FY 2004, the program used approximately $23.5 million of the $39.4 million remaining from prior CCC fund transfer to provide indemnities for herds in Michigan, Texas, Arizona, Kansas, California, and New Mexico. In FY 2004, officials depopulated two dairy calf-growing operations, one in Texas, and the other in Michigan. The program still has four affected dairy herds (2 large herds in New Mexico and 2 small herds in Michigan) under test and removal herd plans. The New Mexico dairies are carryover herds from FY 2003 while the Michigan dairies were detected this year. In fiscal year 2004, two other dairies in Michigan that were found positive in fiscal year 2003 qualified for quarantine release following implementation of a test and removal herd plan. Affected herds in Michigan will no longer qualify for release of quarantine without meeting the requirements of the revised Uniform Methods and Rules, which generally require six or more tests without infection over a 4-5 year period. At the end of FY 2004, there was approximately $15 million remaining from the FY 2003 CCC fund request of which $14.4 million is earmarked for two dairy herd owners in New Mexico.

20. White Spot Disease (WSD) in Hawaii

APHIS used $650,000 in CCC funds to address an outbreak of WSD in Hawaii in FY 2004. APHIS redirected these funds from Spring Viremia of Carp CCC prior year transfer. A commercial shrimp producer at Kekaha Agricultural Park observed a severe increase in mortality in one pond during routine weekly pond production monitoring in May 2004. Officials analyzed samples and diagnosed WSD as the mortality cause. APHIS' response was based on the producer's strict biosecurity measures, use of specific pathogen-free stocks and pathogen-free water supply, and trying to maintain Hawaii's status as a White Spot-free zone as well as trying to prevent any further outbreaks in pathogen-free shrimp farms. APHIS and the producer shared indemnity costs. With APHIS' assistance, the producer cleaned and disinfected the ponds. After a 3-month drying phase, the producer

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will introduce sentinel shrimp. Following confirmation of sentinel shrimp testing negative, the facility plans to repopulate. Hawaii's Quarantine order states that the producer will be eligible for release from quarantine after repopulated shrimp test negative. APHIS' efforts have alleviated several burdens by providing indemnity and assisting with the cleaning and disinfection of the infected ponds.

	Activity	FY 2004 Transfer Amount	Prior Year Carry Over	Total Available in FY 2004
1	Avian Influenza	$13,672,194	3,000,976	16,673,170
2	Asian Longhorned Beetle	0	22,729,403	22,729,403
3	Bovine Spongiform Encephalopathy	74,866,271	5,502,583	80,368,854
4	Citrus Canker	13,340,000	9,270,803	22,610,803
5	Emerald Ash Borer	43,364,425	1,804,906	45,169,331
6	Exotic Newcastle Disease	0	41,503,805	41,503,805
7	Glassy-winged Sharpshooter and Pierce's Disease	5,182,248	0	5,182,248
8	Infectious Salmon Anemia	0	1,936,392	1,936,392
9	Pseudorabies	0	13,694,102	13,694,102
10	Medfly	0	9,800,000	9,800,000
11	Mexican Fruit Fly	0	1,463,548	1,463,548
12	Mormon Cricket	20,000,000	0	20,000,000
13	National Animal Identification System	18,792,997	0	18,792,997
14	Plum Pox	0	3,603,376	3,603,376
15	Rabies	5,350,230	818,834	6,169,064
16	Scrapie	0	1,615,035	1,615,035
17	Spring Viremia of Carp	0	5,617,968	5,617,968
18	Sudden Oak Death	15,500,000	0	15,500,000
19	Tuberculosis	0	39,408,158	39,408,158
20	White Spot Disease in Hawaii		650,000	650,000
	Total FY 2004 CCC Transfers	$210,068,365	$162,419,889	$372,488,254

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Classification by Objects

2004 Actual and Estimated 2005 and 2006

($000)

		2004	2005	2006
Personnel Compensation:				
Washington, DC		234,728	254,065	247,893
Field		78,243	84,689	82,631
11	Total personnel compensation	312,971	315,981	313,492
12	Personnel benefits	90,991	95,286	95,892
13	Benefits for former personnel	1,864	672	672
	Total, pers. comp. & benefits	405,826	411,939	410,056
Other Objects:				
21	Travel & transportation of personnel	34,809	32,818	43,788
22	Transportation fo things	8,901	8,897	10,821
23.1	Rent payments to GSA	4,440	4,351	5,351
23.2	Rental payments to others	601	2,077	2,117
23.3	Communications, utilities, and	25,327	21,882	21,781
	misc. charges	0	30	30
24	Printing and reproduction	2,547	3,471	3,752
25.1	Advisory and assistance services	105,114	93,039	86,324
25.2	Other services	4,380	4,322	5,473
25.3	Purchases of goods and services	4,234	4,149	5,943
	from Government Accounts	0	0	0
25.4	Operation and maintenance of	36,936	32,153	34,238
	facilities	0	0	0
25.5	Research and development contracts	197,892	204,855	194,701
25.6	Medical care	912	894	894
25.7	Operation and maintenance of	15,074	14,773	14,773
	equipment	0	0	0
25.8	Subsistence and support of persons	438	429	429
26	Supplies and materials	67,219	60,154	63,031
31	Equipment	34,835	36,708	36,858
32	Land & Structure	380	(70)	(70)
41	Grants, Subsidies & Contributions	96,606	88,654	85,421
42	Indemnity	14,471	18,744	7,326
43	Int. & Div	0	0	0
44	Refunds	0	0	0
99	Other	0	0	0
	Total, other objects	655,116	632,332	622,983
Total direct obligations		1,060,942	1,044,271	1,033,039
Position Data:				
Average Salary, ES positions		145,789	150,892	154,664
Average Salary, GS positions		57,520	59,534	61,022
Average Grade, GS positions		9.90	9.85	9.80

Note: Total direct obligations does not include advances and reimbursements.
Includes balances from CCC transfers ($94 million for 2005 and $30 million for 2006)

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Proposed Language Changes

The estimates include proposed changes in the language of this item as follows: (new language is underscored; deleted language is enclosed in brackets):

Buildings and Facilities:

For plans, construction, repair, preventive maintenance, environmental support, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, [$4,967,000] $4,996,000, to remain available until expended.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

BUILDINGS AND FACILITIES

The APHIS appropriation "Buildings and Facilities" funds major nonrecurring construction projects in support of specific program activities and recurring construction, alterations, preventive maintenance, and repairs of existing APHIS facilities.

Appropriation Act, 2005	$4,967,000
Budget Estimate, 2006	4,996,000
Increase in Appropriation	+29,000

Adjustments to 2005:	
Appropriation Act, 2005	$4,967,000
Rescission	-40,000
Total Adjusted, 2005	$4,927,000
Budget Estimate, Current Law, 2006	4,996,000
Increase over adjusted 2005	+69,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	2005 Appropriation	Program Changes	2006 Estimated
Basic buildings and facilities repair, alterations, and preventive maintenance	$4,967,000	+29,000	$4,996,000

PROJECT STATEMENT
(On basis of available funds)

Item of Change	2004 Actual	2005 Appropriation	Program Changes	2006 Estimated
Unobligated balance available, start of year	$20,486,717	$9,246,294	--	$9,213,294
Total obligations	-$16,236,423	-$5,000,000	--	-$5,000,000
Total, Unobligated balance available, end of year	$4,250,294	$4,246,294	--	$4,213,294
Total, Appropriation	$4,996,000	$4,967,000	$29,000	$4,996,000
Total, Available	$9,246,294	$9,213,294	--	$9,209,294

(1) A net increase of $29,000 for buildings and facilities ($4,967,000 available in FY 2005).

(a) This increase will enable APHIS to maintain existing facilities, and perform general repairs and replacements of building components, such as heating, ventilation and air-conditioning (HVAC) on a prioritized basis at Agency-operated facilities. As buildings age, major repairs or replacements, such as roofs, waste water treatments plants, and HVAC systems need to be made. Due to the environmentally sensitive nature of many APHIS facilities, closure of a facility could result if mandated repairs remain uncorrected. The proposed budget will allow APHIS to adequately maintain and repair these facilities.

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BUILDINGS AND FACILITIES

PROJECT STATEMENT
(On basis of appropriated funds)

	2002 Actual	2003 Estimate	Increase or Decrease	2004 Estimated
Basic buildings and facilities repair and maintenance	$1,996,000	4,957,000	+39,000	$4,996,000
Maintenance/modernization of Plum Island Animal Disease Center, Plum Island, NY	3,193,000	--	--	--
Animal Import/Export Facility (AI/EF), Miami, FL - Construction of a new APHIS AI/EF on the site currently occupied by Miami Animal Import Center MAIC)	2,000,000	4,967,000	-4,967,000	--
Homeland Security Supplemental, B&F	14,081,000	--	--	--
Total, Estimated Appropriated Funds	$21,270,000	$9,924,000	-4,928,000	4,996,000
Transfer to Department of Homeland Security: Plum Island	-3,193,000	--	--	--
Total, Net Funding	$18,077,000	$9,924,000	-$4,928,000	$4,996,000

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

BUILDINGS AND FACILITIES

Classification by Objects
2004 Actual and Estimated 2005 and 2006
($000)

		2004	2005	2006
Other Objects:				
25.2	Other services	16,236	4,997	4,996
	Total, other objects	16,236	4,997	4,996
Total direct obligations		16,236	4,997	4,996

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

BUILDINGS AND FACILITIES

STATUS OF MAJOR CONSTRUCTION PROJECTS

Current Activities: The Buildings and Facilities appropriation funds major nonrecurring construction projects in support of program activities and recurring construction, alterations, and repairs of existing facilities. The ongoing major construction projects as of September 30, 2004 are:

1. National Plant Germplasm and Biotechnology Laboratory, Phases 1 & 2, Beltsville, MD - APHIS took beneficial occupancy of 75 percent of the new facilities in the first quarter of FY 2004. APHIS expects to take beneficial occupancy of the remaining 25 percent of the project in the second quarter of FY 2005 upon completion of commissioning.

   The National Plant Germplasm and Biotechnology Laboratory support APHIS' safeguarding efforts and eradication through the development of diagnostic technology for plant pathogens and quarantine testing protocols and programs. The laboratory operates a biosecurity level 3 greenhouse where diagnostic work can be conducted on dangerous plant pathogens, such as those on APHIS's Select Agents list (mandated by the Agricultural Bioterrorism Protection Act of 2002).

2. APHIS/ARS Master Plan for Facility Consolidation and Modernization Lab, Ames, IA - $14,081,000 available from FY 2002 Homeland Security Supplemental appropriation. A groundbreaking ceremony occurred in December 2002. Phase I was completed in the fourth quarter of FY 2004, and the large animal facility should be complete by 2006. In addition, APHIS reprogrammed $872,000 of the Homeland Security Supplemental Salaries and Expenses funds into this buildings and facilities project. Also, because this building is now permanent and an integral part of the complex at Ames, the infrastructure established during this phase of construction must tie into the overall Master Plan. As a result, an additional $10 million was financed from within overall appropriations provided to the Department for consolidated animal health facilities. The Agricultural Research Service (ARS) has the lead for managing construction of the entire Master Plan project. ARS has received $404 million for the Ames modernization project.

   This facility would provide an integrated, multidisciplinary scientific capability combining animal diseases research with the development of diagnostic tools and vaccines. With the globalization of trade heralded through the Sanitary and Phytosanitary Agreement of the World Trade Organization and its reference to a science base, agricultural program and animal disease needs have become more global. Modern, fully equipped facilities to accommodate and respond to these needs are essential.

3. Miami Airport Facility, Miami, FL - APHIS will use $5,000,000 available from FY 2003 appropriation for subsequent construction phases (i.e. parking garage and detector dog kennels) to accommodate all local Agency activities. APHIS moved into the Animal Import the first quarter of FY 2005. APHIS is redesigning the plant inspection portion. This APHIS "one-stop" facility houses the Agency's air cargo operations, the plant inspection stations, the canine operations kennels units, and a 100 stall animal import/export center. APHIS commodity and cargo inspection operations work extremely close with the Department of Homeland Security officials in service delivery to importers.

Selected Examples of Recent Progress:

Our performance goal is to implement the scheduled improvements, construction, security, and maintenance as specified. APHIS will collect data through contractor reports and on-site verification. The Agency's Building and Facilities (B&F) Master Plan strategy is to modernize existing facilities when required, as well as to properly operate and maintain existing facilities.

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Awarded:

1. COR/Construction inspection services for Building Y1 project, Ames, IA, awarded October 2003
2. Change order for building Y1 project, Ames, IA, awarded November 2003
3. Design associated with Security/Admin. Building addition, Ames, IA, awarded January 2004
4. Coyote fencing, Logan UT, awarded February 2004
5. Casework for MB Laboratory, Ames, IA, awarded February 2004
6. COR/Construction inspection services for the MB Laboratory, Ames, IA, awarded April 2004
7. COR/Construction inspection services for Mexfly facility, Reynosa, Mexico, awarded April 2004
8. AHU door repair, Beltsville, MD, awarded June 2004
9. Electrical Installation for MB Laboratory, Ames, IA, awarded June 2004
10. Construction of the Mexfly facility, Reynosa, Mexico, awarded June 2004
11. Paving, Ames, IA, awarded August 2004
12. Sewer line repair, Beltsville, MD, awarded September 2004
13. Remodel Predator ecology field station, Logan, UT, awarded September 2004
14. Drainage improvements & selective building demolition, Gulfport, MS, awarded November 2003
15. Installation of fire alarm system, Gulfport, MS, awarded February 2004
16. HVAC system installation, Ames, IA, awarded March 2004
17. Roof & window replacement, Pocatello, ID, awarded July 2004
18. Repair ceiling & mold remediation, Mission, TX, awarded May 2004
19. Design/Install Unitary controllers, Ames, IA, awarded September 2004

Completed:

1. Facility Condition Assessments (process of identifying maintenance and capital improvement needs) completed in FY 04: Hilo, HI; Phoenix, AZ; Tuxtla, Mexico
2. Fencing – NWRC, Ft. Collins, CO, Completed November 2003
3. Building Y1 Foundation - NVSL/CVB, Ames, IA, Completed November 2003
4. Roof repair - NVSL/CVB, Ames, IA, Completed October 2003
5. Environmental Assessment, Waimanalo, HI, Completed January 2004
6. Roof replacement, Gainesville, FL, Completed December 2003

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2006 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. This mission encompasses a wide range of programs that are classified under the agency' two strategic goals: 1) facilitate strategic marketing of U.S. agricultural products and 2) ensure fair and competitive agricultural marketing. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology.

The Agricultural Marketing Service (AMS) carries out a wide range of program activities that facilitate marketing for U.S. agricultural production under the authorization of the Agricultural Marketing Act of 1946 and more that 50 other statutes. Approximately two-thirds of the funds needed to finance AMS activities are derived from voluntary user fees. AMS provides services for private industry, State, and Federal agencies on a reimbursable basis, primarily in connection with the commodity grading programs.

1. Market News Service:

The Market News program is carried out under the following authorities:

Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
Livestock Mandatory Reporting Act of 1999
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The Market News service makes reports available to the public and is funded by appropriations. AMS collects, analyzes, and disseminates market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains and wool; poultry and eggs; and tobacco. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for all agricultural commodities. This program contributes to AMS strategic goal 1 because market news reports provide producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information. Utilizing market news information assists in making the critical daily decisions of where and when to sell, and at what price.

AMS conducts global market reporting to help U.S. agriculture to open and expand export marketing opportunities in foreign markets by providing uniform access to a centralized, consistent, public source of timely information on international prices and trade volume. Global market reporting also provides information on prices, volumes, or other relevant data on other production areas or shipping points in competitor countries.

Federal and State reporters obtain market information at trading points, by telephone or by electronic submission. AMS experts analyze and immediately disseminate compiled market information to the agricultural community, academia, and other interested parties using data networks, automatic telephone devices, facsimile machines, printed reports, radio and television, e-mail, and newspaper columns. National information is integrated with local information and released in a form easily

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understood by the industry and locality served. AMS standards are used as the basis for reporting commodity quality, packaging, etc. Fees are collected for postage/printing/handling costs associated with printed and faxed report subscriptions. However, advances in electronic dissemination of information have overtaken demand for printed reports. AMS provides free e-mail subscriptions for all internet-released market news reports.

2. Shell Egg Surveillance, Standardization, Grading, and Plant Variety Protection:

These programs are carried out under the following authorities:

Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
Dairy and Tobacco Adjustment Act of 1983
Egg Products Inspection Act
Farm Security and Rural Investment Act of 2002
Naval Stores Act
Plant Variety Protection Act
Tobacco Inspection Act of 1935
Tobacco Statistics Act
U.S. Cotton Futures Act
United States Cotton Standards Act
Wool Standards Act

To ensure that cracked or leaking eggs are diverted from table egg consumption, the Shell Egg Surveillance Program ensures that eggs moving in commerce 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. The Plant Variety Protection Program encourages the development of novel varieties of sexually (seed) reproduced or tuber propagated plants by providing intellectual property rights protection to developers.

a. Shell Egg Surveillance: In cooperation with the State departments of agriculture, shell egg handling operations are inspected at least four times yearly and hatcheries are inspected at least once yearly to control the disposition of certain types of undergrade and restricted eggs. This program ensures accomplishment of AMS goal 2 by diverting, to egg breaking plants, eggs that are not at least U.S. Consumer Grade B and which cannot be sold in shell form. The Shell Egg Surveillance program is funded from appropriations.

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 basis for marketing and market reporting that facilitates trading between buyers and sellers of commodities both here and abroad. AMS quality standards are used in grading cotton, milk and dairy products, eggs, fruits, livestock and meat, nuts, tobacco, poultry, and vegetables. The standards development program is currently funded from appropriations.

AMS provides agricultural marketing expertise for international standards-setting and other marketing activities related to agricultural exports. Beginning in fiscal year 2002, AMS increased its participation in the development of international standards to better assist in representing the interests of the agricultural industry. This program contributes to AMS goal 1 by helping to ensure that United States agriculture remains competitive in foreign markets, increases its market share, and develops sustainable levels of export sales.

c. Grading: The grading process involves the application or verification of quality standards to agricultural commodities. AMS provides grading and certification services on agricultural

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commodities for which developed standards are available. In addition, AMS provides acceptance and condition inspection services for all agricultural commodities upon request. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. This contributes to AMS goal 1 because these services facilitate 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 can be used as evidence of quality and condition in a court of law to settle commercial disputes. Production and quality control system audits are new services offered by AMS which reduce costs and assist the industry in making various marketing claims about their products. Grading, certification, and auditing activities are performed by Federal employees and Federally-supervised State employees. Grading fees provide revenue to fund the cost of this program.

d. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act and is fully funded by user fees for certificates of protection. This program supports AMS goal 1 because the Act encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program assures developers exclusive rights to sell, reproduce, import, or export such varieties, or 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.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that authorize the collection of pesticide application and residue information, ensure proper marketing practices, stimulate innovative and improved commodity marketing, 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, Agriculture, Conservation and Trade (FACT) Act of 1990
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
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
Watermelon Research and Promotion Act

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a. Pesticide Data Program: The Pesticide Data Program (PDP), established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessment procedures. This program supports AMS goal 1 by providing 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. 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 FDA. This program is a cooperative effort with State agencies and is funded from appropriations.

b. Microbiological Data Program: This program supports AMS goal 1 by collecting information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables. This is a continuous data gathering program to identify microbial trends and develop risk models. The program is not regulatory in nature; it is designed to establish a national microbial baseline to assess the risks of contamination in the domestic food supply. Upon release, the data is available to any interested parties including Federal and State public health agencies for food safety decision-making purposes.

c. Biotechnology: AMS is developing an infrastructure to facilitate the resolution of marketing issues relating to biotechnology in seeds, plants, and selected food and fiber products, supporting AMS goal 1. To support market requirements for products differentiated on the basis of a presence or absence of bioengineered genetic events, AMS' biotechnology program has been upgrading is laboratory systems and working with industry to develop fee-based activities such as audited process verification, laboratory testing services for genetically engineered traits in seeds and plants, accreditation of state and private laboratories that perform testing services for genetically engineered traits, and protecting intellectual property rights on new crop varieties.

d. National Organic Standards Program: This program is authorized by the Organic Foods Production Act of 1990. The Act requires AMS to develop and maintain national standards governing the production and handling of agricultural products labeled organic. The national organic standards are based on recommendations of the 15-member National Organic Standards Board (NOSB) who are appointed by the Secretary. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed materials, and coordinates the enforcement and appeals process. Program administration is funded from appropriations.

The legislation also requires that agricultural products labeled as organic originate from farms or handling operations certified by a state or private entity that has been accredited by USDA. AMS accredits state and private certifying programs to ensure their compliance with national organic standards. The nationwide program supports AMS goal 1 by certifying that the production of organically produced food products meet national standards. Organic accreditation services are funded by fees paid by all applicants applying for accreditation after October 2002.

e. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and funded from appropriations. The Act regulates agricultural and vegetable seed moving in interstate commerce. The program supports AMS goal 2 by prohibiting false labeling and advertising of seed as well as the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should an inspection reveal infractions of the Act, a violation may be referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts

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administratively to resolve each case. For cases that cannot be resolved, AMS will initiate appropriate legal action. Intrastate infractions are subject to State laws. Under the Agricultural Marketing Act, AMS also tests voluntarily submitted seed upon request. These voluntary testing services are provided on a fee basis.

f. 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 of Federally-restricted use pesticide applications. AMS conducts compliance and educational activities to ensure that these Federal pesticide recordkeeping regulations are being followed. AMS provides private certified pesticide applicators with educational tools to assist them in maintaining the necessary restricted use pesticide records. AMS has agreements with Federal, state, tribal, and U.S. territory agencies to monitor certified private applicators' restricted use pesticide records through on-site inspections. States are given the option to administer the program and AMS monitors compliance in those states that choose not to conduct inspections. The pesticide recordkeeping program is funded from appropriations.

The Act also requires that USDA--the National Agricultural Statistics Service (NASS)--and the Environmental Protection Agency (EPA) survey the records annually to determine agricultural and non-agricultural pesticide usage, and to provide a database on the use of restricted pesticides. A Memorandum of Understanding signed by the AMS, NASS, and EPA identifies the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage. This program supports AMS goal 2 because the accuracy of restricted use pesticide data is enhanced by good recordkeeping practices by certified applicators. AMS uses information obtained during NASS pesticide-usage surveys as one indicator of the degree of compliance with recordkeeping requirements.

g. The Commodity Research and Promotion Acts: AMS provides oversight and direction to many industry-funded commodity research and promotion programs. The various research and promotion acts provide authority for the collection of an assessment from various segments of the marketing chain. The program supports AMS goal 1 because the assessment funds are used to broaden and enhance national and international markets for various commodities. Producer assessments 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 avocados, beef, blueberries, cotton, milk and dairy products, eggs and egg products, fluid milk, honey, lamb, mangos, mushrooms, peanuts, popcorn, pork, potatoes, soybeans, and watermelons. Assessments collected on mushrooms are for non-promotional research activities. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the Order and the Act. Each research and promotion activity reimburses AMS for the cost of implementing and overseeing its program.

4. Wholesale, Farmers and Alternative Market Development:

This program is authorized under the Agricultural Marketing Act of 1946 and Farmer to Consumer Direct Marketing Act of 1976, and is funded through appropriations. This program supports AMS goal 1 by providing 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 researches changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

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5. Transportation Services:

Transportation services activities are authorized under the following authorities:

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

This program supports AMS goal 1 by assuring that 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. Transportation services activities are funded through appropriations.

6. Payments to States and Possessions:

The Payment to States program is more commonly known as the Federal-State Marketing Improvement Program (FSMIP). It is authorized by the Agricultural Marketing Act of 1946 and is funded from appropriations. This program supports AMS goal 1 by providing funds to State marketing agencies to: identify and test-market farm commodities; determine methods of providing more reliable market information; and develop better post-harvest and packaging methods. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm-produced commodities. The legislation grants 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. The States perform the work or contract with others, and must contribute at least one-half of the cost of the projects.

7. Perishable Agricultural Commodities Act:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA), and is funded by license fees. This program supports AMS goal 2 because 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 must 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.

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

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year and unused balances up to $500 million are available for encouraging the domestic consumption or exportation of agricultural commodities. The Farm Security and Rural Investment Act of 2002 increased the unused balance in this program to the $500 million level. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service.

a. Commodity Purchases and Diversions: Pursuant to Section 32, AMS purchases non-price supported commodities such as meats and fish, fruits and vegetables, and poultry and egg products, in order to stabilize market conditions, which directly supports AMS goal 1. These purchased commodities are distributed by the Food and Nutrition Service (FNS) to schools as part of the entitlement for the National School Lunch Program and for other nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs authorized by Congress. AMS is reimbursed by FNS for the administrative costs associated with purchases made for FNS Federal nutrition assistance. Diversion payments are authorized by clause 2 of Section 32 of the Act of August 24, 1935. This legislation authorizes the Secretary of Agriculture to encourage the domestic consumption of agricultural commodities or products by diverting them, by payment of benefits or indemnities or by other means, from the normal channels of trade and commerce. The diversion program under Section 32 also supports AMS goal 1 by providing support to markets that are experiencing adverse economic conditions.

b. Federal Food Specifications: AMS develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, the Indian Health Service, the National Institutes of Health, the Bureau of Prisons, and the Department of Veterans Affairs. This program supports AMS goal 1 by updating and streamlining Federal food specifications to improve the cost efficiency of Federal food purchasing by using commercial item descriptions whenever possible. For purchases of meat items, the Department of Defense and some other agencies use Institutional Meat Purchase Standards (IMPS).

c. Marketing Agreements and Orders: The Marketing Agreements and Orders Program is authorized by the Agricultural Marketing Agreement Act of 1937. Marketing orders support AMS goal 2 because they are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels; and (3) providing for market development and promotion (including paid advertising).

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity. Once approved, the Secretary issues the marketing order and sets the effective date of the order.

Section 32 funds authorized under 7 U.S.C. 612c are used by AMS for administering the Marketing Agreements and Orders Program at the national level, public hearings, and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

AMS headquarters is located in Washington, D.C. The agency has 156 consolidated year-round and seasonal field offices. AMS' peak employment period occurs during the four-month period from

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September through December due to the seasonal nature of cotton, tobacco, and a variety of fruit and vegetable grading programs. Employment during the peak period averaged 4,497 during fiscal year 2004. As of September 30, 2004, AMS had 4,008 employees, of whom 2,767 were full-time and 1,241 were other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,176 full-time and 1,203 other-than permanent full-time employees.

GAO Evaluation

Dairy Industry: Information on Milk Prices, Factors Affecting Prices, and Dairy Policy Options (GAO-05-50, in progress). This study examines factors affecting milk prices, including Federal dairy program changes and alternative policy options.

OIG Audits

Livestock Mandatory Price Reporting System – Application Controls (01099-4-Te, in progress). This audit is to evaluate whether AMS has adequate controls over the input, processing, and output of the Livestock Mandatory Price Reporting System data.

Pesticide Data and Recordkeeping Programs (01099-28-At, in progress). This audit is to review the policies and procedures for administering and monitoring the Pesticide Data and Recordkeeping Programs.

Agricultural Marketing Service Contract and Competitive Bidding Practices (01601-01-KC, in progress). This audit is to assess the sufficiency of AMS' internal controls to prevent and detect potential collusive bidding activities.

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AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years
2004 Actual and Estimated 2005 and 2006

Item	2004 Actual		2005 Estimated		2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service						
Marketing Services:	$74,964,963	522	$76,092,000	534	$84,119,000	523
Proposed User Fees for Standardization					$2,918,000	--
Payments to States and Possessions	3,319,308	--	3,818,224	--	1,347,000	--
Total	78,303,288	522	79,908,224	534	88,373,000	523
Obligations under other USDA appropriations:						
Food & Nutrition Service for commodity procurement services	831,000	13	843,000	13	843,000	13
Total, Agriculture Appropriations	79,134,288	535	79,751,224	547	89,222,000	536
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	5,927,395,463	156	6,062,036,536	178	6,339,231,000	179
Transfer from CCC	--	--	90,000,000	--	--	--
Ordnet Rescission	--	--	-183,000,000	--	--	--
Carryin	134,321,602	--	408,090,706	--	--	--
Ordnet transfers out	-4,779,395,463	--	-5,230,900,934	--	-5,188,369,000	--
Ordnet carryout	-408,990,706	--	--	--	-309,880,000	--
Net AMS	874,280,896	156	1,156,995,310	179	840,972,000	179
Perishable Agricultural Commodities Act Fund:	9,677,919	90	9,397,000	95	9,576,000	95
Total, Permanent Appropriations	883,958,815	246	1,166,392,310	274	850,450,000	274
Non-Federal Funds:						
Oversight work for the following:						
American Egg Board	182,100	2	187,460	2	192,968	2
Avocado (Hass) Board	127,713	0	124,640	1	121,648	1
Avocado (California) Board	2,598	0	2,536	0	2,474	0
Avocado (Chilean) Board	15,326	0	14,957	0	14,597	0
Avocado (Mexican) Board	11,724	0	11,442	0	11,167	0
Beef Board	177,867	2	173,391	2	169,219	2
Blueberry Board	79,121	1	77,217	1	75,359	1
Cotton Board	238,740	2	232,995	2	227,398	2
Dairy Board	481,782	3	470,118	3	458,797	3
Fluid Milk Board	412,467	3	402,541	3	392,854	3
Honey Board	123,108	1	120,143	1	117,252	1
Honey (Importer) Board	3,307	0	3,227	0	3,150	0
Lamb Board	89,944	1	87,779	1	85,667	1
Mango Board	5,732	0	5,853	0	5,517	0
Mushroom Board	50,791	1	49,569	1	48,376	1
Peanut Board	140,063	1	136,712	1	133,422	1
Popcorn Board	31,983	0	31,223	0	30,472	0
Pork Board	171,605	2	166,880	2	162,874	2
Potato Board	116,971	1	114,156	1	111,409	1
Soybean Board	451,941	2	441,065	2	430,481	2
Watermelon Board	93,525	1	91,274	1	89,078	1
Fees for grading of cotton and tobacco	44,908,931	542	64,469,000	601	65,867,000	601
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	124,084,497	1,502	119,223,000	1,536	120,614,000	1,554
Wool research, development, and promotion	2,250,000	--	2,250,000	--	2,250,000	--
States for collection and dissemination of market news information	102,797	1	104,000	1	104,000	1
Total, Non-Federal Funds	174,344,844	2,069	187,997,000	2,162	191,509,129	2,180
Schedule A Employees	--	472	--	472	--	472
Total, Agricultural Marketing Service	1,137,437,628	3,323	1,433,726,534	3,455	1,310,181,129	3,462

Note: Agency totals do not include the Florida Department of Citrus grant of $6,000,000 ($5,952,000 after rescission) in Section 795 of P.L. 108-447.

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AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary
2004 Actual and Estimated 2005 and 2006

Grade	2004			2005			2006		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	11	--	11	11	--	11	11	--	11
GS-15	28	5	33	28	5	33	28	5	33
GS-14	77	26	103	77	26	103	78	26	104
GS-13	124	102	226	125	102	227	126	102	228
GS-12	118	171	289	120	173	293	123	173	296
GS-11	45	286	331	46	289	335	46	289	335
GS-10	1	15	16	1	15	16	1	15	16
GS-9	34	581	615	34	584	618	34	584	618
GS-8	11	229	240	11	229	240	11	229	240
GS-7	39	363	402	39	366	405	40	366	406
GS-6	23	87	110	23	87	110	23	87	110
GS-5	16	105	121	16	105	121	17	105	122
GS-4	5	42	47	5	42	47	5	42	47
GS-3	3	11	14	3	11	14	3	11	14
GS-2	--	1	1	--	1	1	--	1	1
GS-1	--	--	--	--	--	--	--	--	--
Schedule A Employee	15	406	421	15	415	430	15	415	430
Ungraded Positions	--	10	10	--	10	10	--	10	10
Total Permanent Positions	550	2,440	2,990	554	2,460	3,014	561	2,460	3,021
Unfilled Positions end-of-year	41	-264	-223	--	--	--	--	--	--
Total Permanent Full Time Employment, end-of-year	591	2,176	2,767	554	2,460	3,014	561	2,460	3,021
Staff Year Estimate	698	2,625	3,323	726	2,729	3,455	727	2,735	3,462

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AGRICULTURAL MARKETING SERVICE
Size, Composition and Cost of Agency Motor Vehicle Fleet

The 2006 Budget Estimates propose the purchase of 10 replacement and no additional passenger motor vehicles.

The estimated number of passenger motor vehicles available for fiscal year 2005 is the minimum necessary to maintain essential services in 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 for use in classing work and demonstration at farmers' meetings. AMS does not replace passenger vehicles unless they have mileage of at least 60,000 or are 6 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. No change to the total number of passenger motor vehicles is proposed for fiscal year 2006.

Replacement of passenger motor vehicles. Replacement of 10 of the 61 passenger motor vehicles that are in operation is proposed. All vehicles proposed for replacement will have a mileage of more than 60,000 or will be more than 6 years old, in accordance with GSA vehicle replacement standards.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2004, are as follows:

AGRICULTURAL MARKETING SERVICES
MOTOR VEHICLES FLEET DATA
Size, Composition, and Annual Cost
(in thousands of dollars)

Number of Vehicles by Type*									
Fiscal Year	Sedans & Station Wagons	Light Trucks 4X2	Light Trucks 4X4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Costs ($ in thou.)
2004 Actual	61	31	1	0	0	0	0	93	$214,272
Change	0	0	0	0	0	0	0	0	
2005 Est.	61	31	1	0	0	0	0	93	$220,700
Change	0	0	0	0	0	0	0	0	
2006 Est.	61	31	1	0	0	0	0	93	$227,321
Change	0	0	0	0	0	0	0	0	

Note: These numbers include vehicles that are owned by the agency, leased from commercial sources, and leased from GSA.

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AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

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. This mission is carried out through a wide range of programs. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology.

AMS has two strategic goals and sixteen strategic objectives that contribute to the Department's first strategic goal.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Goal 1: Enhance economic opportunities for agricultural producers. USDA Strategic Objective 1.1: Expand International Marketing Opportunities	**Agency Goal 1:** Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.	Objective 1.1: Collect, analyze, and disseminate time sensitive agricultural market information at the local, regional, national, and international levels in order to increase the efficient and orderly marketing of agricultural products.	Market News	Key Outcome 1: Enhanced market efficiency resulting in lower costs for consumers and higher returns to producers.
		Objective 1.2: Develop and maintain a common language of trade to describe economically important attributes of agricultural products to facilitate domestic and international trade.	Standardization	
		Objective 1.3: Provide Government agencies with pesticide residue occurrence data for tested commodities that represent national consumption.	Pesticide Data Program	
		Objective 1.4: Provide objective baseline data on food-borne pathogens in fresh fruits and vegetables for use in food safety decision-making and risk modeling.	Microbiological Data Program	
		Objective 1.6: Facilitate domestic and international trade through the maintenance of national organic standards, and the implementation of a certification program for organically produced products.	Organic Standards Program	

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USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
		Objective 1.7: Enhance intelligence on the status of the food supply transportation system; analyze and address problems in the distribution and transportation of agricultural products in commerce, for rural producers, ancillary agribusinesses and exporters.	Transportation Services	
		Objective 1.8: Conduct analyses and provide technical market facility assistance to improve the efficiency of marketing of agricultural products, for the benefit of farmers and consumers.	Wholesale, Farmers, & Alternative Market Development	
		Objective 1.9: Improve the domestic and international marketing of commodities through cooperatively funded projects proposed by the States.	Federal-State Marketing Improvement Program (FSMIP)	
		Objective 1.10: Provide on-demand user fee-funded grading services to segregate commodity based on its economically important attributes, to increase returns to producers of quality products, and to evaluate and confirm process conformance to established system requirements recognized by USDA.	Agricultural Commodity Grading Services	
		Objective 1.11: Remove marketplace surpluses of perishable non-price supported commodities to stabilize prices, and to meet domestic and international feeding program needs.	Commodity Purchase Services	
USDA Goal 1: Enhance economic opportunities for agricultural producers. USDA Strategic Objective 1.1: Expand International Marketing Opportunities	**Agency Goal 2**: Ensure fair and competitive agricultural marketing through marketing tools and regulations.	Objective 2.1: Facilitate the marketing of consumer grade eggs by ensuring that restricted eggs are not sold in retail commerce.	Shell Egg Surveillance	Key Outcome 2: Fair and competitive marketing of agricultural products.
		Objective 2.2: Ensure that all seed shipped in interstate commerce, and US seed shipped in international commerce is accurately labeled as to purity, germination, and variety to avoid producer crop losses.	Federal Seed Act Program	

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USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
		Objective 2.3: Administer a recordkeeping program to ensure that records are maintained by private certified applicators (farmers) of federally restricted use pesticides.	Pesticide Recordkeeping	
		Objective 2.4: Ensure fair trading practices in the marketing of more than $80 billion in annual sales of perishable agricultural commodities.	Perishable Agricultural Commodities Act/ PACA	
		Objective 2.5: Provide Federal oversight of these industry initiated programs to ensure orderly, efficient, and effective marketing conditions for milk, fruits & vegetables, and specialty crops.	Marketing Agreements and Orders	

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AGRICULTURAL MARKETING SERVICE
Summary of Budget and Performance

USDA STRATEGIC GOAL 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.
USDA STRATEGIC OBJECTIVE 1.1: Expand International Marketing Opportunities

Strategic Objective and Funding Matrix
(On basis of available funds)

	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
MARKETING SERVICES							
Market News	$30,296,919	300	$30,595,000	315	+$1,249,000	$31,844,000	316
Shell Egg Surveillance	2,609,784	21	$2,605,000	21	+$69,000	$2,674,000	21
Standardization	4,642,413	53	4,789,000	50	-2,842000	1,947,000	50
Proposed Standards User Fees	0	0	0	0	+2,918,000	2,918,000	0
Federal Seed Act	2,249,010	19	2,370,000	19	+56,000	2,426,000	19
Country of Origin Labeling	0	0	0	0	+3,111,000	3,111,000	6
Pesticide Data	14,734,931	31	14,529,000	31	+733,000	15,262,000	31
Microbiological Data	6,068,795	8	6,145,000	8	+148,000	6,293,000	8
Biotechnology	3,704,699	18	4,048,000	18	-4,048,000	0	0
Organic Standards	2,139,348	13	1,975,000	13	+51,000	2,026,000	13
Pesticide Record-Keeping	2,522,450	12	2,584,000	12	+343,000	2,927,000	12
Web-based Supply Chain Management System	0	0	0	0	+10,000,000	10,000,000	0
Transportation	2,743,726	24	2,716,000	24	+78,000	2,794,000	24

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	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Wholesale, Farmers, and Alternative Market Development	2,724,484	23	2,736,000	23	+74,000	2,810,000	23
Unobligated Balance	548,404	--	--	--	--	--	--
Total, Marketing Services	$74,984,963	522	$75,092,000	534	+11,940,000	$87,032,000	523
PAYMENTS TO STATES AND POSSESSIONS							
Federal-State Marketing Improvement Program (FSMIP)	3,318,306	0	3,816,224	0	-2,469,224	1,347,000	0
Total, Marketing Services and Payments to States and Possessions	$78,303,269	522	$78,908,224	534	+$9,470,776	$88,379,000	523
SECTION 32 PERMANENT APPROPRIATIONS							
Commodity Purchase Services	10,266,096	38	11,232,000	48	+260,000	11,492,000	48
Marketing Agreements and Orders	14,938,305	120	15,800,000	131	+255,000	16,055,000	131
Subtotal, Section 32 Administrative Funds	25,204,401	158	27,032,000	179	515,000	27,547,000	179
Section 32 Program Funds	849,076,495	0	1,129,553,310	0	-307,228,310	822,325,000	0
Total, Section 32	874,280,896	158	1,156,585,310	179	-306,713,310	849,872,000	179

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PERISHABLE AGRICULTURAL COMMODITIES ACT							
PACA	$9,677,619	90	$9,397,000	95	+181,000	$9,578,000	95
TRUST, USER FEE, AND REIMBURSED PROGRAMS							
Commodity Grading and Other Trust Fund (Fee) Programs	126,314,497	1,502	120,479,000	1,536	+2,385,000	122,864,000	1,554
Reimbursements and User Fee Programs	48,861,347	579	68,351,000	639	+1,137,129	69,488,129	639
Total, Trust, User Fee and Reimbursed Programs	175,175,844	2,081	188,830,000	2,175	+3,522,129	192,352,129	2,193
TOTAL Available, AMS	$1,137,437,628	2,851	$1,433,750,534	2,983	-293,569,405	$1,140,181,129	2,990

Note: Total does not include Schedule A staff years (472).

Selected Accomplishments Expected at the FY 2006 Proposed Resource Level:

AMS proposes to better facilitate agricultural marketing in FY 2006 by improving its services to the agriculture industry and consumers, by:

- Establishing an audit-based compliance program for Country of Origin Labeling as mandated by the Farm Security and Rural Investment Act of 2002 (Public Law 107-171) (Farm Bill);
- Including pork cuts in the Livestock Mandatory Reporting program;
- Ensuring the continued viability of cooperative State support for the Pesticide Data and Pesticide Recordkeeping programs;
- Begin development of a new tri-agency (AMS, FNS, FSA) Web-Based Supply Chain Management System to manage commodity purchase and handling.

Means and Strategies:

AMS proposes to establish a new audit-based compliance program for Country of Origin Labeling that uses cooperative agreements with State agencies to verify that designated retailers of covered commodities are complying with legislated requirements. AMS will establish a compliance program during fiscal year 2006 for fish and shellfish, and incorporate the other covered commodities once mandatory requirements begin in October of 2006. AMS will train Federal and state employees, respond to formal complaints, conduct surveillance audits and conduct educational activities for interested parties. Surveillance audits are planned at 1,860 per year.

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In 2006 the Biotechnology Program would be terminated. AMS will continue to work with the affected industries to develop alternative mechanisms that will facilitate the movement of the commodities by differentiating bioengineered from conventional commodities.

AMS also proposes a number of enhancements to current marketing programs that will improve performance by strengthening agency services for agricultural producers, sellers, and consumers:

- Livestock Mandatory Market News reports have become popular with the meat industry. Representatives of the pork industry have indicated that they support amendments to Livestock Mandatory Market News requirements to include their products so that information on trades is accessible. Mandatory reporting will significantly increase the percentage of pork products reported by AMS to 80% from 5% available under the existing voluntary system. Therefore, AMS requests increased funding and staffing in fiscal year 2006 to expand data collection, analysis and reporting to include pork cuts.

- The Pesticide Data Program works cooperatively with 12 States to ensure the collection of accurate and reliable pesticide residue data. The cooperating State agencies are experiencing cost increases and will not be able to continue to provide services at current levels unless AMS can fully fund their costs. The effect of these State cost increases would be to reduce sample collection by an estimated 1,000 samples. PDP data supports agricultural marketing throughout the marketing chain--from growers, through wholesalers and retailers, to consumers.

- AMS requests increased funding for the Pesticide Recordkeeping Program to offset cost increases for cooperating State agencies. The Pesticide Recordkeeping program depends on State programs in most states to assist in educational activities and to ensure that pesticide records are being maintained as required by the legislation.

- AMS requests funding for the WBSCM system in fiscal year 2006 in the Marketing Services account because information technology programs of this nature should be funded through the discretionary process. This multi-year project will replace the obsolete Processed Commodity Inventory Management System used by AMS, FNS, and FSA to track commodity ordering, purchases, inventories, funds, and deliveries. This coordinated USDA effort to implement a modern web-based supply chain management system will optimize the delivery and execution of domestic and international food programs to improve services and eventually lower administrative costs.

- To maintain performance in all ongoing programs at the current level, AMS requests funding increases for pay costs.

Performance Measurement for Program Increases

Performance Measure	FY 2004 Estimate	FY 2005 Target	FY 2006 Target
Country of Origin Labeling:			
Compliance rate of designated retailers	N/A	N/A	70%
Dollars (Proposed)	--	--	$3,111,000
Mandatory Market Reporting:			
Percentage of pork products traded reported by AMS	5%	5%	80%
Dollars (Proposed)	$0	$0	$545,000

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Performance Measure	FY 2004 Estimate	FY 2005 Target	FY 2006 Target
Pesticide Data Program:			
Number of analyses performed	122,693	90,000	95,000
Dollars (Program total)	$14,734,931	$14,529,000	$15,262,000
Pesticide Recordkeeping:			
Number of States/territories conducting compliance inspections	36	36	37
Number of States with minority education activities	2	2	4
Dollars (Program total)	$2,522,450	$2,584,000	$2,927,000

Partnerships: AMS cooperates with Federal and State agencies, agricultural organizations, other stakeholders, researchers, and the public. Interested Federal and State agencies include: the Animal and Plant Health Inspection Service; Food Safety and Inspection Service; Grain Inspection, Packers and Stockyards Administration; Food and Nutrition Service; Farm Services Agency; Foreign Agricultural Service; Agricultural Research Service; National Agricultural Statistics Service; Environmental Protection Agency; Centers for Disease Control; Food and Drug Administration; the U.S. Trade Representative; Department of Homeland Security; U.S. Customs Service; State Departments of Agriculture and related State agencies, and international trade organizations.

AMS cooperates with the Food and Nutrition Service and the Farm Service Agency on specifications, purchases, and delivery of commodities for the School Lunch and other feeding programs. AMS works with the Food and Nutrition Service 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.

AMS cooperates with State departments of agriculture to carry out shell egg surveillance activities, pesticide recordkeeping educational and compliance activities, and reporting of Federal Seed Act violations. AMS depends on the cooperation of State agricultural agencies in carrying out Pesticide Recordkeeping activities. AMS must respond to changes in industry requirements for those governed by marketing orders such as prices, supply, challenges from imports, and overall industry support for the program. AMS works with the National Agriculture Statistics Services (NASS) and the Environmental Protection Agency (EPA), according to the responsibilities and roles of each agency pertaining to pesticide records, surveys, and reporting.

External Factors: AMS market news reporting is heavily dependent on voluntary input from industry sources and cooperation from State programs which gather local market data. A lack of industry cooperation, or a decrease in State reporting budgets, would reduce AMS' ability to provide the information needed for agricultural decision-making. The Pesticide Data and Microbiological Data Programs depend on continued cooperation of State agricultural agencies for the staffing and facilities necessary for sample collection and testing. Organic sales are dependent on continuing consumer preferences for organic foods. The important external factors for the Federal-State Marketing Improvement Program are the availability of both Federal and State matching funds for marketing projects eligible to receive funding under this program. The cost and availability of commodities acquired under food purchase programs varies based on the economy and demand. Marketing Order workload is largely determined by industry requests for new programs and regulatory changes. The PACA program's workload depends on the number of violations of the PACA provisions.

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Human Capital Management

AMS is predominantly a user-fee funded organization. Most clients voluntarily buy our services in grading, inspection, and certification, or request our assistance in other industry-supported programs. Their satisfaction keeps us in business--dissatisfaction means terminating the service provided. As a user-funded organization, it has been an ongoing priority for AMS to maintain a well trained and highly adaptable workforce that continually meets the ever-changing needs of our customers. AMS programs that provide a public good and are funded by appropriations benefit equally from the agency's customer service orientation.

To meet these needs, we created a five-year comprehensive strategic human capital initiative to ensure that the agency maintains a highly motivated, skilled, flexible, and technologically adept workforce. We developed an AMS' Human Capital Plan, which serves as a broad guide to assess, plan, and respond proactively to our workforce needs. The plan is critical to ensuring that the Agency's workforce is capable of providing effective leadership on food, agriculture, resources, and related issues. It commits AMS to the goals established by USDA in its Human Capital Plan and is being implemented through a number of supporting plans: the AMS Workforce Plan, AMS Succession Plan, and AMS Strategic Recruitment Plan.

AMS' human capital initiatives assist AMS with meeting the rapidly changing needs of the agricultural sector. Many services offered by AMS have changed substantially in recent years to keep pace with new developments and technologies in the agricultural industry. AMS closely monitors emerging industry trends and adapts workforce skills to meet these new requirements. For example, industry changes have led AMS to make substantial modifications to duties, responsibilities, and operations conducted by the AMS grading staff; a trend that is expected to continue as traditional grading and inspection services evolve with new technologies. To meet the growing trend in many segments of agriculture toward audit-based process evaluation rather than traditional product evaluation, AMS has trained many of its graders in internationally recognized auditing processes as well as traditional product evaluation. Nearly 300 employees have completed this training.

National security requirements have caused USDA to work with the Department of Homeland Security to develop the infrastructure needed to achieve a higher level of food security for domestic nutrition programs. Annually, AMS purchases nearly $1 billion in non-price supported commodities (fresh and processed fruits and vegetables, meat and fish products, and poultry and egg products) for the National School Lunch Program (NSLP) and other Federal nutrition programs. As a result, AMS is partnering with FSIS, FNS, and FDA to develop detailed, scientifically-based, food security training for our headquarters and field employees who are involved in purchasing and inspecting agricultural commodities for Federal nutrition programs, to mitigate the risk of contamination or a possible terrorist attack.

Additionally, AMS' Dairy Program is automating grading business processes to improve customer service and program efficiencies. The plan involves moving field graders from completing paper forms that are submitted to the National Field Office for data entry into the certificate and billing program to an automated system that would provide direct entry into the program. Adoption of this system will improve the overall financial efficiencies of AMS' Dairy Grading Program. Customers will receive grading certificates faster and the billing information will be more accurate because fewer individuals will be processing the data. In addition, the system will provide better accountability checks on service provided and payments submitted. Full automation will result in a decrease in program overhead costs through reduced staff years. Once fully deployed, two to three data-entry staff years will be eliminated. This initiative involves several steps including: 1) development of a database system that allows for direct grading certificate and billing entry; 2) linkage between the database and the Agency financial system; 3) allocation of resources for computer purchases; 4) deployment of a test system; 5) education of all field graders; and 6) system-wide deployment. Full deployment will be completed in FY 2005.

On the leadership front, to address the challenge of replacing senior-level managers, AMS continues to sponsor a Professional Skills and Tools Development Program for managers at the GS 11-13 levels.

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Recently, the agency designed an executive development program for employees at the GS 14-15 level. To encourage the sharing and transfer of knowledge, AMS strengthened its mentoring efforts, and plans to expand this initiative through ongoing training efforts.

To further formalize our commitment to developing all employees and future leaders, AMS initiated the development of an overall organizational learning strategy to identify skills gaps and establish initiatives to address those gaps. This effort will result in a more seamless approach to employee development and put in place a more efficient system of providing development to all employees.

AMS continues to expand the use of its Training and Development Center in Fredericksburg, Virginia, to ensure that our fruit and vegetable graders, who must be familiar with more than 100 commodity grade standards, have the skills necessary to ensure competent and consistent product evaluation in this fee-for-service program. It is now being used to provide education across the Agency where common needs exist.

AMS is participating with the USDA e-Government Office to develop the Department's Learning Management System (AgLearn) and will migrate to the system. We will continue to develop online and distance learning opportunities, specific to our population, using AgLearn.

AMS has a culture of service orientation due to the nature of its mission and programs, cooperative relationships with agency customers, dependence on voluntary user fee funds to support a number of service activities, and frequent interaction and cooperation with State partners and other Federal agencies. AMS is inherently a decentralized organization with a streamlined field structure. Most employees are scattered throughout the U.S. working in processing plants or on customer premises. The agency continually reviews its restructuring options to improve operational efficiency.

Key Performance Outcomes and Measures

AMS Goal 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.

Key Outcome 1: Enhanced market efficiency resulting in lower costs for consumers and higher returns to producers.

AMS enhances market efficiency by providing current market information on U.S. and international agricultural markets and by developing and maintaining a common, nationally and internationally-recognized language of trade. These activities reduce costs passed on to consumers and level the playing field between buyers and sellers, allowing farmers to improve their profitability. AMS' collection of scientifically-based data on pesticide levels in foods and drinking water benefits consumers, food processors, and crop protection needs for farmers by helping to maintain a safe and affordable food supply, as required by the Food Quality Protection Act. AMS helps producers to receive payment commensurate with product quality and provides buyers with independent verification on purchases by offering the quality grading and certification services needed for sales negotiations and contract verification. AMS monitors and reports the availability and cost of transportation and helps to improve markets and marketing practices to facilitate products reaching the market, improve availability of foods to the consumer, and increase returns to producers. To stabilize prices and help keep producers in business, AMS removes perishable non-price supported surplus commodities from the marketplace.

PART Assessments:

AMS prepared a Program Assessment Rating Tool (PART) review for the Pesticide Data and Microbiological Data Programs for the FY 2005 budget cycle and a review of the agency's fee programs for the FY 2006 budget cycle.

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FY 2005 PART: Pesticide Data Program/Microbiological Data Programs
Overall Rating: Adequate
Program type: Direct Federal

PART Findings:

1. The PDP program currently has only one output related long-term performance measure. The program would be strengthened by adopting at least one additional outcome based long-term measure of the program's performance.
2. The most recent review of PDP program operations was conducted by the USDA Inspector General's Office in 1994. While not independent from the program, Federal staff also conducts periodic reviews of program operations.
3. It is difficult to determine the extent to which mechanisms are in place to ensure accountability among program partners.

PART Recommendations:

1. Development of additional, outcome-based performance measure.
2. An independent audit of program operations in 2004.
3. Next year's PART assessment should revisit the program's recently developed efficiency measure of a unit cost per test and gauge its effectiveness in helping to control costs and prioritize resources.
4. A study of the feasibility of charging a fee to industry beneficiaries to cover partial/full cost of the pesticide data program.

Actions Taken:

1. The program developed an additional outcome-based performance measure which has been proposed through USDA to OMB.
2. AMS officially requested an audit of the program by USDA's OIG. The audit, begun in September 2004, is ongoing.
3. The program assessed the cost per test efficiency measure and determined that it was useful as a general program review tool.
4. AMS conducted a user fee analysis and forwarded it to the Department and OMB.

Key Long-term Performance Measures from PART Assessments:

Pesticide Data Program: Percentage of current data on U.S. high consumption foods represented in the PDP database.

Year	Percentage of Resources Targeted to Foods Consumed by Infants and Children
2003	65
2004*	100
2006*	70
2008*	70
2010*	70

*Infants and Children Foods Consumed list revised in 2004 to include additional foods. Targets adjusted for 2006-2010 based on revised list.

Explanation: For use in cumulative risk assessments, PDP data must represent current pesticide usage practices for a significant proportion of foods consumed in the U.S. To comply with the Food Quality Protection Act (FQPA), PDP gives special emphasis to children's foods. PDP targets 50% of its resources to high consumption infant and children's foods.

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The purpose of PDP is to provide data on pesticide residues to assure consumers that the U.S. food supply meets Federal safety standards and ensure that growers have available crop protection tools to compete in a competitive global market. FQPA requires USDA (AMS) to provide data on pesticide residues on foods and to increase sampling of foods most likely consumed by children. The PDP data help EPA issue standards for pesticides (tolerances) that are health-based and take into consideration risks to infants, children, and compromised populations. Therefore, AMS defines PDP's task as establishing and maintaining a set of data that statistically represent the actual levels of pesticides ingested (dietary exposure) by children and the U.S. consumer.

The program generates these data by sampling and analyzing high consumption food items (and sometimes drinking water) as close to consumption as practical. Continual changes in growing methods, changes in the use of these chemicals, and the development of new or replacement chemicals, requires ongoing testing and retesting. EPA has requested that PDP sample and analyze certain "high-consumption" foods such as selected fruits, vegetables, grains and milk for pesticide residues on a cyclical basis. PDP is further challenged to collect data not just on single chemicals applied to specific crops, but to provide data on classes of chemicals in food commodities and in drinking water to assess cumulative and aggregate exposure to pesticides through the diet. Sampling locations and targets must represent a significant proportion of the population to statistically represent general consumption.

Pesticide Data Program: Responsiveness to EPA requests for PDP data.

Year	Number of EPA Tolerances covered by PDP data
2003	1,036
2004	1,056+
2006*	1,000+
2008*	1,000+
2010*	1,000+

* Assumes funding will remain at 2004 current services level.
\+ Does not include water testing because there are no EPA-established tolerances for water. (EPA establishes Maximum Contaminant Levels and Health Advisories for some compounds)

Explanation: Since the FQPA requires AMS to provide the data needed by EPA, PDP must be responsive to EPA requests for data (within available resources). The target represents the combined number of tolerances for all crops requested by EPA in a given year and is based on current laboratory capacity. EPA data requests fall into two categories:

1) Requests based on EPA's long range planning as set by the Tolerance Reassessment Schedule published in the *Federal Register* (Volume 62, Number 149, August 4, 1997). The target has been determined to be approximately 1,100.
2) Requests for data that arise from emergencies. In these cases, the data must be provided within a year. Projected targets will decrease if EPA requests data for emergency-surveys that require use of less efficient methods. For example, the projected target for 2003 would have been 1,100 based on EPA's July 2002 request. In October 2002, as critical triazole data needs developed, EPA requested inclusion of these compounds and all toxicologically significant metabolites. Since these data require development of resource intensive analytical methods, the target number of tolerances for which data could be developed had to be revised downward.

To maintain the level of productivity projected for 2005 and beyond, AMS will continue to implement and improve electronic data capturing submissions to minimize manual data entry at the laboratories. AMS will also continue to search for and develop more efficient methods to reduce analysis costs.

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Fee Programs—Accuracy Rate: the minimum acceptable accuracy rate (%) for application of USDA grading and certification services.

FY 2004 estimate:	82%
FY 2006 target:	85%
FY 2008 target:	88%
FY 2010 target:	90%

Explanation—in order to provide the services depended upon by the agency's customers, AMS must be able to ensure a high level of accuracy and consistency in the application of quality standards. AMS will work to improve its accuracy rate over time by strengthening performance monitoring and supervision.

Agency Goal 2: Ensure fair and competitive agricultural marketing through marketing tools and regulations.

Key Outcome 2: Fair and competitive marketing of agricultural products.

AMS ensures fair and competitive marketing through marketing tools and regulations governing fruits and vegetables, seed, shell eggs, and pesticide records. AMS protects the health of consumers and the financial well-being of egg producers by monitoring the handling of restricted eggs to keep them out of retail commerce. AMS reduces the potential for financial loss to growers resulting from planting mislabeled seed. The agency educates farmers who are privately certified applicators of Federally-restricted pesticides on recordkeeping requirements to protect their health, as well as the health of their employees, neighbors, and customers. AMS protects the financial interests of buyers and sellers of perishable commodities. The agency ensures that industry self-help programs are meeting their regulatory requirements while pursuing marketing benefits.

Long-term Performance Measure:

A PART review on the Perishable Agricultural Commodities Act Program was also completed for FY 2006. The long-term measures for the PACA program are:

Reduce the timeframe for completing formal dispute resolution cases.
Since the Act protects the financial interest of sellers of perishable fruits and vegetables, decreasing the timeframe for resolving commercial disputes will speed their financial recoveries.

FY 2003 actual:	8.5 months
FY 2004 estimate:	7 months
FY 2006 target:	6.5 months
FY 2008 target:	6 months
FY 2010 target:	6 months*

Reduce the average processing time for enforcement actions.
Faster enforcement actions against fraudulent activities will increase protection for sellers.

FY 2003 actual:	77% within 12 months from the discovery of unfair trade violations
FY 2004 estimate:	80% within 12 months
FY 2006 target:	80% within 9 months
FY 2008 target:	80% within 6 months
FY 2010 target:	80% within 6 months*

* Target based on current technology and rules/regulatory requirements

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Key Performance Targets for Major Programs:

Performance Measure	2003 Actual	2004 Estimate	2005 Target	2006 Target
Performance measure #1:				
a. Percentage of Pesticide Data analysis goal achieved (FY03=98,000; FY04=80,000; FY05=90,000; FY06=95,000) a/	115%	153%	100%	100%
b. Dollars ($000)	$15,707	$14,735	$14,529	$15,262
Performance measure #2:				
a. Annual organic sales	$12 billion	$15 billion	$18 billion	$21 billion
b. Dollars ($000)	$1,524	$2,139	$1,975	$2,026
Performance measure #3:				
a. Percentage savings to major agriculture shippers resulting from use of USDA transportation reports as compared to average shipping cost	51%	47%	50%	50%
b. Dollars ($000)	$2,673	$2,744	$2,716	$2,794
Performance measure #4:				
a. Percentage increase in Farmers Market Sales Volume	+10% to $1.2 billion	+10% to $1.3 billion	+10% to $1.4 billion	+10% to $1.5 billion
b. Dollars ($000)	$2,654	$2,724	$2,736	$2,810
Performance measure #5:				
a. Reduce average processing time for PACA license approvals from time of receipt for 90% of applications	6 days	5 days	4.5 days	4 days
b. Dollars ($000) b/	$10,005	$9,678	$9,397	$9,578

a/ PDP analysis goal revised for FY 2005 and 2006 based on FY 2004 projected performance results.

b/ Reported dollars for PACA in FY 2003 represent program expenditures net of investment obligations.

Performance Measure	2003 Actual	2004 Estimate	2005 Target	2006 Target
Performance Measure #6:				
a. The administrative cost of purchases as a percentage of commodity expenditures:				
Percent (inflation adjusted)	0.8%	1.1%	1.0%	1.2%
b. Dollars:				
Administrative ($000)	$11,199	$10,266	$11,232	$11,492
Program Funds ($000) c/	$1,299,642	$849,076	$1,119,553	$822,325

c/ Program funds for FY 2003 includes drought relief; FY 2005 includes direct payments for Florida hurricane relief.

NOTE: There is not a requirement to account for all agency dollars on this table. Only the dollars that relate to key performance measures will be displayed.

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AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance
Full Cost by Strategic Goal

USDA Strategic Objective 1.1: Expand International Marketing Opportunities

PROGRAM	PROGRAM ITEMS	AMOUNT		
Market News		**2004**	**2005**	**2006**
	Collecting, analyzing, and disseminating time sensitive agricultural market information.	$28,085,000	$28,362,000	$29,519,000
	Indirect Costs	2,212,000	2,233,000	2,325,000
	Total Costs	$30,297,000	$30,595,000	$31,844,000
	FTEs	300	315	316
	Performance Measure: Number of internet hits on AMS Market News reports.			
	Reporting cost per internet hit (a)	$1.34	$1.27	$1.22
	Mandatory Market Reporting			
	Performance Measure: Percentage of pork products traded reported by AMS	5%	5%	80%
	Cost	N/A	N/A	$545,000

(a) Market News internet measure is representative – AMS also disseminates reports in other formats.

Pesticide Data Program		**2004**	**2005**	**2006**
	Provide statistically valid pesticide residue occurrence data that represents national consumption.	$13,659,000	$13,468,000	$14,148,000
	Indirect Costs	1,076,000	1,061,000	1,114,000
	Total Costs	$14,735,000	$14,529,000	$15,262,000
	FTEs	31	31	31
	Performance measure: Percentage of pesticide residue analysis goals achieved.	153%	100%	100%
	Number of analyses per year	122,693	90,000	95,000
	Cost per analysis	$120	$161	$161

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Organic Standards	2004	2005	2006
Facilitate trading of U.S. organically produced products.	$1,983,000	$1,831,000	$1,878,000
Indirect costs	156,000	144,000	148,000
Total Costs	$2,139,000	$1,975,000	$2,026,000
FTEs	13	13	13
Performance measure: Sales growth in organic products available to consumers.			
Annual Sales	$15 billion	$18 billion	$21 billion
Cost per $100 sold	$.01/ $100	$.01/ $100	$.01/ $100

Pesticide Recordkeeping	2004	2005	2006
Increase the capabilities of the Program in order to maintain its regulatory requirements and assure that certified private applicators are maintaining restricted use pesticide records.	$2,338,000	$2,395,000	$2,713,000
Indirect Costs	184,000	189,000	214,000
Total Costs	$2,522,000	$2,584,000	$2,927,000
FTEs	12	12	12
Performance measure: Number of states/territories conducting compliance inspections	36	36	37
Number of states with minority specific educational activities	2	2	4

Transportation Services	2004	2005	2006
Monitor status and address problems in the food supply transportation system.	$2,544,000	$2,518,000	$2,590,000
Indirect costs	200,000	198,000	204,000
Total Costs	$2,744,000	$2,716,000	$2,794,000
FTEs	24	24	24
Cost savings to major agriculture shippers resulting from use of USDA transportation reports as compared to average cost.			
Percentage Savings	47%	50%	50%
Average cost	$705.2 million	$700 million	$700 million
Estimated savings (dollars)	$332 million	$350 million	$350 million
Cost per $100 saved	$0.83/ $100	$0.78/ $100	$0.80/ $100

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Improve the efficiency of marketing agricultural products by conducting analyses and providing technical assistance on direct marketing and wholesale market facilities.	$2,525,000	$2,536,000	$2,605,000
Indirect costs	199,000	200,000	205,000
Total Costs	$2,724,000	$2,736,000	$2,810,000
FTEs	23	23	23
Performance measure: Growth in sales attributed to direct marketing.			
Percentage increase	+10%	+10%	+10%
Farmers Market Sales Volume (b)	$1.3 billion	$1.4 billion	$1.5 billion
Cost per $100 sold	$0.21/ $100	$0.20/ $100	$0.19/ $100

(b) Measure is representative - does not include all direct marketing.

Country of Origin Labeling (COOL)	2004	2005	2006
Ensure the Country of Origin Labeling provisions of the 2002 Farm Bill are correctly applied for all covered commodities.	$0	$0	$2,884,000
Indirect Costs	0	0	227,000
Total Costs	$0	$0	$3,111,000
FTEs	0	0	6
Performance measure: Nationwide compliance rate for Country of Origin Labeling (based on audits of 5% of covered retailers, (approx. 37,000) each year.			
Percentage compliance rate	N/A	N/A	70%
Number of retailers audited	N/A	N/A	1,860
Costs per retailer audit	N/A	N/A	$1,673

Perishable Agricultural Commodities Act	2004	2005	2006
Ensure fair trading practices in the marketing of more than $80 billion in annual sales of perishable agricultural commodities.	$8,972,000	$8,711,000	$8,879,000
Indirect Costs	706,000	686,000	699,000
Total Costs	$9,678,000	$9,397,000	$9,578,000
FTEs	90	95	95
Performance measure: Reduce average processing time for license approvals from time of receipt for 90% of applications.	5 days	4.5 days	4 days

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Section 32 - Commodity Purchase Services	2004	2005	2006
Stabilize prices and meet domestic and international feeding program needs by removing marketplace surpluses of perishable non-price supported commodities.	$9,517,000	(f) $10,412,000	$10,653,000
Indirect costs	749,000	820,000	839,000
Total Costs	$10,266,000	$11,232,000	$11,492,000
FTEs	38	48	48
Performance measure: Administrative costs as a percentage of commodity program expenditures ($)			
Program Expenditures ($000)	$849,000	$1,129,553	$822,325
Percent (inflation adjusted)	1.1%	1.0%	1.2%

Marketing Services and Payments to States	78,303,269	78,908,224	85,461,000
Proposed Standards User Fees	0	0	2,918,000
Section 32 Administrative	25,204,401	27,032,000	27,547,000
Trust	126,314,497	120,479,000	122,864,000
PACA	9,677,619	9,397,000	9,578,000
User Fee	44,909,931	64,459,000	65,667,000
Total Costs (program, direct, indirect)	284,409,717	300,275,224	312,223,000
FTEs	2,814	2,945	2,952

NOTE: Total Costs include all agency salary and expense costs but does not include Section32 program funding or appropriated reimbursements. FTEs do not include 472 staff years for Schedule A employees or reimbursed staff years (37 in FY04; 38 in FY05 and FY06).

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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 to carry out services related to consumer protection, agricultural marketing and distribution, transportation, and regulatory programs, as authorized by law, and for administration and coordination of payments to States; [$75,698,000] $84,114,000, including funds for the wholesale marketing development program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country: 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).

In addition, such sums as may be deposited to the Fees, Agricultural Marketing Service Standardization user fee account may be transferred to this account, to be merged with and available for the same purposes as this account, to remain available until expended.

Explanation of Change:
This change reflects new legislation being proposed to permit the collection of fees for standardization activities. The agency will be able to use the fees to the extent provided in appropriation acts.

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AGRICULTURAL MARKETING SERVICE

SALARIES AND EXPENSES - CURRENT LAW

Appropriations Act, 2005			$75,092,000
Budget Estimate, 2006:			
Appropriations	84,114,000		
Proposed User Fees	2,918,000		
			87,032,000
Increase over 2005 Appropriations		+	11,940,000
Adjustments in 2005:			
Appropriations Act, 2005	$75,698,000		
Rescission under P. L. 108-447 a/	- 606,000		
Adjusted Base for 2005			75,092,000
Budget Estimate, 2006			87,032,000
Increase over adjusted 2005		+	11,940,000

a/ The amount is rescinded pursuant to Section 122(a) of P.L. 108-447.

AGRICULTURAL MARKETING SERVICE

SUMMARY OF INCREASES AND DECREASES -- CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Market News	$ 30,595,000	+ $ 704,000	+ $ 545,000	$ 31,844,000
Surveillance and Standardization	7,394,000	+ 145,000	+ -	7,539,000
Market Protection and Promotion	31,651,000	+ 442,000	+ 9,952,000	42,045,000
Transportation Services	2,716,000	+ 78,000	+ -	2,794,000
Wholesale, Farmers, and Alternative Market Development	2,736,000	+ 74,000	+ -	2,810,000
Total Available	75,092,000	+ 1,443,000	+ 10,497,000	87,032,000

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AGRICULTURAL MARKETING SERVICE
Marketing Services

Project Statement
(On basis of appropriation)

	2004 Actual		2005 Budget				2006 Estimated	
	Amount	Staff Years	Amount	Staff Years		Increase or Decrease	Amount	Staff Years
Market News Service	$ 30,296,919	300	$ 30,595,000	315	+	$ 1,249,000 (1)	$ 31,844,000	316
Egg Surveillance and Standardization								
Shell Egg Surveillance	2,609,784	21	2,605,000	21	+	69,000 (2)	2,674,000	21
Standardization	4,642,413	53	4,789,000	50	+	76,000 (3)	4,865,000	50
Total, Egg Surveillance and Standardization	7,252,197	74	7,394,000	71	+	145,000	7,539,000	71
Market Protection and Promotion:								
Federal Seed Act	2,249,010	19	2,370,000	19	+	56,000 (4)	2,426,000	19
Country of Origin Labeling	-		-		+	3,111,000 (5)	3,111,000	6
Pesticide Data	14,734,931	31	14,529,000	31	+	733,000 (6)	15,262,000	31
Microbiological Data	6,068,795	8	6,145,000	8	+	148,000 (7)	6,293,000	8
Biotechnology	3,704,699	18	4,048,000	18	-	4,048,000 (8)	-	-
Organic Standards	2,139,348	13	1,975,000	13	+	51,000 (9)	2,026,000	13
Pesticide Recordkeeping	2,522,450	12	2,584,000	12	+	343,000 (10)	2,927,000	12
Web-based Supply Chain Management System	-	-	-	-	+	10,000,000 (11)	10,000,000	--
Total Market Protection and Promotion	31,419,233	101	31,651,000	101	+	10,394,000	42,045,000	89
Transportation Services	2,743,726	24	2,716,000	24	+	78,000 (12)	2,794,000	24
Wholesale, Farmers, and Alternative Market Development	2,724,484	23	2,736,000	23	+	74,000 (13)	2,810,000	23
Unobligated Balance	548,484	--	--	--		--	--	--
Total, Available or Estimate	74,984,963	522	75,092,000	534	+	11,940,000	87,032,000 a/	523
Rescission	445,037	--	606,000	--				
Total, Appropriation	75,430,000	522	75,698,000	534				

a/ Includes $2.918 million to be derived from proposed new user fees.

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Justifications for Increases and Decreases

(1) An increase of $1,249,000 for Market News ($30,595,000 available in 2005) consisting of:

(a) An increase of $545,000 and one staff year to expand the Livestock Mandatory Reporting Program to include pork reporting.

Industry sources have indicated that they will request that pork cuts be added to the Livestock Mandatory Reporting program. Currently pork cut information is provided voluntarily by buyers and sellers of pork products and includes only products traded on a negotiated basis. However, because only a small volume of total pork cuts are traded on a negotiated basis, the current voluntary reporting program reports only five percent of the total pork cuts traded.

Strengthened efforts by AMS to collect additional voluntary data on negotiated trades would not substantially increase the volume of data collected because packers trade most cuts on a formula or contract basis. In addition, when information is provided on a voluntary basis, buyers and sellers can provide information selectively. As a result, the market reports that are generated and published under the voluntary system may not represent all product types or the full width of product values.

By including pork cuts in a mandatory reporting program, packers would be required to report negotiated, formula, and contract transactions for domestic and export sales. With mandatory reporting, AMS estimates that approximately 80% of the pork products traded would be reported. This would substantially increase the amount of information AMS could publish to assist producers and other industry members in evaluating pork market conditions.

Another significant result under this proposed change would be the inclusion of value added cuts and case ready products that packers are reluctant to report in a voluntary program. These products make up an increasing proportion of the products traded and are important in the hog and pork marketing complex to send production and marketing signals to the producer.

The experience the program has gained from mandatory beef reporting indicates that it will be necessary that packers submit information electronically in order for AMS to collect, manage, and publish large amounts of information in a time sensitive period. The information is currently collected by AMS reporters via telephone. Therefore, this expansion of mandatory reporting will require an additional reporter, software development, and hardware to manage the data, and system maintenance. This proposal requires an amendment to the Livestock Mandatory Reporting Act of 1999.

(b) An increase of $704,000 for Market News pay costs.

This increase is needed to maintain agency efforts at the current services level, to collect, analyze, and disseminate broad-based, accurate, and timely information at the local, regional, national, and international levels in order to support the efficient and orderly marketing of agricultural products. Without an increase for pay costs, AMS will have to reduce the number of AMS' market reports, delay the reporting of market data, include fewer markets, or terminate selected reports.

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(2) An increase of $69,000 for Shell Egg Surveillance ($2,605,000 available in 2005) for pay costs.

This increase is necessary to maintain our current level of Shell Egg Surveillance inspections which ensure the appropriate disposition of restricted eggs. Without this funding, AMS will have to schedule shell egg handling inspections less frequently than the legally required quarterly minimum.

(3) An increase of $76,000 for Standards development ($4,789,000 available in 2005) for pay costs.

This increase is necessary to maintain AMS' current service level in facilitating trade of U.S. agricultural products in domestic and export markets through the use of marketing standards. Without this funding, AMS will not be able to develop and modify its quality standards to keep pace with changes in agricultural products and marketing methods.

(4) An increase of $56,000 for Federal Seed ($2,370,000 available in 2005) for pay costs.

This increase will allow the Agency to provide Federal Seed services at the current level. Without this pay cost increase, the Federal Seed program will be unable to adequately protect seed buyers from mislabeled seeds.

(5) An increase of $3,111,000 and six staff years to deploy an effective surveillance and enforcement program for Country of Origin Labeling.

Country of Origin Labeling (COOL) requirements will be mandatory beginning in fiscal year 2006 and AMS has been designated as the lead Agency in the development of the mandatory COOL requirements. Beginning in FY 2005, AMS will be responsible for enforcing the mandatory COOL requirements for fish and shellfish covered commodities, and in FY 2007, for the remaining covered commodities.

The Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171) and the 2002 Supplemental Appropriations Act (Pub. L. 107-206) amended the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to require retailers to notify their customers of the country of origin of covered commodities beginning September 30, 2004. This statute also requires the Department of Agriculture to enforce the provisions of a mandatory COOL program. The Act covers commodities including 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; and peanuts. However, the Consolidated Appropriations Act, 2004 (Public Law 108-199) delayed implementation of the mandatory COOL program for all covered commodities except wild and farm-raised fish and shellfish until September 30, 2006.

During FY 2006, AMS will establish an audit-based compliance program for fish and shellfish and will incorporate the remaining covered commodities when mandatory requirements begin in October 2006. A primary component of the Federal enforcement program will be surveillance activities performed by State governments. This will require AMS to enter into cooperative agreements with each state and provide sufficient funds to cooperating State agencies to conduct the surveillance activities. AMS will establish cooperative agreements with the 50 States and other U.S. territories; train and educate Federal and State employees on their enforcement responsibilities; analyze and respond to formal complaints; conduct routine surveillance audits; and conduct educational and outreach activities with interested parties.

AMS' projected costs include travel, salary and benefits for program specialists and administrative support based at headquarters. Surveillance costs are based on the assumption that 5% of covered retailers would be audited for an estimated 1,860 audits per year. AMS believes that this level of enforcement will ensure that consumers are provided credible information while not overburdening State agencies.

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Once underway, the program will measure its performance based on the compliance rate of designated retailers. Beginning in FY 2006, AMS will conduct random audits of designated retailers to achieve a nationwide compliance rate for the first year of 70% for covered commodities reviewed. From fiscal years 2007-2010, AMS will increase its target compliance rate incrementally to 95%. This will ensure that the public receives credible and accurate information on the country of origin of the covered commodities they purchase.

(6) An increase of $733,000 for the Pesticide Data program ($14,529,000 available in 2005) consisting of:

(a) An increase of $584,000 for the Pesticide Data Program to maintain pesticide residue information collection operations by offsetting cost increases in cooperating State programs.

These funds will allow AMS to cover salary increases for State personnel, to retain experienced State scientists, and to reimburse other cost increases in sampling and testing operations in the participating States. The program requires this additional funding to provide the data collection activities requested by the Environmental Protection Agency (EPA) to support pesticide uses in food crops. The data are critical to EPA risk assessments of chemicals registered after the Food Quality Protection Act (FQPA) was passed in 1996. The funds will enable AMS to maintain PDP activities to meet EPA data needs for fiscal year 2006 and deliver residue data for pesticides that are very important for fruit and vegetable crops as well as grains. These chemicals were registered for use on many crops as replacements for pesticides cancelled because they could not meet the stricter standards set by FQPA. The data will be used to support these registered uses and to issue pending registrations and, therefore, will benefit the agricultural industry by making these crop protection tools available to growers.

(b) An increase of $149,000 for Pesticide Data program pay costs.

This increase will allow the Agency to provide Pesticide Data Program services at the current level. AMS specialists administer and verify the collection and testing of samples, manage the data, and issue program results. Without this pay cost increase, AMS will experience delays in generating the data requested and in publishing program findings.

(7) An increase of $148,000 for Microbiological Data activities ($6,145,000 available in 2005) for pay costs.

This increase will allow AMS to provide Microbiological Data Program services at the current level. Without this pay cost increase, the program will have to reduce the volume of commodities sampled and tested.

(8) A decrease of $4,048,000 for termination of the Biotechnology program ($4,048,000 available in fiscal year 2005).

The Biotechnology Program was initiated in 2002 to develop the agency's capacity to test bio-engineered fruits, vegetables, nuts, and seeds. The testing was to form the foundation for fee-based quality assurance and laboratory accreditation services. AMS has upgraded its laboratory testing facilities to support biotechnology testing. However, due to technological issues, as well as a lack of demand for these services, the fee for service program has not yet been established. Should these issues be addressed and demand for these services become apparent, AMS will work with the affected industries to determine if alternative mechanisms can be utilized to facilitate the

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movement of agricultural commodities by differentiating bioengineered from conventional commodities.

(9) An increase of $51,000 for the Organic program ($1,975,000 available in fiscal year 2005) for pay costs.

This increase will allow the Agency to provide services to the Organic industry at the current level. Without this pay cost increase, national organic program activities, including reviews of materials for the National List and accreditation of certification agents, will be delayed.

(10) An increase of $343,000 for Pesticide Recordkeeping ($2,584,000 available in 2005) consisting of:

(a) An increase of $305,000 for the Pesticide Recordkeeping Program to support cooperative State activities.

This funding request will enable the program to continue to assure that certified private applicators are maintaining restricted use pesticide records. AMS conducts a large portion of the program's operations through State cooperators, who receive approximately 44% of the yearly funding. However, funding for State cooperators has remained static for 6 years while they face rising operational costs. Most of the requested increase, about 80%, is needed to offset rising costs for state cooperators in the program, including salaries, benefits, and travel expenses for state personnel who conduct restricted use pesticide record inspections and provide educational programs to assist with compliance. If AMS cannot reimburse the program's State cooperators for the full amount of their costs, some States have indicated that they will withdraw from participation in the program. This would eliminate restricted use pesticide record inspections in these states and dilute the strength of the program nationally.

The remaining funds will be used to develop additional educational materials to provide the regulated community (mainly farmers) with tools to meet their requirements under the regulations. Pesticide Recordkeeping information in various languages will help minority farmers to comply with Federal regulations. AMS proposes to develop educational materials on pesticide recordkeeping for the growing population of minority farmers who operate small farms and deliver these materials to States with increasing populations of non-English speaking farmers. The program will also develop a web-based educational program which will help the regulated community to comply with the regulations.

(b) An increase of $38,000 for Pesticide Recordkeeping program pay costs.

This increase will allow the Agency to provide Pesticide Recordkeeping services at the current level. Without this funding, the Pesticide Recordkeeping program will have to decrease the number of inspections and will not be able to support the agricultural industry in complying with recordkeeping regulations.

(11) An increase of $10,000,000 in Marketing Services to fund the development and implementation of a modern Web Based Supply Chain Management (WBSCM) system.

AMS requests funding to begin development of the WBSCM system, which is the proposed replacement for USDA's Processed Commodity Inventory Management System (PCIMS). PCIMS, the system that USDA relies on to buy, inventory, manage and track delivery of commodities to national food programs, has become obsolete and must be replaced. These funds

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are requested in Marketing Services because information technology requests of this type should be funded through the discretionary process.

PCIMS was developed in the 1980's and its architecture is inflexible, resource intensive, and costly to maintain. The inflexibility of this system is responsible for many of our user community's problems when new business processes are introduced. Often, it has been necessary to implement new business practices/processes outside of PCIMS due to time constraints or the high cost of modifying the system. These manual processes create excessive resource consumption and can result in data duplication, loss, and errors. Such deficiencies preclude USDA's meeting departmental and government-wide goals and mandates for improving the effectiveness and efficiencies of our operating practices and services to the public.

The replacement system, WBSCM, will improve customer service and reduce costs by increasing operational efficiency, which directly supports achievement of USDA and AMS strategic goals. The commodity food programs operated and supported by USDA serve a dual mission and purpose: (1) strengthening American agriculture through surplus removal, price support, and other means; and (2) strengthening food security by distributing commodities to schools and other recipient agencies that serve needy families throughout the world under an array of domestic and foreign feeding programs.

The WBSCM system supports both e-government and financial management initiatives. The system will reduce costs for USDA and its customers while improving service and providing more food aid for the dollar by: (1) improving USDA efficiency in functions that affect customer relationships such as cycle times, financial processing, and information visibility; and through more efficient transportation and inventory management to streamline the distribution network; (2) improving procurement practices and technologies, and contract management; and (3) more effectively matching supply and demand, within market and budgetary constraints and considering customer preferences. The web-based supply chain will allow a greater number of customers and suppliers to use the system. For example, PCIMS currently supports only 1,500 users, 200 concurrently, whereas the new system could support over 40,000 users when fully operational. Customers will have an increased voice and participation in placing orders, a broader selection and range of commodities that are visible and available to them, and real-time feed-back about shipments and desired products. The new system is expected to decrease the ordering, purchasing, delivery, and processing time down from a current average of 24 days to 5 days or fewer when fully implemented. The benefits of the new system will include lower costs to USDA for procured food, transportation, and program operations, enabling USDA to purchase more commodities.

(12) An increase of $78,000 for Transportation Services ($2,716,000 available in 2005) for pay costs.

This increase will allow the Agency to continue current services to promote and assist in the development of efficient agricultural transportation systems. Without this funding, AMS will be unable to provide all of the technical assistance on domestic and export shipping that is required by agricultural producers to ensure that food and fiber products reach consumers.

(13) An increase of $74,000 for Wholesale, Farmers, and Alternative Market Development ($2,736,000 available in 2005) for pay costs.

This increase will allow the Agency to maintain its current level of effort in developing and improving the marketing of agricultural products through wholesale and direct markets. Without the funding requested, AMS will have to reduce its technical assistance to States and municipalities who wish to assist farmers and producers by establishing or upgrading market outlets, or by improving their product handling and marketing methods.

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(14) A decrease of $2,918,000 in Standards Development ($4,789,000 available in 2005) for proposed user fees for domestic commodity standards used in grading and certification services.

This change reflects new legislation being proposed to permit the collection and retention of fees for standardization activities. AMS will use the fees to the extent provided in appropriation acts.

The AMS Standardization program establishes quality, condition, quantity, grade, and packaging standards to encourage uniformity and consistency in commercial practices. These standards are widely used in agricultural trading. As a result of the 2005 performance assessment of AMS' grading programs, AMS has prepared a legislative proposal to amend the section of the Agricultural Marketing Act of 1946 that authorizes Standardization program activities. The amendment would authorize the Secretary to establish user fees to recover the costs associated with development and improvement of the domestic standards that are associated with AMS grading, inspection, and certification services, and to retain the standards fee revenue for use as needed without respect to fiscal year.

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AGRICULTURAL MARKETING SERVICE
Marketing Services

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$245,058	2	$247,216	2	$286,525	2
Arizona	618,801	4	624,249	4	723,508	4
Arkansas	343,200	2	346,222	2	401,273	2
California	1,808,358	13	1,824,281	13	2,114,351	13
Colorado	365,209	3	368,425	3	427,006	3
Delaware	0	0	0	0	0	0
District of Columbia	56,281,405	393	56,776,983	404	65,804,805	395
Florida	816,983	6	824,177	6	955,225	6
Georgia	1,136,736	8	1,146,745	8	1,329,084	8
Hawaii	0	0	0	0	0	0
Idaho	396,669	3	400,162	3	463,790	3
Illinois	555,537	4	560,429	4	649,540	4
Indiana	0	0	0	0	0	0
Iowa	1,951,007	14	1,968,186	14	2,281,138	14
Kansas	257,198	2	259,462	2	300,718	2
Kentucky	319,966	2	322,784	2	374,108	2
Louisiana	172,966	1	174,489	1	202,233	1
Maine	0	0	0	0	0	0
Maryland	0	0	0	0	0	0
Massachusetts	438,257	3	442,116	3	512,414	3
Michigan	91,760	1	92,568	1	107,287	1
Minnesota	450,758	3	454,727	3	527,030	3
Mississippi	107,951	1	108,901	1	126,217	1
Missouri	404,398	3	407,959	3	472,826	3
Montana	124,125	1	125,218	1	145,128	1
Nebraska	125,835	1	126,943	1	147,128	1
Nevada	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0
New York	464,284	3	468,372	3	542,845	3
North Carolina	357,816	3	360,966	3	418,362	3
Ohio	168,077	1	169,557	1	196,517	1
Oklahoma	282,157	2	284,641	2	329,901	2
Oregon	273,206	2	275,612	2	319,435	2
Pennsylvania	637,449	4	643,062	5	745,312	4
Puerto Rico	0	0	0	0	0	0
South Carolina	58,293	0	58,806	0	68,157	0
South Dakota	375,329	3	378,634	3	438,839	3
Tennessee	2,502,512	18	2,524,547	18	2,925,963	18
Texas	945,897	7	954,226	7	1,105,952	7
Utah	0	0	0	0	0	0
Virginia	0	0	0	0	0	0
Washington	733,104	5	739,559	5	857,153	5
West Virginia	0	0	0	0	0	0
Wisconsin	488,082	3	492,380	4	570,670	3
Wyoming	138,178	1	139,394	1	161,559	1
Subtotal, Available	74,436,559	522	75,092,000	534	87,032,000	523
Unobligated Balance	548,404	- - -	--	- - -	--	--
Total, Available	74,984,963	522	75,092,000	534	87,032,000	523

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AGRICULTURAL MARKETING SERVICE
Marketing Services and Payments to States and Possessions
Classification by Objects
2004 Actual and Estimated 2005 and 2006

		2004	2005 Est.	2006 Est.
Personnel Compensation:				
Washington, D.C.		$9,106,770	$9,618,571	$9,885,168
Field		22,522,019	28,555,429	28,434,832
Marketing Services:				
11.1	Full-time permanent	28,986,805	35,223,000	35,436,000
11.3	Other than full-time permanent	567,150	734,000	747,000
11.5	Other personnel compensation	2,006,159	2,217,000	2,137,000
	Total personnel compensation	31,560,114	38,174,000	38,320,000
12	Personnel benefits	7,737,959	9,752,000	9,914,000
13	Benefits for former personnel	46,042	30,000	31,000
	Total personnel compensation and benefits	39,344,115	47,956,000	48,265,000
Other Objects:				
21	Travel	1,957,394	1,061,000	960,000
22	Transportation of things	175,208	151,000	142,000
23.1	Rental payments to GSA	0	0	0
23.2	Rental payments to others	1,160,918	878,000	851,000
23.3	Communications, utilities and miscellaneous charges	2,291,451	705,000	701,000
24	Printing and reproduction	274,881	138,000	142,000
25.1	Advisory and assistance services	0	0	0
25.2	Other services	3,647,324	4,147,000	15,786,000
25.3	Purchases of goods and services from Government accounts	21,939,061	16,744,000	16,399,000
25.5	Research and development contracts	0	0	0
25.6	Medical care	4,854	0	0
25.7	Operation and maintenance of equipment	216,208	307,000	305,000
26	Supplies and materials	1,496,671	994,000	1,352,000
31	Equipment	1,929,778	2,011,000	2,129,000
	Total other objects	35,093,749	27,136,000	38,767,000
Total Marketing Services		74,437,864	75,092,000	87,032,000
Payments to States and Possessions:				
41	Grants, subsidies and contributions	3,318,306	3,816,224	1,347,000
Total Obligations		77,756,170	78,908,224	88,379,000
Position Data:				
Average Salary, ES positions		$141,704	$148,488	$162,045
Average Salary, GS positions		$47,236	$49,109	$50,386
Average Grade, GS positions		9.4	9.4	9.4

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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 farm products in specific markets and marketing areas. This information is supplied to producers, processors, distributors, and others to assist them in the orderly marketing and distribution of farm commodities. All market information is reported to AMS on a voluntary basis except for livestock mandatory reporting, as described below.

Selected Examples of Recent Progress:

Livestock Mandatory Price Reporting (LMPR): The Agricultural Marketing Service's livestock mandatory reporting program (as authorized by P.L. 106-8, Title 9) was initiated on April 2, 2001, and requires the reporting of market information by packers who annually slaughter an average of 125,000 cattle or 100,000 swine, or slaughter or process an average of 75,000 lambs. Importers who annually import an average of 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on 80 to 95 percent of the volume of all cattle, boxed beef, slaughter hogs, sheep, lamb meat and imported lamb meat traded. Mandatory market news reports cover current and prior day swine market; forward contract and formula marketing arrangement cattle purchases; packer-owned cattle and sheep information; and sales of imported boxed lamb cuts. To assist in the dissemination of data under the LMPR, a web-based Data Mart is being developed to provide public access to previously developed historical reports. The Data Mart is expected to be in production by the end of fiscal year 2005.

Although the Act contained a sunset provision and the LMPR expired October 22, 2004, Congress extended the program's authority on December 3, 2004, authorizing continuation through September 30, 2005.

New and Enhanced Market Reports: AMS adds, modifies, or eliminates market reports as its customers' needs or the industry environment changes.

Livestock and Meat:

- Initiated a monthly bison carcass and cuts report at the request of the bison industry and to assist in assessing market conditions for bison surplus removal.
- Expanded auction coverage in the state of Illinois and enhanced pork reporting by including additional case ready product.

Dairy:

- Modified the Northeast and the Southeast dry whey report to include resale transactions due to industry consolidation.

Poultry:

- Began releasing a weekly report covering nationwide trading of USDA Certified organic poultry and eggs in January 2004. This report provides price information for the most commonly produced and traded organic chicken and shell egg products. Organic turkey products and processed egg products will be considered for possible inclusion in the report in 2005, depending on developments in these markets.

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- Began releasing a weekly poultry and egg market update report in August 2004, which summarizes current market and production information for broilers, turkeys, fowl, shell eggs, and breaking stock. The report provides graphs for each commodity comparing current price trends to the previous year and to a previous three-year average. The report has been well received and is sent electronically each week to numerous industry groups.

- Increased market coverage of the trading of fresh whole body turkeys by expanding the weekly fresh turkey report from Eastern U.S. to a national level in October 2004, to include all major U.S. turkey processors. This action increased the volume of trading comprising the report and strengthened confidence in the price discovery process. The report was also updated to reflect current industry practice and to make it more user-friendly.

- Began releasing a seasonal report covering regional holiday retail promotions featuring poultry in November 2004. The report covers feature activity for whole turkeys, turkey breasts, ducklings, geese, roasters, broth, and turkey dinners categorized by conventional, kosher, U.S. Organic, or free-range. Capons and Cornish hens will be added in the future. This report is unique in that information is collected by market reporters across the country from public sources including store circulars, newspaper ads, and retailer websites.

Fruits, Vegetables, and Specialty Products:

- In response to requests from the public, AMS began shipping point reports for the following commodities:
  - California white flesh peaches and nectarines
  - California Interspecific Type plums (Pluots)
  - Mexico cluster tomatoes
  - Central and Western Arizona celery
  - Hightstown, New Jersey Auction
- Added collection of U.S. and Canada Greenhouse tomato shipments
- Established electronic access of the APHIS Agricultural Quarantine Activity System for shipment data from major U.S. ports for fruits, vegetables and fresh cut flowers
- Expanded the electronic collection of shipment information for peaches, nectarines, plums and apricots with the California Grape and Treefruit League and the California Treefruit Agreement
- Added Mexico Grape tomato shipments Crossing through Otey Mesa
- Added Mexico Red Globe grape shipments
- Added destination cities to the Fruit and Vegetable Truck Rate Report
- Enhanced shipment graphs and tables on reports available in Adobe Acrobat Portable Document Format (PDF).

Market News Web Portal Development: The Market News Service continues efforts to facilitate more user friendly report access through the development of a Market News Web Portal. The Market News Portal will allow users to access all current reports as well as use of search engines to retrieve historical data up to 5 years, perform ad-hoc queries, convert search data to graphs and spreadsheets, provide links to other pertinent government sites, provide currency and metric conversion tools and send e-mail notification of reports. The Portal will allow Market News to provide customers with market information more quickly.

International Cooperation and Market Reporting: AMS continues to take a leadership role in the efforts of the Market Information Organization of the Americas (MIOA), a network of the market information organizations from nearly 20 countries within North, Central, and South America. The primary goals of MIOA are to facilitate the timeliness and consistent exchange of market information on agricultural products, and to work together on creating standards for terminology, methodology, and technology for market reporting.

AMS attended meetings in: Mexico City; Cancun, Mexico; Japan; South Korea; The People's Republic of China; Bulgaria; Poland; Toronto, Canada; and Ontario, Canada. The purpose of these meetings was to re-

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establish and maintain relationships, establish cooperation for the exchange of market information, enhance partnerships, and compare methods and procedures for collecting and disseminating market information.

SHELL EGG SURVEILLANCE

Current Activities: The 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) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs. Most inedible shell eggs are used in animal feed; the remaining eggs are destroyed.

Selected Examples of Recent Progress: As a result of plant closings and consolidations, the number of shell egg handlers inspected at least quarterly decreased 3.2% from 566 in fiscal year 2003 to 548 in fiscal year 2004. The number of hatcheries inspected annually decreased 1.7% from 360 in 2003 to 354 in 2004.

STANDARDIZATION

Current Activities: AMS develops and modifies quality grade standards for commodities when needed by industry and consumers. The Agricultural Marketing Act of 1946 directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices." There are 589 quality grade standards in place for poultry, eggs, rabbits, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, and livestock. These food and fiber standards are widely used by private industry in domestic and international trading, as the basis for futures market contracts, and as the benchmark for purchase specifications in most private contracts.

Before standards are implemented, studies are conducted and proposed standards are announced. Public comments are then solicited to verify that quality grade standards will facilitate commerce. In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have, to a great extent, become the basis for international harmonization of agricultural product quality grades recognized by Codex Alimentarius and the Economic Commission for Europe.

Selected Examples of Recent Progress:
In fiscal year 2004, AMS specialists reviewed 178 standards, including 21 for cotton products, 14 for fresh fruits and vegetables, 106 for processed fruit and vegetable products, 1 for poultry, 20 for livestock and meat, 2 for dairy products, and 14 for tobacco. AMS revised three fresh fruit and vegetables standards, and created one new processed fruit and vegetable standard.

International Activities: AMS remains active in global marketing initiatives. AMS represents the U.S. in meetings of the Food and Agriculture Organization and the World Health Organization of the United Nations 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 (ISO), the International Seed Testing Association, and several bilateral consultative committees on Agriculture.

UNECE/CODEX: AMS fruit and vegetable experts participated in four meetings of international standards bodies during fiscal year 2004. At United Nations Economic Commission for Europe (UNECE) meeting of the Working Party on the Coordination of Standardization of Perishable Produce and Quality Development, an AMS employee was re-elected Chairman of the Working Party. AMS also chairs the Codex Committee on Processed Fruits and Vegetables. The AMS International Standards Coordinator represents the United States as delegate to the Codex Committee on Fresh Fruits and Vegetables, Processed Fruits and Vegetables, and the UNECE Committee on Fresh Fruits and Vegetables and Dried and Dry Produce.

AMS experts participated in the UNECE specialized Section on the Standardization of Meat and Chicken. In 2004, AMS continued to serve as Chair of the Specialized Section and directed the initiation of a major

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revision to the international pork standard. An AMS dairy expert represented the U.S. as Delegate to the Codex Committee on Milk and Milk Products (CCMMP), served as Chair of the U.S. Committee on Milk and Milk Products, and participated in the CCMMP drafting groups to develop (1) a processed cheese standard, (2) an export certificate, (3) a food additive list for fermented milks, (4) and a standard for fermented milk drinks. Dairy specialists also assisted in other U.S. Codex Committees affecting international dairy standards, such as those on Hygiene, Labeling, and Food Additives. AMS leads the United States delegation meetings of the Codex Committee on fresh and processed fruits and vegetables. AMS also participates in meetings of the Codex committee on import and export inspection certification.

International Organization for Standardization (ISO): AMS continued to serve in its role as the Administrator of the U.S. Technical Advisory Group (TAG) to the ISO Subcommittee responsible for the development and maintenance of international ISO meat quality standards. The TAG ensures the United States has input on international standards impacting the international meat trade. AMS retained its role as a member of the U.S. Technical Advisory Group to the International Organization for Standardization (ISO) Technical Committee responsible for the development and maintenance of ISO quality management standards (the ISO 9000 Series standards). This role ensures that U.S. agriculture has a voice in the development and maintenance of ISO quality management standards. AMS also served on the Conformity Assessment Policy Committee and International Policy Committee of the American National Standards Institute (ANSI) and the ANSI Government Member Forum, which oversees the government's role in developing, maintaining, and utilizing voluntary industry consensus standards.

International Dairy Federation: AMS participated in the activities of the International Dairy Federation (IDF) by serving on the Board of Directors of its United States National Committee and by taking leadership positions in areas affecting United States dairy standards in international markets. Meetings included the IDF World Dairy Summit and Legislative Weeks in Melbourne, Australia and Cork Ireland, and meetings of IDF standing committees developing Codex standards for dairy products.

GRADING AND CERTIFICATION SERVICES AND PLANT VARIETY PROTECTION

Current Activities: AMS grading and certification services provide impartial verification that agricultural products meet contractual quality standards. Use of AMS' Federal grading program is strictly voluntary, with users paying for the cost of the service. The Plant Variety Protection Act provides legal protection to developers of new varieties of plants that reproduce sexually.

Selected Examples of Recent Progress:

1. Commodity Grading:

   a. Cotton Classing: AMS classified almost 17.8 million samples of cotton under the grower classing program in fiscal year 2004, with all cotton classed by the high volume instrument (HVI) method. In addition, the Cotton Program classified almost 543.4 thousand samples under the Cotton Futures Act. Classification data is provided electronically via telecommunication to growers or their agents. The Cotton Program's central database transmitted requested information for 21 million bales. Over half of the requests were from cotton merchants.

   Fees and Charges in Effect, FY 2005:

Service Performed	Fees
Form 1 grading services	$1.65 per sample a/

   a/ Base fee rate as of July 2004. There is discount of five cents per sample if producers are billed through voluntary central agents (e.g., cotton gins and warehouses).

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b. Dairy Products Grading: Dairy products grading, laboratory analysis, and 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 all products sold to the Commodity Credit Corporation under the dairy price support program. In fiscal year 2004, AMS graded approximately 1,600 million pounds of dairy products, and conducted 590 dairy plant inspections and audits to assure sanitation of processing facilities.

Fees and Charges in Effect, FY 2004:

Service Performed	Hourly Fees
Continuous resident service	$57.00
Product grading	62.00

c. Processed Fruit and Vegetable Grading: In fiscal year 2004, AMS graded approximately 20 billion pounds of processed fruits and vegetables at 225 processing plants, 15 field offices, and 13 inspection points. In addition, AMS is continuing to provide verification audits under the Qualified Through Verification (QTV) program. The QTV program was developed to meet the needs of the Fresh Cut Produce industry. AMS also conducts third-party quality and sanitation audits for food service organizations, retailers and state and federal governments. During fiscal year 2004, AMS continued to meet elevated (though decreasing) demands for in-plant inspection of Department of Defense operational rations in support of Operation Iraqi Freedom and other military activities.

Fees and Charges in Effect:

	FY 2004 Hourly Fees		
Service Performed	Base	Overtime	Holiday
Lot inspection	$52.00	$78.00	$104.00
Yearly contract (in-plant)	39.00	58.50	78.00
Additional Graders (in-plant)	52.00	78.00	104.00
Seasonal contract (in-plant)	52.00	78.00	104.00

d. Fresh Fruit and Vegetable Grading: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the United States and in Puerto Rico. In fiscal year 2004, AMS graded or supervised the grading of approximately 78 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 4,500 federally-supervised and licensed state employees at shipping points and cooperative market locations, and by approximately 170 federal employees at 36 terminal markets.

In fiscal year 2004, AMS' National Inspector Training and Development Center held one 10-week New Inspector Training Class for 10 federal and 11 federally-licensed state graders. The class offers intensive classroom and laboratory training on inspection procedures. The students also received training on ethics and conduct, safety and health, digital imaging, and pertinent administrative matters. The training center also built a three-week training course for employees of the Perishable Agricultural Commodities Act Branch (PACA) program and a one-week training course for processed fruit and vegetables graders. The Training and Development Center presented two one-week Good Agricultural Practices/Good Handling Practices (GAP/GHP) auditor training classes, a one-week Train-the-Trainer class for Fruit and Vegetable Program and state employees; and five one-week industry Training Classes tailored to the specific needs of private industry attendees.

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Fees and Charges in Effect:

Service Performed	2004 Fees*
Quality and condition inspections of products each in quantities of 51or more packages and unloaded from the same land or air conveyance:	
- Over a half carlot equivalent product	$99.00
- Half carlot equivalent or less of each product	83.00
- For each additional lot of the same product	45.00

*Lots in excess of carlot equivalents are charged proportionally by the quarter carlot.

Hourly Rates:

Hourly rate for inspections performed for other purposes during the grader's regularly scheduled work week:	$49.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week:	49.00

Note: New fees effective on January 15, 2004.

e. Meat Grading and Certification: During fiscal year 2004, meat grading and certification services were provided to approximately 580 meat packing and processing plants and other food establishments nationwide. A total of 20.2 billion pounds of red meat (beef, lamb, veal, and calf) were graded during the year. This figure represents 96.2 percent of steers and heifers, 84.4 percent of lamb, and 40.4 percent of veal and calf commercially slaughtered in the United States. In addition, almost 19.6 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. Ten product reviews were performed for Department of Defense contracts valued at over $30 million.

Fees and Charges in Effect, FY 2004:

Service Performed	Hourly Fees
Commitment grading	$55.00
Non-commitment grading	64.00

f. Poultry and Egg Grading: Approximately 92 percent of poultry grading services are provided on a resident basis. In most of these instances, a full-time grader is stationed at the plant requesting service. The remaining 8 percent of poultry grading services are provided on a non-resident (lot grading) basis. During fiscal year 2004, AMS provided resident service in 119 poultry plants, grading 9.8 billion pounds of poultry. Resident services were also provided to 159 shell egg plants where 1.8 billion dozen shell eggs were graded. This represents 39 percent of the turkeys slaughtered, 23 percent of the broilers slaughtered, and 41 percent of the shell eggs produced in the United States, excluding eggs used for breaking and hatching.

Fees and Charges in Effect, FY 2004:

Service Performed	Hourly Rate
Non-Resident Plant--Regular Time	$60.00
Resident Plant*	35.86-50.25

* Actual fee depends on the volume of product handled in the plant.

g. Tobacco Grading: In fiscal year 2004, 191 million pounds of domestically produced tobacco was graded by Federal tobacco inspectors and sold at auction markets and 586 million pounds at contract delivery stations. In addition, AMS re-inspected approximately 130 million pounds of tobacco pledged as collateral by growers under the Commodity Credit Corporation loan program. The Dairy and Tobacco Adjustment Act of 1983 requires that all tobacco (except cigar and oriental types) imported into the United States be inspected to ascertain the type and quality of the (imported) tobacco. During fiscal year 2004, AMS inspected approximately 154 million

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kilograms of imported tobacco. In addition, since 1986 all flue-cured and burley tobacco imported into the United States must be tested and certified free of prohibited pesticides. A total of 148 million kilograms of imported flue-cured and burley tobaccos were tested for pesticides during fiscal year 2004.

The recently enacted Fair and Equitable Tobacco Reform Act of 2004 eliminates the price support and quota system for U.S. produced tobacco. In doing so, the law eliminates mandatory grading for types of tobacco eligible for price support.

Fees and Charges in Effect, FY 2004:

Service Performed	Fees
Permissive inspection--Regular time	$47.40 per hour
Domestic tobacco grading	.90 per hundred lbs
Permissive certification of Export Tobacco	.25 per hundred lbs
Imported tobacco grading	.99 per hundred kg
Imported tobacco pesticide testing and certification:	
A. Self-certification (If importer certifies that tobacco is within pesticide residue tolerance)	.77 per hundred kg
B. Non-certification (If importer does not certify that the tobacco is within pesticide residue tolerance)	1.54 per hundred kg

PLANT VARIETY PROTECTION ACT

Current Activities: The Plant Variety Protection Act (PVPA) program provides intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. The program is voluntary and is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of $4,084 to cover the cost of filing, searches, issuance, public notice, and maintenance of plant variety protection certificates.

Selected Examples of Recent Progress: More than 140 species of plants are currently protected under the PVPA. In fiscal year 2004, AMS received 328 applications for protecting new agricultural, floral, and seed plant varieties. A total of 620 applications, including some from previous years, were pending action at the end of year 2004. During the year, AMS conducted searches on 421 applications to determine whether the plant constituted a new variety and issued 396 certificates of protection. At the end of the fiscal year 2004, 4,291 certificates were in force, and protection had expired on 240 different varieties.

FEDERAL SEED ACT

Current Activities: AMS depends on cooperative agreements with each state to regulate the interstate commerce of agricultural and vegetable seeds with regard to seed labeling. Under these agreements, the states refer apparent violations of the Federal Seed Act to AMS for verification and appropriate action.

Selected Examples of Recent Progress: In cooperation with state agencies, AMS conducted field tests on 1,370 samples at five different locations to determine trueness-to-variety of seed in interstate commerce. In fiscal year 2004, AMS received 575 new complaints from 27 states, resulting in 638 cases. AMS tested 442 regulatory seed samples from 27 states and tested 141 mail order seed samples from 8 seed companies. Forty Federal Seed Act cases were administratively settled with penalty assessments totaling $22,475 and ranging from $1,250 to $10,150.

Voluntary Seed Testing: AMS offers seed inspection and certification services to interested parties for a fee. Most of the users of this service are exporters of seed. During fiscal year 2004, AMS issued 2,770 Seed Analysis Certificates.

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PESTICIDE DATA PROGRAM

Current Activities: Through a Memorandum of Understanding EPA, FDA, and AMS coordinate and prioritize residue testing 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.

Selected Examples of Recent Progress:

Commodities Tested: Over the past 13 years, PDP has sampled and tested 64 commodities. Since 2001, EPA requests for data have been to monitor registration-driven changes mandated by FQPA. Consequently, crops previously in the testing profile have been reintroduced to determine if there were measurable changes in the residue profile. Commodities reintroduced in fiscal year 2004 were: apples, cantaloupe, grapes, lettuce, milk, oranges, pears, soybeans, strawberries, and winter squash. During fiscal year 2004, PDP also performed special surveys for selected triazoles and their common metabolites in apples, peaches (fresh and canned), and wheat flour. In fiscal year 2005, the program will add cauliflower, eggplants, grapefruit, orange juice, plums, pork, and wheat grain.

Results: AMS publishes annual data summaries. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on AMS' website at: http://www/ams.usda.gov/science/pdp/. In fiscal year 2004, over 11,000 samples were tested resulting in over 100,000 analyses. The calendar year 2003 summary covers 12,316 samples. Of the samples tested, approximately 87 percent were domestic production, 12 percent were imports and one percent was of unknown origin. Although residues were detected in approximately 53 percent of all samples, they were generally below EPA tolerance levels. Residues exceeding tolerance were found in only 0.3% of the samples tested during 2003 (excluding water). PDP added Minnesota as a testing facility for specialty methods and Montana as a testing facility for water.

Training: Because of continual updates in requirements and methods, PDP must maintain ongoing training for program participants. AMS held three planning meetings with EPA's Office of Pesticide Programs (OPP) and OPP's Health Effects Division, and two Federal/State meetings to address administrative, sampling, quality assurance, and technical issues. The program provided internal auditor training for all program federal participants and staff, with five sampling reviews, one sampling training session for state participants and three laboratory reviews/assessments. PDP also conducted ten internal proficiency testing sets covering laboratories testing fresh and processed fruit and vegetables, grain, and water.

AMS participated in two international proficiency testing rounds (Food Analysis Performance Assessment Scheme--FAPAS), an expanded water program to include testing of paired raw/finished samples in six states – Michigan, North Carolina, Ohio, Oregon, Pennsylvania, and Washington, and presented technical posters at the European Pesticide Residue Workshop and Florida Pesticide Residue Workshop.

MICROBIOLOGICAL DATA PROGRAM

Current Activities: The Microbiological Data Program (MDP) is a national food-borne pathogen database program implemented in 2001. Through cooperation with state agriculture departments and other federal agencies, MDP manages the collection, analysis, data entry, and reporting of food-borne pathogens on selected agricultural commodities.

Selected Examples of Recent Progress:

During fiscal year 2004, the Microbiological Data Program:

- Sampled eight commodities--leaf and romaine lettuce, tomatoes, celery, cantaloupe, cilantro, parsley, and green onions

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- Conducted sampling in eleven cooperating states: California, Colorado, Florida, Michigan, Minnesota, New York, Ohio, Maryland, Texas, Washington and Wisconsin.
- Microbiology laboratories in 9 states and the AMS National Science Laboratory (NSL) tested samples for E. coli and the presence or absence of Salmonella spp. and E. coli O157.
- Added three commodities – cilantro, parsley, and green onions to the schedule. Added Minnesota to the program as a sampling and testing state.
- Validated and implemented a new wash procedure to enhance recovery of organisms from produce and validated and implemented the ColiComplete method to replace the gas-production method for E. coli testing.
- Established a centralized program isolate archival and shipping facility at NSL. NSL serves as central clearinghouse to maintain isolates and ship them to secondary laboratories for specialty testing. NSL sends program E. coli isolates to the Agricultural Research Service (ARS) for serotyping and all program isolates to the Food and Drug Administration (FDA)/Center for Veterinary Medicine (CVM) for serotyping of Salmonella and E. coli O157 and antimicrobial resistance testing and pulsed field gel electrophoresis analysis for inclusion in the National Antimicrobial Resistance Monitoring System (NARMS) database.
- Established a Memorandum of Understanding with FDA for specialty testing on MDP isolates.
- Conducted a proficiency test set for E. coli on cantaloupe, celery, lettuce, and tomatoes.
- Posted the 2002 Progress Update and 2002 Data Summary on AMS website.
- Tested a total of 10,972 samples during calendar year 2003.

Training and Cooperative Activities: The program held a week-long hands-on methods training session for all laboratories in Tallahassee, Florida. Trainers included FDA and Monitoring Programs Office (MPO) microbiologists who held two Federal/State Meetings to discuss administrative, planning, sampling, technical, and quality assurance issues. There were also meetings held with FDA/Center for Food Safety and Applied Nutrition (CFSAN), the Fruit and Vegetable Industry Advisory Committee, and Western Growers to discuss program policies and issues.

BIOTECHNOLOGY PROGRAM

Current Activities: AMS' Biotechnology Program is designed to facilitate the strategic marketing of agricultural products in support of private sector marketing by focusing primarily on the following services: Audited Process Verification Programs based on International Standards Organization (ISO) 9000 principles, laboratory testing services for the presence or absence of genetically engineered traits in seeds and plants, and intellectual property rights protection.

Selected Examples of Recent Progress: During fiscal year 2004, AMS continued employee training on ISO 9000 quality auditing and expanded the training to include state partners. To date, 230 AMS employees and state partners have completed the training. Under the Federal Seed Act, AMS is conducting seed analysis training for our state partners by providing hands-on experience with the latest biotechnological methods.

The AMS' National Science Laboratory (NSL) in Gastonia, North Carolina offers testing services to government entities and the agricultural community on a fee-for-service basis to facilitate marketing of U.S. agricultural commodities in domestic and international markets. The laboratory program is non-regulatory. The laboratory performs, develops, and validates assays for biotechnology-derived content; including foodborne pathogen detection and identification; varietal verification; and participates in bio-derived commodities proficiency tests.

After consultations with Association of Seed Certifying Agencies (AOSCA) officials and other seed industry groups, AMS began development of an identity preservation/process verification protocol for seed. This protocol, as drafted, incorporates and retains current AOSCA responsibilities and provides a framework for better coordination between USDA and the various U.S. seed testing and manufacturing groups. AMS continues to work with industry organizations to bring the protocol into fruition.

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AMS is sponsoring the formation of a new ISO subcommittee in partnership with international business interests and governments to develop standards, criteria, and methods for biomolecular testing of seed. USDA is also actively involved with the International Seed Testing Association in the development of a system targeting the methodology and uniformity of biomolecular testing of seed.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP), authorized by the Organic Foods Production Act of 1990, maintains national standards governing the production and handling of agricultural products labeled organic. The NOP examines and accredits state and private certification programs so that they may certify compliance of producers and processors with the National Organic Standards. The NOP provides support to the National Organic Standards Board, reviews materials for the National List of Allowed and Prohibited Substances, and coordinates the enforcement and appeals processes.

The National Organic Standards Board was established in 1992 and consists of 15 private-sector appointees. Board membership is composed of four individuals who own or operate an organic farming operation; two who own or operate an organic handling operation; one who owns or operates a retail establishment with significant trade in organically grown products; three individuals with expertise in areas of environmental protection and resource conservation; three who represent public interest or consumer interest groups; one with expertise in the fields of toxicology, ecology, or biochemistry; and one who is a certifying agent. The Board provides recommendations to the Secretary to carry out the program, in accordance with the rules and provisions governing national advisory committees.

Selected Examples of Recent Progress:

In fiscal year 2004, AMS' National Organic Program:

- Hosted two meetings of the National Organic Standards Board to: 1) receive the Board's recommendations for developing additional proposed national standards governing the production and handling of agricultural products labeled as "organic" that were not addressed in the final rule; and 2) review materials for possible addition to the National List of Allowed and Prohibited Substances.
- Published in the Federal Register two amendments to the National List of Allowed and Prohibited Substances.
- Accredited nine certifying agents and amended the accreditation of one certifying agent. USDA has now accredited 97 certifying agents world-wide (56 domestic and 41 foreign) to the National Organic Program. Forty additional certifying agents are in various stages of the accreditation process (17 domestic and 23 foreign).
- Reviewed and recognized the conformity assessment programs of British Columbia as sufficient to ensure conformity to the technical standards of USDA's National Organic Program. USDA now has recognition agreements with 5 foreign governments.
- Continued equivalency negotiations with the European Union, working in cooperation with the Foreign Agricultural Service.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: AMS has cooperative agreements with 36 State/Territory pesticide regulatory agencies to utilize state inspectors to conduct compliance inspections for the program. Inspections are made on certified private applicator's restricted use pesticide records. Interagency agreements with APHIS and GIPSA provide Federal inspectors in Alabama, Colorado, Georgia, Missouri and Wyoming, where state inspectors are not available. To improve compliance, AMS educates farmers who are private certified applicators of federally-restricted use pesticides on the recordkeeping regulations and requirements. In addition, AMS works with licensed health care professionals to inform them on the availability of pesticide records for purposes of medical treatment.

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Selected Examples of Recent Progress: In fiscal year 2004, the program conducted 4,883 inspections of individual certified pesticide applicators. In addition, over 104 follow-up inspections (applicators not in compliance on first inspection) were conducted, with only three of these inspections resulting in a referral for a civil penalty. This high degree of compliance is attributed to the assistance provided by state and federal inspectors to the certified private applicator during the initial inspection. The program began phasing in a procedural change in the selection process of certified private applicators during fiscal year 2004 and 2005. The new procedure will result in fewer numbers of total inspections but those inspections conducted will be more effective in reaching the regulated community. Previous inspection data revealed that approximately 50% of those applicators selected randomly from the applicator population had not used restricted use pesticides (RUP's) in the past two years. The new procedure will increase the percentage of certified private applicators being inspected who have actually used (RUP's), thus increasing the effectiveness of program resources. The new selection procedure draws names randomly from pesticide dealers' sales records, which assure that inspected applicators have purchased RUP's within the past two years. This procedure requires more work and time in the selection process but should result in a significant increase in the program's effectiveness by concentrating inspection on those RUP applicators who are required to keep RUP records.

AMS printed and distributed over 75,000 Federal recordkeeping manuals to private certified applicators, to assist them in complying with the regulations. AMS places a high level of emphasis on education to promote compliance with the regulations and makes special efforts to reach certified private applicators in minority and under-served categories to assure they can comply with the regulations. Materials were distributed in the Korean language that reinforce the benefits of good pesticide recordkeeping practices and outline the requirements of the Federal pesticide recordkeeping regulations for Korean-speaking farmers.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to a number of industry-funded commodity research and promotion programs. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, and/or importers, processors, and handlers, to carry out programs aimed at strengthening the demand for these 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 costs of administrative oversight activities.

Research and Promotion Program Assessments
FY 2004 1/

Commodity	Assessments Collected (Millions of Dollars)
Cotton	$55.0 (estimated)
Dairy	87.1 (estimated)
Fluid Milk	103.2 (estimated)
Beef	45.9
Lamb	2.5
Pork	59.1 (estimated)
Soybeans	44.2 (estimated)
Eggs	18.0
Avocados	16.3
Blueberries	1.3
Honey	3.6
Mushrooms	1.8
Peanuts	6.7
Popcorn	0.6
Potatoes	8.6
Watermelon	1.5

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1/ The fiscal year for the blueberry, cotton, dairy, egg, fluid milk, honey, mushroom, pork, and popcorn boards coincides with the calendar year. The other boards operate under different 12-month fiscal periods. The initial fiscal period for the Avocado Board was only 9 months.

Status of Legal Challenges: The Beef, Pork, Cotton, and Avocado Research and Promotion Programs face Constitutional challenges in the Federal court system. Similar Constitutional challenges have been raised administratively with USDA for the Watermelon, Honey, and Cotton Research and Promotion Programs.

TRANSPORTATION SERVICES

Current Activities: AMS' Transportation Services program promotes and assists in the development of an efficient agricultural transportation system to help improve farm income, expand exports, and meet the transportation needs of rural America. AMS provides assistance to state and local decision-makers and to farmers and shippers in regulatory, policy, and legislative matters. The program conducts and sponsors economic studies of domestic and international transportation issues and provides technical assistance and information on agricultural transportation, rural infrastructure and access, and food distribution to producers, shippers, rural communities, carriers, government agencies, and universities, through a variety of publications. AMS Transportation Services also lends its expertise to important Administration initiatives like Homeland Security and the war in Iraq.

Selected Examples of Recent Progress:

Security Measures
- In conjunction with USDA's Homeland Security staff and the American Trucking Association, provided voluntary guidelines to be adopted by truck transporters of food and agricultural products to promote the security of the Nation's food supply.
- Updated the Transportation Security Briefing Book that: (1) provides an overview of the agricultural transportation system, (2) details existing transportation safety measures, and (3) recounts adverse effects of past disruptions of the agricultural transportation system.

Iraq
- On request, provide assessments of the impact of a war with Iraq on global food shipping and the potential for terrorist attacks to disrupt food transport security.
- Specialists traveled to the Middle East and consulted with US and UN officials on ocean shipping and inland distribution plans for food aid and fertilizer donations to Iraq.

Trucking
- USDA commented publicly and successfully on several occasions in support of continuing the exemption of agricultural harvest trucks from the Department of Transportation hours of service restrictions.
- A nationwide strike by container truckers virtually shut down most US ports in early 2004. A daily report was initiated showing which ports were hurt the most and the effect on US agricultural exports. Weekly reporting continues today on chronic port congestion.

Rail
- The Association of American Railroads held an unprecedented forum in light of rail service problems for all shippers. USDA Deputy Under Secretary spoke on behalf of grain shippers at this meeting.
- USDA filed comments supporting an expedited and simpler rail rate protest process for grain shippers to the Surface Transportation Board.

River
- In several public forums, USDA has consistently promoted the repair and replacement of locks and dams on the Mississippi River to improve the efficiency of grain exports. USDA is an active member

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of the Army Crops Mississippi River project team.

Technical Assistance

- Transportation is one of the chief constraints on Brazil's ability to compete more successfully with the United States in the soybean market. A study is being completed on Brazil's domestic and international transport costs in order to begin quarterly reporting of this data to help U.S. shippers compete more effectively.
- A special program targeted at black and other minority shippers completed its 5th year holding several workshops and supporting the USDA and Marriott International MOU to improve minority farmers' business capacity and provide expanded sales outlets.

Publications

- Initiated special weekly reporting to Administration officials and Congress concerning anticipated rail service problems for grain shippers during the upcoming record harvest.
- Several thousand grain shippers and carriers receive weekly information on rail, barge, truck and ocean shipping market conditions. Last year, more information was included in the report, the data presentation has been made clearer, and market analysis improved.
- Grain shippers and carriers make long term decisions and investments based on the percentage the rail, barge and truck industries participate in moving grain for domestic use and export. This updated report by mode of grain transportation will help make those decisions more accurate.
- Thousands of shippers were able to use AMS' container rate reports to compare ocean liner company costs and select the cheapest rates for products like fruits, vegetables, cotton, meat, poultry, and grocery items being exported abroad.

WHOLESALE, FARMERS, AND ALTERNATIVE MARKETS PROGRAM

Current Activities: AMS facilitates improved distribution of U.S. agricultural products for producers by identifying marketing opportunities; providing analysis to help take advantage of those opportunities; developing and evaluating solutions including improved farmers markets and other direct-to-consumer marketing activities; researching and developing marketing channels; providing information and education; encouraging adoption of improved post harvest technology; and designing market facilities.

Selected Examples of Recent Progress:

Farmers Markets and Direct-Marketing Facilities Projects:

- Dallas Farmers Markets – Completed a site analysis, technical engineering data, and detailed assessment of the Dallas Farmers Markets, along with recommended design and development scenarios. The study included recommendations for market property reuse, development of a wholesale component, and redevelopment of adjacent property for creation of a market district in downtown Dallas.
- Phoenix, AZ, Farmers Market - Completed initial phase of study to evaluate the feasibility of creating a year-round wholesale and retail market, featuring Arizona-produced agricultural products that would serve diverse residential and commercial communities as part of the revitalization of downtown Phoenix.
- New York Wholesale Farmers Market Facilities – Studying the development of a wholesale buyer-oriented farmers market facility in New York City for New York State agricultural producers that will serve the food and floral purchasing needs of the restaurant, retail, and food distribution sector.
- Farmers Market at the Fairground, Jackson, MS - Prepared plans and architectural designs for the new LeFleur's Bluff State Farmers Market in Jackson, MS. Construction began on the market on July 26, 2004, with a completion date scheduled for spring 2005. AMS is providing technical support and guidance for a series of producer training sessions designed to introduce farmers to successful direct marketing practices.

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- San Antonio Produce Terminal Market - Developed recommendations for enclosing loading docks at the San Antonio Produce Terminal Market, in response to requests from the market manager and marketing tenants to improve cold chain maintenance and HACCP compliance.
- Fort Pierce State Farmers Markets – Providing reconstruction technical support to rebuild the Fort Pierce State Farmers Market, Florida's largest state farmers market facility affected by Hurricanes Frances and Jeanne, including demolition plans of damaged structures, identification of salvageable buildings, reconstruction plans for damaged and replacement structures and technical support for Florida during construction. Provided a cost estimate for repair and restoration of the market.
- Sanford State Farmers Market – Provided architectural designs for new marketing facilities at the Sanford State Farmers Market, Sanford Florida. AMS also designed renovations for an existing 45,000 square-foot warehouse located on the market.
- USDA Farmers Market – Operated weekly seasonal farmers markets at USDA headquarters, the Carver Office Building in Beltsville, MD; the Bannister Federal Complex in Kansas City, MO; and the U.S. Department of Transportation headquarters building in Washington, DC.

Alternative Distribution Channel and Niche Marketing Projects/Studies:

- Community-Supported Agriculture – Completed a draft report on eight community-supported agriculture (CSA) operations in California and Washington states. The study identifies the potential role of subscription/community-supported agricultural marketing ventures in creating a profitable market outlet for small/medium-sized farm operations.
- Organic Marketing Trends - Completed initial research on the impact of the new National Organic Standards on consumer purchasing behavior. This study assesses consumer familiarity with the Standards and the organic seal to determine if consumer confidence in items marked "organic" has increased. It will also determine if familiarity and confidence has impacted consumer behaviors with a subsequent increase in the purchase of organic products.

Surveys:

- National Farmers Market Survey - Completed a draft survey instrument for the 2005 Farmers Market Survey Project (incorporating feedback from key industry stakeholders) to carry out a national census of farmers markets in fiscal year 2005.
- Cut Flower Marketing - Completed analysis of survey data on cut flower marketing and began developing a final research report as part of an ongoing collaborative research project aimed at identifying retail interest in purchasing cut flowers from local suppliers.
- Capital Improvements and Repairs at Produce Market Facilities - Developed and disseminated a survey instrument designed to collect information on recent capital improvements at wholesale market facilities. The data collected in this survey will be compiled into a researchable database and reference guide on "Major Capital Improvements and Repairs at Produce Market Facilities," which will be made available on-line to National Association of Produce Market Managers members and the public on the Association's website.

Technical Assistance:

- Florida Hurricane Damage Assessments - Collaborated with state marketing officials in assessing the damage from Hurricane Charley to farmers markets in Wauchula, Fort Myers, Arcadia, and Sanford. The damage assessments were used to provide justification for indemnification by FEMA and Florida Risk Management Division. These market operations are vital to the Florida economy.
- Website Improvements - Enhanced the "Farmers Market" and "Direct Marketing" websites and provided technical assistance to consumers and producers through a 1-800 toll-free telephone service. The program is responding to an increasing number of e-mail and telephone requests for assistance. Website improvements include new links, publications and conference information, and updates to the National Farmers Market Directory for over 3,600 markets, and improved layouts so that customers can readily access program resources, data, and relevant links to other industry, academic or governmental programs.

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- State Marketing Profiles – AMS continues to develop and expand the State Marketing Profiles on the program's web site. This user-friendly site allows the visitor quick access to marketing, production, and consumption data via the Internet. Visitors can browse as well as download data about all 50 states, plus an agricultural marketing profile for each of the nation's 3,066 counties, and 432 congressional districts. The site is being revised to include most recent U.S. Agricultural census and Metropolitan Statistical data, new congressional district maps, and real-time farmers markets information in a new graphical presentation format.
- Santa Fe, NM, Farmers Market - Provided technical assistance for architect selection on Santa Fe, NM, Farmers Market project and assistance on design requirements and issues concerning farmers market development.
- Delaware Marketing Facilities - Provided technical assistance to the Delaware Department of Agriculture in Georgetown, Delaware to inspect a former refrigerated packing facility for possible reuse by a fruit and vegetable cooperative. The Department is studying options before proceeding with a complete feasibility study for reuse of the proposed building.

Marketing Conferences, Workshops, and Outreach:

- New Orleans, LA/Crescent City Farmers Market - AMS held a Farmers Market Training Conference in New Orleans, LA in January 2005, in cooperation with the Crescent City Farmers Market and in conjunction with the Southeast Sustainable Working Group annual meeting. The conference provided targeted training on direct farm marketing to small farm producers and current farmers market tenants in the Southeast Region.
- The Role of Farmers Markets in America's Food System - Initiated a cooperative agreement with Drake University Agricultural Law School, Des Moines, IA, to convene a National Workshop on State and Local Food Policy Conference, The Role of Farmers Markets in America's Food System. The conference is designed to help organize and engage groups of small farmers, market managers, food processors and marketers, government officials and others in discussions about food and agricultural policy opportunities.
- Farmers Market Coalition - Initiated a cooperative agreement with the Farmers Market Coalition (FMC) to: 1) Sponsor and assist in planning the 2005 FMC Annual Meeting during the North American Farmers Direct Marketing Association Annual Meeting in Boston, MA, to discuss emerging trends for market managers; 2) Plan and coordinate five regional training and informational workshops with an emphasis on where to find market insurance and technology/best practices to set-up electronic benefit transfer at farmers markets; 3) Cosponsor a 2005 Farmers Market Policy Summit to discuss national policy issues affecting farmers markets; and 4) Establish an FMC communications network to coordinate FMC activities and address farmers market managers concerns.
- Produce Supply Chain Symposium – Co-hosted a symposium on fresh produce supply chain management at the San Luis Obispo campus of California Polytechnic State University (Cal Poly), in collaboration with faculty members from Cal Poly and the University of Georgia. Previous symposia were conducted in Georgia and Florida to exchange information with producers and other stakeholders to better meet the expectations of the consumer-driven distribution and fresh produce marketing channels.
- Conferences—Cosponsored meetings and set up program exhibits at the following conferences:
    - North American Farmers Direct Marketing Association Annual Meeting and Farmers Market Coalition, Sacramento, CA
    - Community Farmers Market Managers Workshop
    - National Workshop for State and Local Food Policy Councils: The Role of Farmers Markets in America's Food System, Des Moines, IA
    - National Association of Produce Market Managers, Tampa, FL
- Farmers Markets – Presented information about AMS' farmers markets and direct marketing program to various producer and industry constituencies, including:
    - American Agricultural Economics Association annual meeting, Denver, CO
    - National Black Farmers Association meeting, Falls Church, VA
    - National Campaign for Sustainable Agriculture Annual Policy meeting, Washington, DC

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- Resource, Conservation and Development Council Leadership Forum, Washington, DC
- Southwest Marketing Network Conference, Flagstaff, AZ
- USDA National Small Farm & Limited Resource Conference, San Diego, CA
- Ohio Fruit and Vegetable Growers Conference, Toledo, OH

- Served as an Agency representative on the USDA Small Farms Committee during the USDA, Small Farms Coordination, and U.S. Virgin Islands Department of Agriculture Workshops in St. Croix and St. Thomas, Virgin Islands.

Publications:

- Geographically Disadvantaged Farmers and Ranchers – Completed and submitted to Congress (November 2003) a study of agricultural marketing and transportation issues affecting "geographically disadvantaged" farmers and ranchers, in compliance with a mandate appearing in the 2002 Farm Bill. The scope of the study included the noncontiguous U.S. states of Alaska and Hawaii, and the following U.S. insular areas: American Samoa, Guam, the Northern Marianas Islands, Puerto Rico, and the Virgin Islands, affecting many agricultural producers and shippers of Pacific Island, Native Alaskan, and Hispanic origin.
- Enhancing Commercial Food Service Sales by Small Meat Processing Firms – In collaboration with Texas A&M University, AMS generated and published a research study to identify potential areas of competitive advantage for smaller meat processing firms seeking to market meat products to the commercial food service sector.
- Black Walnut Handling Practices – Collaborated with University of Maryland personnel on "Identification of Walnut Shells by Reflectance and Fluorescence Imaging Techniques" for black walnut post harvest handling project. The paper (one of three planned reports) is a product of an ongoing cooperative research project with the University of Maryland aimed at finding cost-effective ways for black walnut producers and processors to improve their post harvest handling practices.
- Kentucky Aquaculture Marketing Study – Completing a draft paper entitled: "Direct Delivery: Costs and Lessons Learned from a Study of Local Food Delivery Systems", which examines the experience of a catfish cooperative agreement that recently initiated direct deliveries of catfish products to retail and commercial foodservice customers.
- Roofing Systems in Food Distribution Centers - Developed a draft publication with the working title "Roofing Systems in Food Distribution Centers". In general, there appears to be limited knowledge and understanding in the food distribution industry of how roofing systems are built and maintained. Even though owners and managers of the facilities typically contract roof maintenance and repair to qualified contractors, they will benefit from a general knowledge of roofing systems before making critical planning decisions and large-scale expenditures.

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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)), [$3,847,000 of which $2,500,000 shall be used to make grants under this heading] $1,347,000

LEAD-OFF TABULAR STATEMENT- CURRENT LAW

Appropriations Act, FY 2005 a/		$3,847,000
Budget Estimate, 2006		1,347,000
Change in Appropriation		2,500,000
Adjustments in 2005:		
Appropriations Act, 2005	$3,847,000	
Rescission under P.L. 108-447 b/	-30,776	
	$3,816,224	
Adjusted Base for 2005		3,816,224
Budget Estimate, Current Law, 2006		1,347,000
Decrease from adjusted 2005		2,469,224

a/ Totals do not include the Florida Department of Citrus grant of $6,000,000 ($5,952,000 after rescission) in Section 795 of P.L. 108-447.
b/ The amount is rescinded pursuant to Section 122(a) of Division J of P.L. 108-447

PROJECT STATEMENT
(On basis of appropriation)

	2004 Actual	2005 Estimated	Increase or Decrease	2006 Estimated
Payments for marketing services work under Section 204(b) of the Agricultural Marketing Service Act of 1946	3,318,306	3,816,224	-2,469,224	1,347,000
Total, Available or Estimate	3,318,306	3,816,224	-2,469,224 (1)	1,347,000
Rescission	19,694	30,776		
Total Appropriation	3,338,000	3,847,000		

(1) A decrease of $2,469,224 in the Federal-State Marketing Improvement Program ($3,816,224 available in 2005) of funds provided as a one-time increase in fiscal year 2005.

One-year funding was provided in FY 2005 for the Wisconsin Department of Agriculture, Trade, and Consumer Protection for the creation of specialty markets.

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AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Geographic Breakdown of Obligations

2004 Actual

Distribution of obligations by State not available until projects have been selected. Funds in 2005 total $3,816,224 and a funding level of $1,347,000 is proposed for 2006.

	2004 Actual
Arkansas	$48,306
Alabama	68,200
Alaska	46,000
Connecticut	56,200
Delaware	66,300
Florida	72,200
Georgia	103,100
Idaho	50,000
Indiana	74,000
Kentucky	50,200
Michigan	52,000
Minnesota	12,000
Missouri	32,000
Nevada	19,100
New Hampshire	42,500
New Jersey	61,000
New York	48,000
North Dakota	70,000
Oregon	52,000
Pennsylvania	97,200
Tennessee	21,000
Vermont	57,000
Washington	120,000
Wisconsin	2,000,000
Total, Available or Estimate	$3,318,306

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AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to state departments of agriculture and other state agencies for 25-30 projects per year. These funds have been used by states to conduct marketing studies or assist in developing innovative approaches to the marketing of agricultural projects.

Selected Examples of Recent Progress: For fiscal year 2004, the states were encouraged to submit proposals that reflect a collaborative approach between the states, academia, and the farm sector. States are also urged to consider developing proposals that have regional or national significance and that address challenges and opportunities in the following areas: the global economy, consumer-driven agriculture, agricultural diversity, technical innovation, transportation, and distribution. For fiscal year 2004, AMS received grant applications for 86 projects from 40 states, American Samoa, and Guam, representing a total request for Federal funds of over $4.4 million. Congress appropriated the program $3.318 million, of which $1.318 was to be awarded competitively. AMS allocated these funds among 27 projects from 23 states.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2004 GRANTS

STATE	PURPOSE	AWARD
Alabama	To analyze the market for biopower generated from by-products of agricultural and forestry production as an alternative input for coal fired power plants in the state.	$68,200
Alaska	To expand the use of farmers' markets as a direct marketing outlet for Alaska growers.	$46,000
Arkansas	To assist newly-formed vegetable cooperatives in Southeast Arkansas to identify and pursue opportunities to sell produce in commercial markets.	$48,306
Connecticut	To develop a state-wide system to facilitate use of locally-produced food in public schools.	$56,200
Delaware	To study industry acceptance of genetically modified corn for poultry production to lower phosphorus levels in chicken manure and assess consumer acceptance of poultry raised on genetically modified corn.	$66,300
Florida	To assess prospects for Florida growers to export orchids and other flowers to Singapore.	$35,200
Florida	To explore new marketing opportunities in three overseas markets for a new sweet, early maturing grapefruit hybrid.	$37,000
Georgia	To analyze production and economic data collected through the Georgia Beef Challenge and use the results to assist Southeastern cow-calf producers to improve the marketing of their cattle.	$46,400

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STATE	PURPOSE	AWARD
Georgia	To characterize the nutritional and functional characteristics of a new lipogenase-free soybean variety and assess its market potential and acceptance by consumers.	$56,700
Idaho	To conduct a national survey to assess the preferences and buying habits of fresh potato consumers.	$50,000
Indiana	To enhance the competitiveness of the Indiana wood furniture sector in domestic and international markets through market research and the development of marketing plans.	$74,000
Kentucky	To determine market potential for nontraditional alternative products at community farmers markets.	$50,200
Michigan	To assess the economics and marketing opportunities for creating construction, automotive and aerospace products from agricultural residues such as corn cobs and distiller's grain.	$52,000
Minnesota	To address marketing challenges faced by immigrant growers who sell their products at urban farmers markets.	$12,000
Missouri	To identify potential markets in Puerto Rico for rice produced by Mid-South growers, analyze transportation requirements and assess price competitiveness of U.S. medium grain rice shipped to Puerto Rico.	$32,000
Nevada	To survey Nevada growers and restaurants catering to the tourist trade, and explore ways to foster use of locally-grown agricultural products.	$19,100
New Hampshire	To analyze the market for fresh-cut apple slices in New England markets, and assess ways to expand the market.	$42,500
New Jersey	To identify, evaluate and quantify market opportunities for organically grown U.S. aquaculture products.	$61,000
New York	To explore opportunities for local producers to supply food and feed to New York City tourist facilities and address the constraints to greater use of locally produced food at these venues.	$48,000
North Dakota	To link producers and consumers through cooperative business by addressing distribution, promotion and merchandising issues faced by producer and retail cooperatives in creating supply networks, and by providing technical assistance to producer cooperatives in several states to develop products and marketing strategies.	$70,000
Oregon	To study and document the flow of cargo along the western Pacific littoral to identify the critical mass of cargo that can support weekly scheduled common carrier containerized barge services as a way to increase efficiency in the transportation system and improve the competitiveness of western U.S. agriculture in world markets.	$52,000

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STATE	PURPOSE	AWARD
Pennsylvania	To develop marketing training programs for dairy farmers interested in diversifying their operations into non-traditional crops to enhance their profitability.	$40,000
Pennsylvania	To survey producers, service industries, buyers and consumers about ways to improve the usefulness and effectiveness of online marketing tools.	$57,200
Tennessee	To assess opportunities for Tennessee producers to supply locally produced products to immigrant Hispanic populations in the state.	$21,000
Vermont	To complete a comprehensive market analysis for specialty meats produced in New England, and provide technical training to the region's producers and meat processors to further develop the market for high value meat products.	$57,000
Washington	To provide potato chip and snack food manufacturers in four Asian markets with technical information about U.S. chipping potato varieties, storage and handling requirements, and innovative uses in processing.	$70,000
Washington	To develop a set of uniform quality standards for the production, harvesting, processing and packaging of value-added shellfish, and to identify effective strategies to promote and distribute these products.	$50,000
Subtotal		$1,318,306
Wisconsin	Expand markets for specialty products.	$2,000,000
Total		$3,318,306

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AGRICULTURAL MARKETING SERVICE
PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Lead-Off Tabular Statement

Appropriations Act, 2005	$8,424,000
Budget Estimate, 2006	8,424,000
Change in Appropriation	--

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Total Available	$8,424,000	--	--	$8,424,000

AGRICULTURAL MARKETING SERVICE

PERISHABLE AGRICULTURAL COMMODITIES ACT

Project Statement by Program
(On basis of appropriation)

	2004 Actual		2005 Estimated		Increase or	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Licensing dealers and handling complaints	$9,677,619	90	$9,397,000	95	+ $181,000	$9,578,000	95
Unobligated balance available start of period	-26,627,797	--	-23,702,308	--	+ 973,000	-22,729,308	--
Unobligated balance available end of period	23,702,308	--	22,729,308	--	- 1,154,000	21,575,308	--
Total, available or estimate	6,752,130	90	8,424,000	95	--	8,424,000	95

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PERISHABLE AGRICULTURAL COMMODITIES ACT

OBLIGATION LEVELS
(On basis of available funds)

Item	2004 Actual	2005 Estimated	2006 Estimated
Appropriation (from receipts)	$6,752,130	$8,424,000	$8,424,000
Unobligated Balance available, start of period	26,627,797	23,702,308	22,729,308
Total available	33,379,927	32,126,308	31,153,308
Total obligations	-9,677,619	-9,397,000	-9,578,000
Unobligated balance available, end of period	23,702,308	22,729,308	21,575,308

AGRICULTURAL MARKETING SERVICE
Perishable Agricultural Commodities Act

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arizona	$1,046,811	10	$1,016,457	10	$1,036,036	10
District of Columbia	4,908,541	45	4,766,209	48	4,858,014	48
Illinois	983,618	9	955,096	10	973,493	10
New Jersey	707,492	7	686,977	7	700,209	7
Texas	927,072	9	900,190	9	917,529	9
Virginia	1,104,085	10	1,072,071	11	1,092,720	11
Total, Available or Estimate	$9,677,619	90	$9,397,000	95	$9,578,000	95

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AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act 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 and on behalf of others.

AMS' PACA program enforces these acts and is funded by user fees obtained from commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. Violations of the 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.

Selected Examples of Recent Progress: In fiscal year 2004, the PACA Branch received 1,763 reparation complaints, of which, more than 91 percent were resolved informally involving approximately $27.4 million. Ninety-four percent of all informal reparation cases were completed within a 4-month timeframe. Formal decisions and orders were issued in 498 cases involving award amounts totaling approximately $6.5 million. The average time required to complete the formal dispute resolution cases was reduced from 8.5 months in FY 2003 to 6.1 months in fiscal year 2004. During the same time period, thirty-one disciplinary cases were filed against firms for alleged violations of the PACA. Thirty-four disciplinary orders either suspending or revoking the firms' PACA licenses, or levying civil penalties in lieu of license suspension, were filed against produce firms in fiscal year 2004. In addition, agreements in five PACA disciplinary cases resulted in payments of over $9.7 million back to the fruit and vegetable industry.

AMS completed a Program Assessment Rating Tool (PART) review of the PACA program during fiscal year 2004. The program received excellent scores for purpose and management and was also highly rated on planning activities. However, a lower score for results/accountability resulted in an overall rating for the program of Moderately Effective. Since the Fruit and Vegetable Industry Advisory Committee is not considered an independent reviewer of program activities, AMS must obtain a more independent review of the program that focus on both annual and long-term performance goals and the measurement of progress. AMS will address the cost of services before appropriated funding is depleted to determine how best to adjust future fees, which responds to OMB's concern that the use of one-time appropriated funds obscures the true cost of the program. AMS will also work to develop an outcome based long-term performance measure that meets performance results requirements.

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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 [$64,459,000] $65,667,000 (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.

Limitation on Administrative Expenses

Budget Estimate, 2005	$64,459,000
Change due to proposed legislation	1,208,000
Net Request, President's 2006 Budget Request	65,667,000

The increase of $1,208,000 in the limitation on administrative expenses is to fund pay costs. This increase in the limitation will allow for uninterrupted grading services in fiscal year 2006.

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AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME AND SUPPLY
(SECTION 32)

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

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 [$15,800,000] $16,055,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961.

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AGRICULTURAL MARKETING SERVICE
FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 2005		$6,052,035,538
Less transfers to:		
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries		-77,538,934
Food and Nutrition Service, Child Nutrition Programs		-5,152,962,000
Total Transfers		-5,230,500,934
Adjusted Base for 2005		821,534,604
Budget Estimate, 2006:		
Annual permanent appropriation	$6,339,231,000	
Less transfers to:		
Department of Commerce	-77,539,000	
Food and Nutrition Service	-5,111,820,000	
Total transfers	-5,189,359,000	
Budget Estimate, 2006		1,149,872,000
Increase from adjusted 2005		+328,337,396

AGRICULTURAL MARKETING SERVICE

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Child Nutrition Program Purchases	$400,000,000	--	--	$400,000,000
State Option Contract	5,000,000	--	--	5,000,000
Removal of Defective Commodities	1,000,000	--	--	1,000,000
Direct Payments for Florida Hurricane Relief	422,202,000	--	-$422,202,000	0
Emergency Surplus Removal	79,565,287	--	-79,565,287	0
Estimated Future Needs a/	221,786,023	--	+194,538,977	416,325,000
Commodity Purchase Service	11,232,000	+$260,000	--	11,492,000
Marketing Agreements and Orders	15,800,000	+255,000	--	16,055,000
Total Available	1,156,585,310	+515,000	-307,228,310	849,872,000

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

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AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Project Statement
(On basis of adjusted appropriation)

	2004 Actual Amount	2004 Actual Staff Years	2005 Estimated Amount	2005 Estimated Staff Years	Increase or Decrease	2006 Estimated Amount	2006 Estimated Staff Years
1. Commodity Purchases							
a. Child Nutrition Program Purchases	$400,000,000	--	$400,000,000	--	--	$400,000,000	--
b. Emergency Surplus Removal	226,474,661	--	79,565,287	--	-$79,565,287	--	--
c. Estimated Future Needs	--	--	221,786,023	--	+194,538,977	416,325,000	--
Subtotal	626,474,661	--	701,351,310	--	+114,973,690	816,325,000	--
2. State Option Contract	2,525	--	5,000,000	--	--	5,000,000	--
3. Removal of Defective Commodities	67,171	--	1,000,000	--	--	1,000,000	--
4. Disaster Relief	9,200,000	--	--	--	--	--	--
5. Direct Payments	218,750,000	--	422,202,000	--	-422,202,000	--	--
6. Grading and Certification Support	100,000	--	--	--	--	--	--
7. Reductions in Prior Year Obligations	-5,517,862	--	--	--	--	--	--
8. Administrative Funds							
a. Commodity Purchase Services	10,266,096	38	11,232,000	48	+260,000	11,492,000	48
b. Marketing Agreements and Orders	14,938,305	120	15,800,000	131	+255,000	16,055,000	131
Subtotal	25,204,401	158	27,032,000	179	+515,000 (1)	27,547,000	179
Total obligations	874,280,896	158	1,156,585,310	179	-306,713,310	849,872,000	179
Unobligated balance available, start of year	-134,321,602	--	-408,050,706	--	+408,050,706	--	--
Unobligated balance available, end of year	408,050,706	--	--	--	+300,000,000	300,000,000	--
Total, Available or Estimate	1,148,010,000	158	748,534,604	179	+401,337,396	1,149,872,000	179
Transfer from Commodity Credit Corporation	--	--	-90,000,000	--	+90,000,000	--	--
Rescission	--	--	163,000,000	--	-163,000,000	--	--
Total, Appropriation	1,148,010,000	--	821,534,604	--	+328,337,396	1,149,872,000	--

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OBLIGATION LEVELS
(On basis of adjusted appropriation)

	2004 Actual	2005 Estimated	2006 Estimated
Appropriation or estimate	$5,927,395,463	$6,052,035,538	$6,339,231,000
Transfer from CCC	--	90,000,000	--
Recission	--	- 163,000,000	--
Unobligated balance available, start of year	134,321,602	408,050,706	--
Total available	6,061,717,065	6,387,086,244	6,339,231,000
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs	- 4,899,661,000	- 5,152,962,000	- 5,111,820,000
Department of Commerce	- 79,724,463	- 77,538,934	- 77,539,000
Total Transfers	- 4,779,385,463	- 5,230,500,934	- 5,189,359,000
Total available after transfers	1,282,331,602	1,156,585,310	1,149,872,000
Less total obligations	- 874,280,896	- 1,156,585,310	- 849,872,000
Unobligated balance available, end of year	408,050,706	0	300,000,000

Justifications for Increases and Decreases

(1) An increase of $515,000 in Section 32 Administrative Funds ($27,032,000 available in 2005) consisting of:

(a) An increase of $260,000 in Section 32 Administrative funding for Commodity Purchase Services ($11,232,000 available in 2005) for pay costs.

This increase is needed to continue current levels of service in stabilizing market conditions through the purchase of surplus non-price supported commodities.

(b) An increase of $255,000 in Section 32 Administrative funding for Marketing Agreements and Orders ($15,800,000 available in 2005) for pay costs.

This increase is needed to continue current levels of service in stabilizing market conditions through Federal oversight of industry-run marketing order programs.

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AGRICULTURAL MARKETING SERVICE
Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	$815,780	6	$874,933	6	$891,602	6
District of Columbia	23,208,701	144	24,891,590	164	25,365,812	164
Florida	401,742	3	430,873	3	439,082	3
Oregon	620,649	4	665,653	5	678,334	5
Texas	157,529	1	168,951	1	172,170	1
Total, Available or Estimate	$25,204,401	158	$27,032,000	179	$27,547,000	179

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AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

SECTION 32

Current Activities: AMS purchases meat, poultry, fruits and vegetables, and fish 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 feeding programs. 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, ensures the proper storage of commodities when needed, and assists in their distribution. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services activity in the Section 32 program.

AMS requested funding for fiscal year 2005 to begin development of a new Web-Based Supply Chain Management (WBSCM) System that will replace USDA's obsolete Processed Commodity Inventory Management System (PCIMS). PCIMS is the mission critical system that USDA agencies rely on to buy, inventory, manage and track delivery of commodities to national food programs. To support the 2005 budget request for WBSCM funding, AMS developed a select level business case in 2003 as required by the Capital Planning and Investment Control (CPIC) process. During fiscal year 2004, AMS responded to inquiries and refined plans for the proposed replacement system. With funding approved for fiscal year 2005, USDA will begin to implement WBSCM system development, including product evaluations.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications. For example, specifications for all frozen red meat products have been converted to Institutional Meat Purchase Specifications and these commercial specifications are used throughout the meat industry. In addition, AMS' Food Quality Assurance staff implements various programs and outreach initiatives to make Agricultural Marketing Service activities and expertise available to schools and other institutional food purchasers.

Selected Examples of Recent Progress:

1. Commodity Purchases:

   In fiscal year 2004, AMS purchased $576.5 million worth of non-price supported commodities with Section 32 funds. As authorized by the Farm Bill, another $50 million was made available to the Department of Defense from Section 32 funds for fresh fruit and vegetable purchases for the National School Lunch Program. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 15.75 cents per meal and for emergency surplus removal. AMS also used funds appropriated to FNS for entitlement programs to purchase an additional $391.3 million of commodities. In total, AMS purchased 1.52 billion pounds of commodities distributed by FNS through its nutrition programs.

   Surplus removal (or bonus buy) commodities are donated to schools and other institutions in addition to entitlements. In addition to continuation of surplus removal purchases under the lamb bonus program (begun in fiscal year 2000), the following chart shows that producers of several commodity products received assistance through bonus purchases in fiscal year 2004.

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Contingency Fund Expenditures Fiscal Year 2004

PRODUCT	FUNDS ($000)
Apricots	$8,633
Asparagus	8,049
Canned Mixed Fruit	9,525
Clingstone Peaches	15,888
Dates	2,415
Dried Fruit and Nut Mix	15,725
Figs	2,733
Freestone Peaches	20,196
Frozen Orange Juice	49,970
Pears	2,389
Pineapple (Juice and Canned)	7,716
Plums	407
Potatoes	9,299
Red Tart Cherries	14,729
Salmon	12,495
Strawberries	3,084
Tomatoes and Tomato Products	6,670
Turkey Breast (Commercial Pack)	9,268
Walnuts	27,284
TOTAL	226,475

Disaster Relief: In fiscal year 2004, AMS provided $9 million of Section 32 funds as disaster relief for Florida hurricanes and $200 thousand for Yap Island in Micronesia as a result of Typhoon Sudal.

Direct Payments: In fiscal year 2004, AMS made direct payments of $218.75 million from Section 32 funds. Sheep and lamb producers received $18.75 million under the Lamb Meat Adjustment Assistance program. Citrus, fruit and vegetable, and nursery industry growers and producers in Florida received $200 million in direct payments for damage resulting from hurricanes Charley and Frances.

2. Food Quality Assurance Program:

During fiscal year 2004, the Food Quality Assurance staff launched the USDA Food & Commodity Connection Website for use by food manufacturers, schools and other institutional food purchasers as a convenient source of information on a variety of USDA purchased commodities and commercial food products. AMS will continue to improve the website in fiscal year 2005 to accommodate manufacturers' ability to automatically upload product data electronically from other sources. Once completed, the website will enable school food service procurement managers to search for value-added foods produced from either USDA-purchased commodities or commercial products.

The program developed or revised 15 Commercial Item Descriptions (CIDs) and 32 military unique food specifications. School foodservice, military and other institutional food purchasers are the principal users of these documents. The program also conducted four reviews under the Dietary Guidelines Working Group.

3. Marketing Agreements and Orders

Section 32 funds also support the administration of marketing agreements and orders which help to establish orderly marketing conditions for milk, fruits, vegetables and tree nuts.

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a. Dairy:

Milk marketing orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This program sets minimum prices that handlers must pay for milk. Minimum price levels reflect supply and demand conditions in the market and assure that consumers receive an adequate supply of milk.

During fiscal year 2004:

- Approximately 104.8 billion pounds of milk valued at $16 billion were delivered to handlers regulated under 10 orders. This production represented an estimated 63 percent of all Grade A milk marketed by U.S. dairy farmers.
- AMS continued a public hearing to consider regulating producer handlers with more than 3 million pounds of Class I route sales per month.
- AMS held a public hearing to consider merging two Federal Milk Marketing Orders – Appalachian and Southeast.
- AMS terminated the Western Federal Milk Marketing Order.
- AMS changed the classification of evaporated and sweetened condensed milk in consumer-type packages from Class III to Class IV.
- AMS continues to monitor the dairy forward contracting pilot program for milk marketed under the Federal Milk Marketing Order Program. Through June 2004, more than 4,500 forward contracts had been submitted under the pilot program.
- AMS continues to address pooling provisions in 6 of the 10 milk orders.

b. Fruits and Vegetables:

Program Administration and Rulemaking: AMS continued to improve its rulemaking by upgrading economic analyses of rulemaking actions for marketing order programs and improving electronic databases and rulemaking reports. In fiscal year 2004, AMS published fruit and vegetable marketing order program 100 rules and notices in the *Federal Register*, and 100 percent of these rulemaking actions were accomplished within the agency's internal time frame goals. At the same time, AMS maintained its high standard of analytical consistency and quality that has been recognized by other government agencies and marketing order administrative committees. Major rulemaking actions were issued for California tree fruit, dried prunes, cranberries, tart cherries, and peanuts. Also, in response to a need for very quick action, AMS issued an interim final rule that relaxed the percentage size limitations on shipments of small-sized red seedless grapefruit entering the fresh market during the last week of the 2003-2004 season in order to provide the industry with some additional flexibility and help transition from the end of the 22-week regulated period. This action prevented a discernible drop in price from the regulated period to the unregulated period, thus contributing to price stability for industry members.

AMS received praise from the industry for its 2004 Marketing Order Management Conference. Over 90 representatives of marketing order committees, AMS and other organizations attended the Conference held in San Antonio, Texas, on September 27-30, under the theme "Partnering into the Future," which featured presentations on a wide range of recent government and industry initiatives.

Enforcement:
Marketing order enforcement is primarily the responsibility of the Federal Government, but the administrative committees are charged with initial investigation and report of complaints of possible violations to AMS. In fiscal year 2004:

- The committees referred 31 cases for enforcement action and AMS resolved and closed 15 cases.
- AMS used stipulation agreements to close marketing order and Section 8e import violation cases.

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- AMS handled more than 30 marketing order cases for enforcement action, forwarding 15 cases to Office of the General Counsel and successfully closing 66 cases and collecting $32,000 under stipulation agreements.
- AMS reviewed and approved 21 marketing order compliance plans and conducted five compliance program reviews.

In response to allegations of alleged embezzlement activities occurring within the Vidalia Onion Committee, AMS took immediate and long-term actions to secure the office and to protect confidential information and documents, placing the Committee in receivership and assuming temporary management control. AMS also undertook a number of measures (e.g., creating a new auditor and rotating staff assignments) to improve oversight of all committees and reinforce public trust in these programs. AMS continues to work closely with the U.S. Department of Justice, as well as Georgia state and local authorities, to assist in the prosecution of complaints stemming from the alleged embezzlement.

In fiscal year 2004, AMS developed the Avocado Variety Enforcement Program in response to continuing complaints from Florida avocado producers that imported avocados are often mislabeled as to variety in order to meet quality requirements imposed under Section 8e of the Agricultural Marketing Agreement Act of 1937, as amended. The program was requested by the Federal marketing order's Avocado Administrative Committee, representing the Florida avocado industry. Section 8e provides that when certain domestically produced commodities are regulated under a Federal marketing order, imports of the commodity must meet the same or comparable grade, size, quality and maturity requirements. AMS has conducted training sessions in Puerto Rico, Florida, and New York to increase industry awareness of the enforcement program. Avocados will be scrutinized at inspection, and lots suspected of being mislabeled for variety will undergo DNA testing.

Continuance Referendum: In April 2004, almond growers in California voted to continue their marketing order program. Almost 94 percent of all growers voting, and 89 percent of the volume of production represented by those growers voting, favored continuance.

Promulgations and New Program Requests:

- Pistachios: In April 2004, AMS issued a new marketing agreement and order for pistachios grown in California. The order sets standards for the quality of pistachios produced and handled in California by establishing a maximum aflatoxin tolerance level, maximum limits for defects, a minimum size requirement, and mandatory inspection and certification. An 11-member committee, consisting of eight producers, two handlers, and one public member, will locally administer the program. The program is based on evidence obtained in a July 2002 hearing. The order was favored by more than two-thirds of the growers voting in the referendum by number and volume. In July 2004, AMS delayed the effective date from August 1, 2004, to February 1, 2005, for the provisions that establish a maximum aflatoxin level along with minimum size and quality requirements. The delay was requested by members of the California pistachio industry to provide handlers with preparation time needed to comply with these requirements. To comply, handlers must arrange for accredited laboratories to test their pistachios and certify that they meet the order's aflatoxin requirements. Administrative rules and regulations to implement the program, such as handler reporting requirements are not yet established.

- Hops: In October 2003, a public hearing was held on a proposed marketing order for hops grown in Washington, Oregon, Idaho and California as requested by the Hop Marketing Order Proponent Committee. The proposed order would authorize volume control measures in the form of producer allotments to regulate the marketing of alpha acid in hops in the production area. Alpha acid is a bittering agent used in brewing that is the primary marketable

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component of hops. The order would also allow for reserve pooling of excess production of alpha acid and would provide for production research, marketing research and development projects to promote the marketing, distribution and consumption of hops. The proposed program would be financed by assessments on hop handlers and administered by a committee of growers nominated by the industry and appointed by USDA. AMS is reviewing the hearing record.

- Blackberries: In February 2004, AMS Oregon/Washington Blackberry Marketing Order Proponent Committee withdrew its April 2003 request for a hearing to establish a processed blackberry marketing order. As initially requested, the proposed program would authorize quality and volume control, and research and promotion projects, including paid advertising. Proponents said recent industry surveys indicated a clear lack of industry support for a marketing order that included volume regulation. AMS continues to work with the blackberry and other caneberry commodities on possible marketing order programs.

Amendments:

- Washington Sweet Cherries: In October 2004, AMS issued a recommended decision to amend the Washington sweet cherry marketing order. The recommended decision is based on the hearing record and evidence presented at a public hearing held in November 2003. The proposed amendments were submitted by the Washington Cherry Marketing Committee, which administers the order locally, and would authorize: (1) promotion, including paid advertising and production research projects; (2) additional rates of assessment for individual varieties of cherries; (3) Committee acceptance of voluntary contributions for production and marketing research and promotion, including paid advertising; (4) adding a public member and alternate public member to the committee; (5) establishment of tenure limitations for Committee members; and (6) requiring that continuance referenda be conducted periodically to ascertain industry support for the order. No comments on the decision were received by the November 4, 2004, deadline.

- Winter and Bartlett Pears: A public hearing was held in April 2004 in Yakima, Washington, and Portland, Oregon, on amendments proposed by the Winter Pear Control Committee and the Northwest Fresh Bartlett Marketing Committee, which locally administer the respective orders. The proposal aims to combine the two fresh pear marketing orders and extend coverage to pears for processing. Authority to establish minimum quality and size requirements for fresh pears would continue, while pears for processing would only be subject to assessments to fund research and promotion activities. The amended program would be administered by two committees: the Fresh Pear Committee and the Processing Pear Committee. Other sections of the order would also be revised to reflect the proposed dual-committee structure. AMS is reviewing the hearing record.

- Potatoes: In November 2004, AMS issued a recommended decision to amend the marketing order for Irish potatoes produced in Washington. Comments on the proposed rule were due by December 27, 2004. The recommended decision is based on the hearing record and evidence presented at a USDA public hearing held in Moses Lake, Washington, in November 2003. The proposed amendments were submitted by the Washington Potato Committee which administers the order locally. The proposed changes would: (1) add the authority to establish container and marking regulations; (2) require Committee producer members to have produced potatoes for the fresh market for at least three out of the last five years prior to nomination; and (3) make changes to Committee administrative procedures. Also, AMS proposed establishment of tenure limitations for Committee members and amending the order to require periodic continuance referenda.

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Administrative Adjudication: In September 2003, a 15(A) petition was filed on behalf of Lion Raisins and Boghosian Raisin Packing seeking modification of the California raisin marketing order to eliminate the provisions that requires all incoming and outgoing raisins be inspected by AMS' grading program. In October 2004, the Department's Judicial Officer dismissed the appeal filed by Lion Raisin, Inc. and Boghosian Packing Co. (Lion) of a July dismissal by a USDA Administrative Law Judge of a 15(A) petition filed by Lion. The petitioners wanted to inspect their own raisins or hire an outside third party, with or without USDA oversight. In his order dismissing Lion's appeal with prejudice, the Judicial Officer agreed with the Administrative Law Judge who concluded that none of Lion's arguments showed that the raisin marketing order, any of its regulations, or any action taken under the order are not in accordance with law. In November 2004, Lion Raisins, Inc. filed another 15(A) petition for elimination of the required AMS inspections.

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2006 Explanatory Notes
Grain Inspection, Packers and Stockyards Administration

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of the former Federal Grain Inspection Service (FGIS) and the Packers and Stockyards Administration (PSA). The mission of the agency is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is composed of two major activities: Grain Inspection and Packers and Stockyards.

GRAIN INSPECTION ACTIVITIES

The Grain Inspection program is comprised of four key activities: (1) Standardization, (2) Compliance, (3) Methods Development, and (4) Grain Inspection and Weighing Services.

1. Methods Development and Standardization Programs:

   Methods Development and Standardization Programs are carried out under authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), and are currently funded by appropriations. Methods Development activities include applied research or tests that produce new or improved techniques for measuring grain quality. Examples of the wide range of methods development activities carried out the GIPSA include research into establishing new or improved calibrations for inspection equipment; developing reference methods to maintain consistency and standardization in the grain inspection system; comparing various techniques for evaluating end-use quality in wheat; adapting or developing measurement techniques for pesticides, mycotoxins, heavy metals, vitamins, and grain odor; and evaluating the latest technology in measuring biotechnology derived grains. Standardization activities includes developing, establishing, and maintaining uniform grain and commodity standards; developing and maintaining quality control, and quality assurance; and, related testing and training. These activities aid in the orderly marketing of grains, oilseeds, rice, and related commodities through the development, promulgation, and application of new and revised standards. The latest inspection techniques and the operation of a nationwide quality control program are employed to ensure the integrity of inspection certificates.

2. Compliance:

   Compliance activities are funded by appropriations and are carried out under authority of the USGSA. These activities ensure that the operations conform with all requirements and procedures established by statue, regulation, instruction, or directive. Compliance activities include reviews, evaluations, investigations, and licensing official personnel. Corrective actions include the assessment of civil penalties. Criminal violations are referred to the Office of the Inspector General for appropriate action.

   Compliance activities also include an international monitoring program which responds to our international customers; complaints regarding the quality and/or quantity of U.S. grain shipped abroad.

3. Grain Inspection and Weighing Activities:

   This program is authorized under both the USGSA and the AMA. The USGSA requires the mandatory inspection and weighing of grain at export ports by GIPSA or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires GIPSA to supervise all official inspection and weighing activities.

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On a request basis, GIPSA performs inspection of rice and related commodities under the AMA. Both statutes require GIPSA to collect user fees to fund the costs of operations including the supervision and administration of Federal grain inspection and weighing activities.

PACKERS AND STOCKYARDS ACTIVITIES

The Packers and Stockyards Programs (P&SP) activities are authorized by the Packers and Stockyards Act of 1921, as amended, and Section 1324 of the Food Security Act of 1985. These activities are currently funded through appropriations. By administering the P&SP Act, P&SP fosters fair and open competition, guards against deceptive and fraudulent trade practices affecting the movement and price of meat animals and their products and provides financial protection to livestock producers, poultry growers, and members of the livestock, meat packing, meat and poultry industries.

The Food Security Act of 1985 permits the States to establish central filing systems to notify buyers, commission merchants, and selling agents of security interests against farm products. It is GIPSA's responsibility to issue regulations for and certify those systems that meet the criteria in the statute.

GIPSA headquarters is located in Washington, D.C. FGIS field activities are located in 11 field offices, 2 Federal/State offices, and 7 suboffices. P&S field activities are located in 3 field offices and resident agent positions in 30 locations across the nation. As of September 18, 2004, employment totaled 678 full-time permanent employees and 44 part-time or intermittent employees. Of the total, 121 full-time and 3 part-time or intermittent employees were located in headquarters while the remaining 557 full-time and 41 part-time or intermittent employees were assigned to field locations. User-fee supported activities accounted for 51 percent of total Agency spending in FY 2004.

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years

2004 Actual and Estimated 2005 and 2006

Item	Actual 2004		Estimated 2005		Estimated 2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses:						
Appropriation	$35,890,000	318	$37,299,000	338	$15,717,000	123
Proposed User Fees	--	--	--	--	24,701,000	215
Subtotal, Salaries and Expenses	35,890,000	318	37,299,000	338	40,418,000	338
Rescission	-211,751	--	-298,000	--	--	--
Total, Salaries and Expenses	35,678,249	318	37,001,000	338	40,418,000	338
Inspection and Weighing	35,922,902	372	42,463,000	387	42,463,000	387
Total, Grain Inspection, Packers and Stockyards Administration	71,601,151	690	79,464,000	725	82,881,000	725

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff Year Summary

2004 Actual and Estimated 2005 and 2006

Grade	2004 Wash DC	2004 Field	2004 Total	2005 Wash DC	2005 Field	2005 Total	2006 Wash DC	2006 Field	2006 Total
Senior Executive Service	4	1	5	4	1	5	4	1	5
GS-15	8	3	11	8	3	11	8	3	11
GS-14	26	21	47	26	21	47	26	21	47
GS-13	46	40	86	46	40	86	46	40	86
GS-12	10	74	84	10	74	84	10	74	84
GS-11	6	91	97	6	91	97	6	91	97
GS-10	2	13	15	2	13	15	2	13	15
GS-9	2	179	181	2	179	181	2	179	181
GS-8	7	7	14	7	7	14	7	7	14
GS-7	5	31	36	5	31	36	5	31	36
GS-6	4	96	100	4	96	100	4	96	100
GS-5	--	83	83	--	83	83	--	83	83
GS-4	1	41	42	1	41	42	1	41	42
GS-3	1	9	10	1	9	10	1	9	10
GS-2	--	3	3	--	3	3	--	3	3
Ungraded Positions	9	1	10	9	1	10	9	1	10
Total Permanent Positions	131	693	824	131	693	824	131	693	824
Unfilled Positions End-of-year	-10	-136	-146	-6	-123	-129	-6	-123	-129
Total, Permanent Full-Time Employment, End-of-year	121	557	678	125	570	695	125	570	695
Staff Year Estimate	121	569	690	125	600	725	125	600	725

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The passenger motor vehicles of the Grain Inspection, Packers and Stockyards Administration are used exclusively by professional resident agents, auditors, marketing specialists, economists and managers to conduct financial and trade practice investigations at livestock auctions and market agencies. The Packers and Stockyards Programs administers the Packers and Stockyards Act which assures fair competition ad fair trade practices in the marketplace. Many of the livestock auctions and market agencies are located in rural areas and a high degree of mobility is required. The use of common carriers is seldom feasible. Comparative studies of cost requirements involved in the use of private and Government vehicles have shown that it is more economical to make Government vehicles available than to make reimbursements for the use of private cars. Vehicles are replaced based on GSA age and mileage requirements.

It is the policy of the Packers and Stockyards Programs to pool the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance.

Size, Composition, and Annual Cost
(in thousands of dollars)

	Number of Vehicles by Type								
Fiscal Year	Sedans and Station Wagons	Light Trucks		Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Cost ($ in thous)
		4X2	4X4						
FY 2003	31	7	10					48	$157
Change	0	0	0					0	-$8
FY 2004	31	7	10					48	$149
Change	0	0	0					0	+$4
FY 2005	31	7	10					48	$153
Change	0	0	0					0	+$4
FY2006	31	7	10					48	$157
Change	0	0	0					0	0

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Summary of Budget and Performance
Statement of Agency Goals and Objectives

The GIPSA has two strategic goals and four strategic objectives that contribute to one of the overall Department's strategic goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Goal 1: Enhance Economic Opportunities for Agricultural Producers. Objective 1.1, Expand International Marketing Opportunities.	**Agency Goal 1:** Promote fair and competitive marketing in livestock, meat, and poultry.	Objective 1.1: Deter violations of the Packers and Stockyards Act and regulations.	Competition Programs Trade Practices Programs Financial Programs	Key Outcome 1: GIPSA will reduce violations of the Act by educating, regulating and investigating subject entities.
	Agency Goal 2: Facilitate the marketing of U.S. grain and related agricultural products.	Objective 2.1: Provide the market with terms and methods for quality assessments. Objective 2.2: Protect the integrity of U.S. grain and related markets. Objective 2.3: Provide official grain inspection and weighing services.	Methods Development and Standardization Programs Compliance Programs Inspection and Weighing Programs	Key Outcome 2: Promote fair and transparent markets, increase crop value by aligning crop quality with specific consumer demands, reduce trade disputes resulting from conflicting descriptions of crop quality and value, and minimize the cost of transactions between buyer and seller, both in the domestic and global markets.

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STRATEGIC OBJECTIVE 1.1: Expand International Marketing Opportunities.

Strategic Objective and Funding Matrix
(On basis of available funds)

	2004 Actual		2005 Budget			2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Strategic Objective 1.1							
Packers and Stockyards Programs	18,839,000	156	19,510,000	169	+872,000	20,382,000	169
Grain Regulatory Programs	16,839,000	162	17,491,000	169	+2,545,000	20,036,000	169
Total, Strategic Objective 1.1	35,678,000	318	37,001,000	338	+3,417,000	40,418,000	338
Total, Available	35,678,000	318	37,001,000	338	+3,417,000	40,418,000	338

Selected Accomplishments Expected at the FY 2006 Proposed Resource Level:

Packers and Stockyards Programs – With anticipated funding levels in FY 2006, GIPSA will pursue activities in each of its three strategy areas: Educate, Regulate, and Investigate.

Actionable Strategies:

- Educate: GIPSA will educate the livestock, meatpacking and poultry industries of the requirements and protection provided by the Packers and Stockyards Act. GIPSA will educate the public of changing business practices in the regulated industries and whether these practices comply with the Act and regulations. To educate its stakeholders, GIPSA will utilize the following:

  - New registrant and packer orientations and reviews,
  - Industry presentations,
  - Industry publications,
  - Increased outreach to industry groups and the States,
  - A greater presence on the internet,
  - Certified letters of notice to violators identifying violations of the Act and providing notice on how to comply with legal requirements, and
  - Increased participation in industry task forces.

- Regulate: GIPSA will vigorously increase the industry's compliance rate with the Packers and Stockyards Act's regulatory compliance requirements on technical issues. To more effectively regulate the entities subject to the regulatory requirements of the Act, GIPSA will utilize the following techniques:

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- Develop computer applications that identify potential or actual financial violations;
- Leverage IT investments, to increase the personnel resources dedicated to reviewing and working with industry members to obtain compliance;
- Increase the number of unscheduled on-site record reviews; and
- Review and update memoranda of understanding with States to strengthen mutual interests and combine resources.

• **Investigate:** GIPSA will conduct more targeted investigations of the Packers and Stockyards Act to more effectively use its limited resources. Targeted investigations will ensure that GIPSA is having the biggest positive impact on the regulated industries. To target its investigations, GIPSA will utilize the following criteria:

- Vigorously investigate allegations of willful and fraudulent violations and payment violations of the Act;
- Increase its emphasis on conducting compliance investigations to determine whether violating firms have achieved compliance with the regulatory requirements of the Act;
- Continue to investigate every complaint it receives as resources permit but place a greater emphasis on those potential violations of the Act most likely to have the greatest impact on the regulated industries.

Grain Regulatory Programs - With anticipated funding levels in FY 2006, GIPSA will:

Develop testing methods for the critical chemical and physical properties of ethanol co-products, a major byproduct of ethanol production that is used as feed. Consistent and accurate tests will enable U.S. corn producers to receive the full value of their product; buyers to be assured they will receive the quality product they want; and the U.S. corn market to realize the full value of U.S. corn production. Ethanol production has grown more than 570 percent over the past 20 years, and today represents the third largest market for U.S. corn, accounting for 10 percent of annual U.S. corn production. U.S. ethanol production for 2004 is expected to exceed 3.3 billion gallons, a 17 percent increase over 2003. As the ethanol industry grows, so does the production of ethanol co-products. In 2004, the United States produced more than 3 million metric tons of ethanol co-products. With GIPSA tests, the U.S. market can grow to over 7 million metric tons in 2005 and potentially double again by 2006.

Develop testing methods for market-driven wheat quality attributes. The United States is one of the world's leading wheat exporters, but has seen market share erode about 1 percent, or $40 million, per year over the last ten years, while global wheat consumption and global wheat import demand each have increased by 1 percent per year. The United States must deliver wheat to our international customers that meet end-use needs and their desire to receive consistent product. To achieve this, we must provide the U.S. wheat market with tools to accurately and consistently measure the wheat quality attributes that our customers want, such as wheat gluten strength and kernel conformity. GIPSA's testing methods will enable producers to capture the value of their products within the market chain by receiving appropriate premiums over other wheat sales, and help the United States maintain or increase its position as one of the major wheat exporters in the world.

Develop tests that accurately measure the linolenic acid levels in new "low linolenic" soybean varieties that are entering the market. Because these soybeans produce oil that has half the linolenic acid level of commodity soybean oil, it is more stable, thereby reducing or precluding the need for hydrogenation – the process that creates unhealthy trans fats in foods. In 2004, approximately 40,000 acres of the low linolenic acid soybean varieties were grown. Seed harvested from those acres will be planted on 1 million acres in 2005. Projections indicate that low linolenic soybeans may soon account for one-third of all U.S. production, at a value of approximately $5 billion. Accurate tests to measure linolenic acid levels in soybeans will ensure producers receive available premiums for their products, and end users receive the level of linolenic acid they need to produce healthier food products.

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Establish and maintain an alternate site at the Technical Services Division (TSD) in Kansas City, Missouri, to protect vital data, records, and information technology systems. This will ensure GIPSA's compliance with the Continuation of Operations Plan (COOP) and enable the Agency to continue operations in the event of a disaster.

Presuming continued FY 2005 funding levels into FY 2006, GIPSA will:

Improve methodology for official wheat protein content measurements.

Continue to offer the USDA/GIPSA Proficiency Program to U.S. and international organizations testing for the presence of biotechnology-derived grains and oilseeds; and evaluate the performance of rapid tests to detect biotechnology-derived grains and oilseeds and work with the test manufacturers and life science organizations to ensure that rapid tests are commercially available when new biotechnology-derived grain and oilseeds are introduced.

In the standards area, to reflect market needs, GIPSA will propose changing the U.S. Standards for Beans to remove the special grade "off-color" from the standards; establishing grade standards and procedures for "feed peas"; and removing test weight as a grade-determining factor from the soybean standards. In addition, GIPSA will prepare a final action on a proposal to create two subclasses in the class Hard White wheat, which would differ based on seed coat color.

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Summary of Budget and Performance
Key Performance Outcomes and Measures

Goal: Facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

Explanation of Key Outcome 1: GIPSA will reduce violations of the Act by the industry. GIPSA will use a "proxy" performance measure. This measure will target the reduction of repeat violations found by Agency personnel. As GIPSA emphasizes educating, regulating and investigating efforts to reduce repeat violations in the industry, additional violations will also be deterred. GIPSA's goal is to reduce the number of repeat violations from its current estimate of 21% down to 10% over the next 5 years.

Explanation of Key Outcome 2: GIPSA will provide methods and additional intrinsic quality standard assessments that the market needs to expand trade in U.S. grain and related products. GIPSA will provide methods for 98.5 percent of market-identified quality attributes in FY 2006.

Key Performance Measures:

- Measure #1: Reduction in % of repeat violations of the P&S Act.
- Measure #2: Percent of market-identified quality attributes for which GIPSA has provided standardization.

Key Performance Targets:

Performance Measure	2001 Actual	2002 Actual	2003 Actual	2004 Estimate	2005 Target	2006 Target
Reduction in % of repeat violations of the P&S Act						
a. Per cent	N/A	N/A	N/A	21	19	17
b. Dollars (in Millions)	$ N/A	$ N/A	$ N/A	$18.8	$19.5	$20.4
Percent of market-identified quality attributes for which GIPSA has provided standardization						
a. Per cent	N/A	N/A	N/A	97.5	97.8	98.5
b. Dollars (in Millions)	$ N/A	$ N/A	$ N/A	$11.046	$11.473	$13.194

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Full Cost by Agency Strategic Goal				
Goal 1: Promote fair and competitive marketing in livestock, meat, and poultry.				
PROGRAM	PROGRAM ITEMS	2004 AMOUNT ($000)	2005 AMOUNT ($000)	2006 AMOUNT ($000)
	Packers and Stockyards Programs	17,525	18,183	18,996
	Indirect costs	1,279	1,327	1,386
	Total Costs	18,804	19,510	20,382
	FTEs	156	169	169
	Performance measure: Reduction in % of repeat violations of the P&S Act (%)			
	2006 Performance	21%	19%	17%
	Total Costs	18,804	19,510	20,382
	FTEs	156	169	169
Goal 2: Facilitate the marketing of U.S. grain and related agricultural products.				
	Grain Regulatory Programs	14,977	16,302	18,674
	Indirect costs	1,093	1,189	1,362
	Total Costs	16,070	17,491	20,036
	FTEs	162	169	169
	Performance measure: Per cent of market-identified quality attributes for which GIPSA has provided standardization. (%)			
	2006 Performance	97.5%	97.8%	98.5%
	Total Costs (program, direct, indirect)	16,070	17,491	20,036
	FTEs	162	169	169

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

For necessary expenses to carry out the provisions of the United States Grain Standards Act, for the administration of the Packers and Stockyards Act, for certifying procedures used to protect purchasers of farm products, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, [$37,299,000] $15,717,000: 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.

In addition, such sums as may be deposited to the Fees, Grain Inspection, Packers and Stockyards Administration user fee account may be transferred to this account, to be merged with and available for the same purposes as this account, to remain available until expended.

This change reflects new legislation being proposed to permit the collection of fees for grain standardization and Packers and Stockyards licensing activities. The agency will be able to use the fees to the extent provided in appropriation acts.

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES

Appropriations Act, 2005		$37,299,000
Budget Estimate, 2006:		
Appropriation	15,717,000	
Proposed User Fees	24,701,000	
Budget Estimate, 2006		$40,418,000
Increase in Appropriation		+3,119,000

Adjustments in 2005:		
Appropriations Act, 2005	$37,299,000	
Rescission under P.L. 108-447 a/	-298,000	
Adjusted base for 2005		37,001,000
Budget Estimate, Current Law, 2006		40,418,000
Increase over adjusted 2005		+3,417,000

a/ This amount is rescinded pursuant to Section 122 (a) (1) of P.L. 108-447.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2005 Estimated	Pay Costs	Program Changes	2006 Estimated
Packers & Stockyards Program.....	$19,510,000	$241,000	$631,000	$20,382,000
Grain Regulatory Program.....	17,491,000	201,000	2,344,000	20,036,000
Total Available	37,001,000	442,000	2,975,000	40,418,000

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Project Statement
(On basis of appropriation)

	2004 Actual		2005 Estimated		Increase or		2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease		Amount	Staff Years
1. Packers and Stockyards	$18,804,326	156	$19,510,000	169	+$872,000	(1)	$20,382,000	169
2. Grain Regulatory	16,069,698	162	17,491,000	169	+2,545,000	(2)	20,036,000	169
Unobligated Balance	804,225	--	--	--	--		--	--
Total Available or Estimate	35,678,249	318	37,001,000	338	+3,417,000		40,718,000 a/	338
Rescission	211,751	--	298,000	--				
Total, Appropriation	35,890,000	--	37,299,000	--				

a/ Includes $24,701,000 to be derived from proposed new user fees. An estimated 215 staff years will be associated with this proposal.

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JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $872,000 in Packers and Stockyards Programs ($19,510,000 available in 2005) consisting of:

(a) An increase of $442,000 to fund pay costs which includes $241,000 for Packers and Stockyards Programs.

This increase will enable GIPSA to meet its objectives of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture, consistent with the priorities established by the Secretary of Agriculture. This critically important increase is needed to support and maintain current staffing levels to meet the current and projected increased demand to ensure a fair, open, and competitive marketing environment for livestock, meat, and poultry; and to promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture. Approximately 75 percent of GIPSA's budget is in support of personnel compensation, leaving very little flexibility to absorb pay cost increases. Consequently, absorbing this increase may result in staff reductions, thereby adversely affecting the ability of GIPSA to carry out its mission.

(b) An increase of $1,000,000 for eGOV initiatives which consists of $506,000 for Packers and Stockyards Programs, to include developing Web-based applications that fully support the Agency's business functions and information needs, and to integrate business systems across the Agency's program areas.

Results from GIPSA's Enterprise Architecture projects identified several common business functions for which common applications were defined to support both program areas. Those applications are: Agricultural Product Standards, Investigations and Compliance, Program Reviews and Evaluations, Organization and Personnel Activity Reporting, Field Test Equipment Reporting, and Registration. These applications make up the GIPSA Common System.

To enable the timely implementation of customer-centric applications within the Packers and Stockyards Programs, additional Information Technology developmental resources are required. Currently, the Packers and Stockyards Programs do not have the web designers or programmers that would allow it to rapidly and accurately deploy Web-based applications. To supplement the current information technology staff and to infuse new technology into the program area, GIPSA is requesting contracting funds. These funds would be used to contract-out the design, development, implementation, and maintenance of important Web initiatives. By contracting out, the Packers and Stockyards Programs would be able to rapidly receive electronic information from, and provide information to, our stakeholders.

(c) An increase of $250,000 for recurring costs associated with IT systems funded by Congress in FY 2005, which consists of $125,000 for Packers and Stockyards Programs.

(2) An increase of $2,545,000 in Grain Regulatory Programs ($17,491,000 available in 2005) consisting of:

(a) An increase of $442,000 to fund pay costs which includes $201,000 for Grain Regulatory Programs.

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(b) An increase of $950,000 to develop new grain testing measures for ethanol co-products, wheat quality, and low linolenic soybeans.

Ethanol - GIPSA requests $300,000 to develop testing methods for ethanol co-products that will enable U.S. corn producers to receive the full value of their product; buyers to be assured they will receive the quality product they want; and the U.S. corn market to realize the full value of U.S. corn production. GIPSA will provide market participants – from producer to end user – with accurate tests for the essential chemical and physical properties of ethanol co-products. This might include provision of actual testing; verification of industry testing methodology; and establishment of uniform trade specifications.

Ethanol production has grown more than 570 percent over the past 20 years, and today represents the third largest market for U.S. corn, accounting for 10 percent of annual U.S. corn production. U.S. ethanol production for 2004 is expected to exceed 3.3 billion gallons, a 17 percent increase over 2003. As the ethanol industry grows, so does the production of ethanol co-products, a major byproduct of ethanol production that is used as feed. The market must be able to measure the key constituents of the co-products. No market participant, from producer to end user, can realize the full economic value of their product from the raw material, i.e., corn, to the finished product, i.e., co-product, without uniform, accurate test methods.

Today, there are few tests that measure the critical chemical and physical properties of ethanol co-products. With accurate testing methods, so does the potential for market expansion, including international markets looking for consistent suppliers. In May 2004, GIPSA's Grain Inspection Advisory Committee recommended that GIPSA explore the market's need for information to aid the marketing of ethanol co-products.

Consistent and accurate tests that are used market-wide are the foundation of grain trade. As more U.S. corn goes into ethanol production each year, more co-products are derived from that production process. Providing accurate tests will allow American agriculture to build broader domestic and international markets for ethanol co-products, thereby realizing the full value of U.S. corn production. In 2004, the U.S. produced over 3 million metric tons of ethanol co-products. With GIPSA tests, the U.S. market can grow to over 7 million metric tons in 2005 and potentially double again by 2006.

Wheat Quality - GIPSA also requests $400,000 to develop testing methods for market-driven wheat quality attributes. The United States is one of the world's leading wheat exporters – along with Argentina, Australia, Canada, and the European Union. Over the past 10 years, U.S. market share has eroded about 1 percent, or $40 million, per year, while global wheat consumption and global wheat import demand each have increased by 1 percent per year.

The United States must deliver wheat to our international customers that meets end-use needs and their desire to receive consistent product. To achieve this, we must provide the U.S. wheat market with tools to accurately and consistently measure the wheat quality attributes that our customers want.

Wheat gluten strength and kernel conformity are two quality attributes upon which GIPSA will focus. Gluten strength determines mixing characteristics, dough strength and stability, and water absorption in foods ranging from bread to cakes to noodles to tortillas. A measure of kernel conformity, which includes kernel size, shape, and weight, tells millers how much flour they can produce from a given lot of wheat. These two properties govern the processing and final product traits of wheat foods and impact on the economic value of a wheat shipment.

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The GIPSA Grain Inspection Advisory Committee has urged GIPSA to identify and provide testing methods for wheat quality attributes to help the U.S. wheat market remain competitive in the global marketplace.

GIPSA's testing methods will enable producers to capture the value of their products within the market chain by receiving appropriate premiums over normal wheat sales. As a result, the United States will maintain or increase its position as one of the major wheat exporters in the world. We estimate that GIPSA's tests will help preclude further lost markets for U.S. wheat annually by providing international customers with the quality and consistency of wheat that they need.

Low Linolenic Soybeans – GIPSA also requests $250,000 to develop tests that accurately measure the linolenic acid levels in soybeans. New soybean varieties with low levels of linolenic acid – a fatty acid – are entering the market. In 2004, approximately 40,000 acres of the low linolenic acid soybean varieties were grown. Seed harvested from those acres will be planted on 1 million acres in 2005. Projections indicate that low linolenic soybeans may soon account for one-third of all U.S. production, at a value of approximately $5 billion.

This tremendous increase in production of low linolenic soybeans is driven by consumer demand for healthier foods which has also prompted the Food and Drug Administration to require food companies to list trans fat levels on package labels beginning January 1, 2006. Soybean oil is the primary vegetable oil consumed in the United States. Food manufacturers are interested in the new low linolenic soybeans because they produce oil that has half the linolenic acid level of commodity soybean oil, thus making it more stable, and reducing or precluding the need for hydrogenation – the process that creates unhealthy trans fats in foods.

The market will require accurate tests to measure linolenic acid levels in soybeans to ensure producers receive available premiums for their products, and end users receive the level of linolenic acid they need to produce healthier food products.

To help market this emerging crop, GIPSA will develop reference methods and rapid tests to measure linolenic acid levels in soybeans. The rapid tests will be quick and accurate enough to be used throughout the marketing system, including the first point of sale. This will give producers an opportunity to capture the value of their products more readily.

The GIPSA Grain Inspection Advisory Committee has urged GIPSA to develop tests to measure linolenic acid to help the United States remain competitive and viable in world soybean markets. In crop year 2004, U.S. production of soybeans with low levels of linolenic acid is valued at approximately $8 million. We estimate that GIPSA's tests will help American agriculture to build this market to $5 billion annually by 2006/2007 marketing year.

(c) An increase of $775,000 to establish an Information Disaster Recovery Program.

There is a need to establish and maintain an alternate site for the GIPSA information technology management system at the Technical Services Division (TSD) in Kansas City, Missouri. Establishment of this alternate site will ensure GIPSA's compliance with the Continuation of Operations Plan (COOP) through protection of vital records and systems.

Establishing this alternate site for the GIPSA information technology managements system ensures that critical data, records, and systems are available. It also enables GIPSA to continue operations in the event of a disaster, and comply with the Agency's Continuation of Operations Plan (COOP). Mirroring the IT system at an alternate site will enable GIPSA to quickly resume operations, and ensure that customers are provided timely services. With the establishment of a

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Web-based inspection system, the mirroring of the IT system at an alternate site sight will enable GIPSA to minimize disruptions of official grain service. Appropriate hardware/software will be purchased and installed to establish the mirrored system, and an area at TSD will be modified to accommodate the system.

Failure to have an alternate site makes GIPSA vulnerable to delays in reestablishing continuity of operations and having access to vital systems/data. Increased funding will be used primarily as a one-time expense to establish an alternate / failover site for the GIPSA information technology management system. Establishing this alternate site enables GIPSA to minimize potential down-time, improve access to vital records and databases, and ensures that the Web-based inspection system will be available to serve customers in a timely, cost-effective, and responsive manner in the event of a disaster and/or the primary information technology management system location is disabled or unavailable.

(d) An increase of $1,000,000 for eGOV initiatives which consists of $494,000 for Grain Regulatory Programs, to include developing Web-based applications that fully support the Agency's business functions and information needs, and to integrate business systems across the Agency's program areas.

Results from GIPSA's Enterprise Architecture projects identified several common business functions for which common applications were defined to support both program areas. Those applications are: Agricultural Product Standards, Investigations and Compliance, Program Reviews and Evaluations, Organization and Personnel Activity Reporting, Field Test Equipment Reporting, and Registration. These applications make up the GIPSA Common System.

There is a need to eliminate duplicate data entry in existing stove-piped systems. Web-based applications need to be developed that fully support the business functions, information needs and integrate across all business systems supporting the Grain Inspection Information System. The Grain Inspection Information Systems integrates agricultural product standards, grain inspectors, customers and customer requests with the actual inspection or test results requested. The system captures test results from all tests performed, matching, for the first time, actual test results with supervision or quality assurance test results as well as re-inspection and Board appeals. The collected data from the customer requests for service will be used to generate billing information for oversight fees. This is a multi-year effort, which is planned to begin in FY2005 and continue through FY2007.

(e) An increase of $250,000 for recurring costs associated with IT systems funded by Congress in FY 2005, which consists of $125,000 for Grain Regulatory Programs.

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arkansas	$ 118,070	2	$ 122,000	2	$ 122,000	2
California	107,850	1	111,000	1	111,000	1
Colorado	3,358,441	48	3,463,000	50	3,463,000	50
District of Columbia	15,454,019	82	16,971,000	88	18,663,000	88
Georgia	3,286,616	43	3,390,000	48	3,390,000	48
Idaho	120,433	2	124,000	2	124,000	2
Iowa	2,937,156	47	3,029,000	50	3,029,000	50
Kansas	241,808	3	249,000	3	249,000	3
Louisiana	853,141	11	880,000	15	880,000	15
Maryland	238,074	4	246,000	4	246,000	4
Minnesota	470,877	6	486,000	6	486,000	6
Missouri	6,406,078	56	6,609,000	56	8,334,000	56
North Dakota	116,511	2	120,000	2	120,000	2
Ohio	182,114	4	188,000	4	188,000	4
Oregon	179,587	2	185,000	2	185,000	2
Texas	689,738	4	711,000	4	711,000	4
Washington	113,511	1	117,000	1	117,000	1
Subtotal, Available or Estimate	34,874,024	318	37,001,000	338	40,418,000	338
Unobligated balance	804,225					
Total, Available or Estimate	35,678,249	318	37,001,000	338	40,418,000	338

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

CLASSIFICATION BY OBJECTS

2004 Actual and Estimated 2005 and 2006

		2004	2005	2006
Personnel Compensation:				
Washington, DC		$5,094,757	$5,214,000	$5,299,000
Field		16,133,397	16,511,000	17,232,000
11	Total personnel compensation	21,228,154	21,725,000	22,531,000
12	Personnel benefits	5,289,496	5,413,000	5,616,000
13	Benefits for former personnel	1,156	15,000	15,000
	Total Personnel compensation & benefits	26,518,806	27,153,000	28,162,000
Other Objects:				
21	Travel and trans. of persons	1,195,958	1,196,000	1,254,000
22	Transportation of things	166,932	167,000	182,000
23.2	Rental payments to others	78,054	78,000	78,000
23.3	Communications, utilities and misc. charges	735,012	735,000	735,000
24	Printing and reproduction	53,293	53,000	53,000
25.1	Advisory and assist. services	0	25,000	25,000
25.2	Other services	4,945,312	5,375,000	6,849,000
26	Supplies and materials	648,713	849,000	939,000
31	Equipment	531,944	1,370,000	2,141,000
Total other objects		8,355,218	9,848,000	12,256,000
Total direct obligations		34,874,024	37,001,000	40,418,000
Position Data:				
Average Salary, ES positions		$144,988	$149,000	$149,000
Average Salary, GS positions		$61,468	$64,000	$65,000
Average Grade, GS positions		12.1	12.1	12.1

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Limitation on Inspection and Weighing Services Expenses:

Not to exceed $42,463,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INSPECTION AND WEIGHING SERVICES

Consolidated Appropriations bill, 2005	$42,463,000
Budget Estimate, 2006	42,463,000
Increase in Appropriation	--

LIMITATION ON INSPECTION AND WEIGHING SERVICES

Consolidated Appropriations bill, 2005	$42,463,000
Change in Limitation	--
Budget Estimate, 2006	42,463,000

Project Statement
(On basis of appropriation)

	2004 Actual		2005 Estimated		Increase or	2006 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Inspection and Weighing Activities	$35,922,902	372	$42,463,000	387	--	$42,463,000	387
Unobligated Balance Start of Period	-3,823,980	--	-3,411,806	--	--	-3,411,806	--
Unobligated Balance End of Period	3,411,806	--	3,411,806	--	--	3,411,806	--
Collections	35,510,728	372	42,463,000	387	--	42,463,000	387

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years
2004 Actual and Estimated 2005 and 2006

	2004		2005		2006	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arkansas	$2,432,919	34	$2,875,000	36	$2,875,000	36
California	103,162	1	121,000	1	121,000	1
District of Columbia	8,001,438	34	9,455,000	36	9,455,000	36
Idaho	219,923	3	260,000	3	260,000	3
Iowa	265,463	2	313,000	2	313,000	2
Kansas	521,427	6	616,000	6	616,000	6
Louisiana	13,636,484	162	16,112,000	169	16,112,000	169
Minnesota	192,058	2	228,000	2	228,000	2
Missouri	1,110,130	16	1,312,000	16	1,312,000	16
North Dakota	650,650	10	769,000	10	769,000	10
Ohio	1,468,108	16	1,735,000	16	1,735,000	16
Oregon	2,563,134	35	3,029,000	37	3,029,000	37
Texas	4,492,429	49	5,309,000	51	5,309,000	51
Washington	58,315	1	69,000	1	69,000	1
Subtotal, Available or Estimate	35,715,640	371	42,203,000	386	42,203,000	386
Canada	207,262	1	260,000	1	260,000	1
Total, Available or Estimate	35,922,902	372	42,463,000	387	42,463,000	387

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES

STATUS OF PROGRAM

PACKERS AND STOCKYARDS PROGRAMS

Current Activities:

COMPETITION PROGRAM - P&SP monitors and investigates pricing and procurement practices in the livestock, meat, and poultry industries and initiates corrective action when appropriate; monitors and investigates the competitive practices of registrants (livestock dealers and market agencies), packers, live poultry dealers, and swine contractors that impact competition and initiates corrective action when appropriate; and monitors structural changes that affect market participation, pricing and procurement practices and other competitive behavior.

TRADE PRACTICES PROGRAM - P&SP investigates the operations of market agencies and dealers to determine compliance with the registration requirements and to determine if market agencies, dealers, and meat packers are operating with the required bond coverage; conducts investigations to determine if subject entities are selling livestock at marked-up weights and/or prices; conducts new market orientations to ensure that market operators understand their fiduciary responsibilities under the P&S Act, and that they are operating in compliance with the P&S Act and regulations; conducts feed mill orientations to ensure that feed mill operators are aware of the regulatory requirements regarding feed weights used in the calculation of grower payments; investigates the procurement practices of live poultry dealers, dealers and meat packers to identify and correct those that are unfair, deceptive, or unjustly discriminatory to poultry growers and livestock producers and sellers; trains State and Local weights and measures agencies and private scale testing companies in the testing of scales and measuring devices to ensure that purchases and sales of livestock, meat and poultry are based on accurate weights and measures; and conducts check-weighing investigations at auction markets, stockyards, meat packers, live poultry dealers and dealer buying stations to ensure the accurate weighing of livestock, meat, feed and poultry.

FINANCIAL PROTECTION PROGRAM - P&SP investigates the financial condition and payment practices of market agencies, dealers, packers, and live poultry dealers subject to the P&S Act to determine if they are operating in compliance with the P&S Act; administers the statutory trust provisions of the P&S Act, assists unpaid cash sellers of livestock and poultry in perfecting their trust claims, and analyzes filed trust claims as a courtesy to the industry; and investigates and monitors compliance by packers, dealers, market agencies, and packer buyers with the financial, payment and reporting requirements of the P&S Act.

Selected Examples of Recent Progress:

COMPETITION PROGRAM:

1. Pricing and Procurement Practices: In response to specific complaints or as part of its continuing oversight, the Competition Program reviewed procurement contracts with meat packers, producers and live poultry dealers to identify the potential exercise of market power that violates the Packers and Stockyards Act.

2. Competitive Practices and Restrictions on Competition: The Competition Program investigations include allegations of restriction of competition, failure to compete, buyers acting in concert to purchase livestock, apportionment of territory, unjust price discrimination, price manipulation, and predatory pricing in violation of the Packers and Stockyards Act. P&SP also provided economic investigative expertise in support of investigations or reviews conducted by other government agencies.

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3. Monitor Industry Responses to Discovery of BSE in the United States: The Competition Program established a task force in response to the discovery of BSE Washington State in December 2003. The task force monitored market reactions to new BSE information, analyzed weekly cattle prices in various markets, and analyzed changes to business practices in response to the discovery.

4. Monitor Structural Changes: P&SP published its annual statistical report on the structure of the meatpacking industry, including information on industry concentration levels, size of packing plants, livestock procurement methods, and merger activities. The report covers industry changes that have occurred over many years. The Competition Program also monitors structural changes to determine whether a practice is "unfair" and therefore prohibited by the Packers and Stockyards Act.

TRADE PRACTICES PROGRAM:

1. Registration and Bonding. The following table shows the number of packers, packer buyers, registrants and posted stockyards and the value of bonds for the past 4 years.

	FY 2001	FY 2002	FY 2003	FY 2004
Posted Stockyards	1,525	1,510	1,429	1,443
Market Agencies/Dealers	6,250	6,024	5,827	5,678
Packer Buyers	2,051	2,064	2,067	2,015
Bonded Packers	339	339	340	325
Value of Bonds (millions)	$560	$573	$552	$666

2. Weight and Price Manipulation. The Trade Practices Program conducted 59 investigations of livestock dealers and market agencies (order buyers) allegedly selling livestock at marked-up weights and/or prices. The investigations disclosed 53 firms were in compliance with the P&S Act. Six investigations remained open at the close of FY 2004.

3. Accurate Weights. The Trade Practices Program conducted six training sessions for State and Local Weights and Measures Inspectors on testing of Dynamic Monorail Scales. In FY 2004, the Trade Practices Program received and responded to 26 requests for technical assistance. P&SP also provided oversight of scale testing to help insure that every scale used by entities subject to the P&S Act to weigh livestock or poultry for commercial purposes was tested at least twice during the calendar year and was operating correctly.

4. Weighing Investigations. P&SP conducted weighing investigations at livestock auction markets, dealer and packer buying stations, slaughtering packer facilities and live poultry dealer facilities. P&SP sent certified letters of notice to firms that violated the P&S Act, directing them to bring their operations into compliance with the requirements of the P&S Act. P&SP conducted or will conduct follow-up investigations to ensure that these firms have corrected their violations.

5. New Market and Feed Mill Orientations. P&SP conducted 28 new market or feed mill orientations in FY 2004.

6. Contract Poultry Arrangements. P&SP investigated the operations of 22 live poultry dealers. The investigations disclosed 9 live poultry dealers were in compliance with the P&S Act. Four live poultry dealers were placed on written notice to correct violations of the P&S Act; P&SP conducted or will conduct follow-up investigation to ensure these firms have corrected their violations. Nine investigations remain open at the close of FY 2004.

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FINANCIAL PROTECTION PROGRAM:

1. Financial Integrity. P&SP reviewed approximately 6,000 annual reports to determine whether the regulated entity was solvent (current assets exceed current liabilities) and properly bonded. In addition, the Financial Program conducted 66 on-site reviews of financial records for insolvency. Based on the review of the annual reports and the investigations, the Financial Program determined that 257 firms were insolvent in the amount of $45,011,085. Working with the Financial Program, 75 of the regulated entities corrected their insolvencies (restoring a total of $5,854,957 to their current assets). Thirteen firms reduced their insolvencies by an additional $1,064,779.

P&SP is working with the firms to correct the insolvencies. Letters of notice have been sent to insolvent packers and registrants, and P&SP has planned financial audits to determine whether these firms have corrected their insolvencies. P&SP will take appropriate corrective action against those firms who fail to correct their insolvencies.

2. Payment Practices. P&SP investigated 39 firms or individuals who failed to pay 169 sellers $3,041,318 for livestock purchases. As a result of P&SP's intervention, livestock buyers reduced the outstanding amount owed by $853,803, of this amount $225,000 came from buyers' bonds payout.

3. Custodial Accounts and Auction Markets. P&SP reviewed 2,252 reports on custodial accounts and conducted 268 on-site audits of custodial accounts. The reviews disclosed a total shortage of custodial funds of $6,850,068. Through the Financial Program's efforts, auction market operators reduced the custodial account shortages by $3,385,733. By certified mail, P&SP notified firms and individuals to correct their shortages. P&SP investigated complaints against 2 auction markets that failed financially and discontinued operations owing 23 sellers $145,772 for unpaid livestock purchases. The livestock sellers recovered $60,000 from the markets' bonds and $16,649 from other sources.

4. Packer and Poultry Trusts. In FY 2004, P&SP investigated and analyzed 8 packer trusts. P&SP investigated 4 poultry trusts in FY 2004. Forty-eight claimants filed poultry trust claims totaling $1,128,254. P&SP received packer trust claims totaling $1,754,566 from 12 livestock sellers. The status of the 12 trust claims follows:

Total Trust Claims Filed		$2,882,820
Trust Claims		
Trust Payout to Claimants	$7,697	
Paid by Other Sources 1/	$346,781	
Total Payments of FY 2004 Trust Claims		$354,478
Unpaid Trust Claims		$2,528,342
Claims Withdrawn by Claimants	$1,010,115	
Claims not meeting statutory requirements	$1,128,254	
Claims Withdrawn or Ineligible		$2,138,369
FY 2004 Claims Pending		$389,973
Total Amount Paid Back to Sellers in FY 2004 2/	$1,043,699	

1/ Other sources generally consist of payments by the packer.

2/ Includes payments for prior fiscal years.

5. Packer and Registrant Bond Claims. All registrants (market agencies and dealers) and slaughtering packers purchasing over $500,000 in livestock yearly are required to maintain a bond in a prescribed amount for the protection of livestock sellers. During FY 2004, 74 claimants filed claims totaling $1,222,556. The status of these bond claims follows:

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Total Amount of Bond Claims Filed in FY 2004		$2,348,658
Payments of FY 2004 Claims		
Bond Payout	$321,413	
Paid by Other Sources 1/	$138,070	
Total Payments in FY 2004		$459,483
Unpaid Bond Claims		$1,889,175
Claims Withdrawn by Claimants	$126,608	
Claims in Excess of Bond Amounts	$1,372,565	
		$1,499,173
Claims Pending and Payment is Expected		$390,002

1/ Other sources generally consist of payments by the packer.

COMPETITION, TRADE PRACTICES, AND FINANCIAL PROTECTION (Impacts all three programs):

1. Monetary Recovery to Industry. In Fiscal Year 2004, P&SP restored $17.3 million to the livestock and poultry industries. This $17.3 million does not include $1.2 million in assessed civil penalties.

2. Number of Investigations. In Fiscal Year 2004, P&SP conducted 1,923 investigations.

3. Cooperation with Law Enforcement Agencies. During Fiscal Year 2004, P&SP conducted investigations with or provided investigatory support to local, State and Federal law enforcement agencies including the Federal Bureau of Investigation, various United States Attorney's offices, the Federal Deposit Insurance Corporation, the Securities Exchange Commission, a North Dakota county sheriff's office, and others.

4. Formal Corrective Actions. P&SP filed 15 formal disciplinary complaints during FY 2004 alleging violations of the P&S Act. Five decisions were issued ordering payment of civil penalties totaling $61,750 and suspending 12 registrants from operating subject to the P&S Act for periods ranging from 42 days to 5 years.

5. BSE Task Forces. Immediately following the detection of BSE in Washington State in December 2003, P&SP created three task inter-regional forces: Competition, Trade Practices, and Financial. These task forces monitored the industry's response to BSE, responded to BSE-related complaints, identified and investigated firms most likely to be adversely impacted by the BSE announcement, and identified and responded to changing business practices. The Competition Task Force conducted 28 investigations; one remains open. The Competition Task Force did not find any evidence that the competition provisions of the P&S Act were violated. The Trade Practices Task Force conducted ten investigations; one resulted in a letter of notice advising the firm that it had violated the P&S Act. The Financial Task Force conducted 58 investigations. Ten firms were notified by certified letter that they had violated the P&S Act. Follow-up investigations will be conducted in all instances where firms were determined to have violated the P&S Act. In total, the task forces conducted 97 rapid response investigations; eleven follow-up investigations are scheduled.

6. Avian Influenza/Poultry Policy Task Force. In February of 2004, Animal and Plant Health Inspection Service (APHIS) disclosed outbreaks of avian influenza had occurred in the states of Pennsylvania, Maryland, Virginia, Delaware, and Texas. In response, P&SP organized a task force in the Atlanta Regional Office to help poultry growers and live poultry dealers handle adverse economic impacts caused by the outbreaks. The task force surveillance and monitoring activities included following preventive measures taken by APHIS, USDA and other federal agencies, as well as state agricultural and health officials. The task force then communicated information on these preventive measures to all P&SP staff. The task force also oversaw the prompt handling of all avian disease related complaints received by P&SP.

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The task force is developing regulations specific to the poultry industry. In the coming fiscal year, (FY2005) the task force will continue monitoring the industry and developing policies and regulations. The task force will also maintain its recently developed contacts within APHIS and expand its web of connections within the poultry industry. This will strengthen P&SP's ability to become aware of events as they occur. It will also enhance the agency's depth of knowledge with respect to counter-measures employed to fight the spread of diseases that can impact live poultry dealers and poultry growers.

7. Swine Contract Library. P&SP implemented the Swine Contract Library. Information including price, premiums, discounts, grids, formulas, and other important contract terms extracted from offered and available contracts used to purchase hogs is now available on GIPSA's website on a real time basis. Reporting requirements under Swine Contract Library became voluntary on Oct. 23, 2004 due to the sunset of the law. We have received no new example contracts since that time, but 46 of 51 plants submitted monthly estimates for November. A reauthorization of the law through September 30, 2005 was signed by the President on December 3, 2004.

8. Development of Voluntary Industry Standards. Together with its stakeholders and other interested parties, P&SP developed and published two additional industry standards this year for a total of four standards on current and developing evaluation technology used to determine payment for livestock, meat or poultry. These standards will help ensure that producers get full value for their livestock and packers are paying for only the desired product. The first standard sets out requirements for new devices and equipment: the second standard sets out requirements for the users of the devices and equipment: the third standard addresses the accuracy of the devices and equipment; the fourth standard addresses the procedures for developing equations that are used in the devices to determine the value of the carcasses or animals. P&SP and its stakeholders are continuing to develop new standards.

9. Livestock and Meat Marketing Study. P&SP is administering a livestock and meat marketing study that will examine the broad issues surrounding packer ownership of livestock. Congress allocated $4.5 million for this study. An award of $4,319,373 to the Research Triangle Institute (RTI) was announced on June 18, 2004. RTI assembled a coalition of researchers from Colorado State University, Iowa State University, Kansas State University, Montana State University, North Carolina State University, and The Wharton School of Business. A notice to announce data collection plans for the Study was printed in the Federal Register on Thursday, September 8, 2004. P&SP received written request for extension and the period was extended until December 3, 2004. RTI is continuing preparations for data collection and the overall Study. Final study reports are scheduled for release mid-year 2006.

10. Government Accountability Office Investigation of Economic Models. P&SP participated on a task force the Economic Research Service created along with representatives from Agriculture Marketing Service, and the National Agriculture Statistical Service to address recommendations from a GAO investigation of USDA's use of economic models of cattle prices. Preliminary task force findings were submitted to ERS administrators in July, 2004. The GAO investigation focused on a range of factors in the econometric modeling USDA uses to predict prices in livestock markets. GIPSA does not use structural equation price prediction models, which were the principal GAO focus. GIPSA uses econometric models to monitor prices and industry structure and has refined its modeling capability to complement its monitoring activity.

11. Recruitment and Training. P&SP undertook several training initiatives in FY 2004. P&SP senior managers participated in management training, with all attending "Senior Management Retreat. Kansas City, KS". The Resident Agents staff attend regional conferences in Chicago, IL; Fresco, CO and Atlanta, GA These Conferences where uses to standardize work throughout the Country. Economists were sent to the Allied Social Science Association (ASSA) and to the American Agricultural Economic Association (AAEA) yearly meetings to recruit economists. The Denver Regional Office completed diversity recruitment training.

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12. Stakeholder and Industry Related Initiatives. P&SP personnel regularly attend and participate in meetings of industry associations at the Local, State and National levels to remain abreast of problems and concerns to promote a better understanding of marketing options and constraints facing the livestock, meat and poultry industries. An increased presence at public meetings continues to enable P&SP personnel to stay fully informed and provides industry participants with more information on the activities of the Agency, more access to P&SP officials, and additional perspective about P&SP policy. While P&SP's interactions with the industry covers a broad range of topics of interest, competition issues and changing business practices in the livestock, meat, and poultry industries are emphasized at most of the meetings.

Examples of P&SP participation in meetings and other interaction with stakeholders include:

- Resident Agents, in addition to maintaining direct contact with market agencies, order buyers, dealers, packers, producers, growers and the public, develop and maintain mutually beneficial relationships with State and Local officials, to discuss areas of mutual concern, particularly in areas of overlapping jurisdiction.

- P&SP met with meatpackers to gather information to revise its Packer Annual Report Form. P&SP is revising this form to enhance its ability to monitor industry structure and changing business practices.

- P&SP continues to work closely with the Council on Food, Agricultural, and Resource Economics (C-FARE). C-FARE is a non-profit organization that focuses on economic dimensions of public policy issues and organizes symposiums on emerging issues.

- P&SP continues to participate on the Technical Advisory Committee of the Livestock Marketing Information Center (LMIC). The LMIC is a cooperative effort between university extension specialists, USDA economists, and industry cooperators. LMIC provides data and economic analyses and projections about issues and conditions concerning the livestock industry, contribute to economic education, and supports applied research projects and policy evaluation.

- P&SP continues to participate on the National Pork Producers Council's Pork Industry Ad Hoc committee of government, academic, and U.S. and Canadian industry representatives, formed to work on initiatives to combat and mitigate the low price of hogs. The committee encourages cooperative organizational action between members of the pork industry. This involvement exemplifies P&SP's commitment to anticipate and prepare for changes in production trends.

- P&SP continues to work closely with American Society for Testing and Materials (ASTM) and the Office of Weights and Measures of the National Institute of Standards (NIST) in the development of Voluntary Industry Standards on livestock, meat and poultry evaluating devices.

- P&SP participates with the National Conference on Weights and Measures, Inc. in the development of standards that relate to scales used in the livestock, meat and poultry industries on an annual basis by attending regional and national conferences.

- P&SP educated 28 new market or feed mill operations in FY 2004. These orientations help to ensure that the operators of these establishments are aware of their responsibilities to the industry.

- P&SP participates at the Small Farms Conference in Oklahoma. This conference discusses what USDA programs are available to assist small and disadvantage farmers.

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USDA/American Indian Higher Education Consortium (AIHEC)

Section 882 of the Federal Agriculture Improvement and Reform Act of 1996 required the Secretary of Agriculture to establish programs to ensure that tribally controlled colleges and universities and American Indian communities equitably participate in USDA employment, programs, services, and resources.

USDA signed a formal Memorandum of Agreement (MOA) with the American Indian Higher Education Consortium (AIHEC) on February 3, 1998. AIHEC represents 32 Land-Grant Institutions (known as the 1994 Institutions) as defined in Section 532 of the Equity in Educational Land-Grant Status Act of 1994. The MOA created a USDA/AIHEC Leadership Group, consisting of six USDA and six AIHEC officials, to serve as an advisory body for all partnership initiatives.

In fiscal year 2004, the USDA/AIHEC Leadership Group sponsored the USDA/1994 Institutions' Presidential Forum in the USDA Whitten Building on February 12, 2004. Approximately 50 USDA and 25 AIHEC representatives met to discuss ways to strengthen the USDA/AIHEC partnership. Key participants included the USDA Deputy Secretary, and Agency Heads representing all of the USDA mission areas. There was a focus on four major themes raised by the AIHEC Presidents during the forum's open discussion session: students, capacity building, cooperative agreements, and bison production and management.

A leadership second meeting was held on July 19-20, 2004 in Menominee, Wisconsin. A tour of the College of Menominee Nation (a 1994 land grant institution) and Menominee Indian community was conducted. Meetings focused on budgetary priorities, a faculty and staff development initiative, strategic planning, and continued progress on the Action Item Agenda. Participants included seven Leadership Group members, two staff members, three AIHEC executive committee members, and four invited guests.

In fiscal year 2005, the USDA/AIHEC Leadership Group plans to continue implementing the recommendations of the Action Item Agenda. Two USDA/AIHEC Leadership Group meetings are scheduled. The Leadership Group also plans to revise the USDA/AIHEC strategic plan, the Action Item Agenda. Efforts are underway to reduce the administrative burden in 1994 land grant competitive programs, as well as expanding the 1994 liaison program. The USDA/AIHEC activity will move from GIPSA to the Under Secretary for Civil Rights in FY 2005.

FEDERAL GRAIN INSPECTION SERVICE

Current Activities:

STANDARDIZATION AND QUALITY ASSURANCE ACTIVITIES – The Agency compiles data for developing new and updating existing grading standards, and evaluates new methodology and equipment for determining grain classification and quality. The Agency provides reference standards for official grading procedures.

COMPLIANCE ACTIVITIES - The compliance program is designed to ensure the accurate and uniform application of the USGSA and applicable provisions of the AMA. The compliance program functions include: (1) evaluating alleged violations, initiating preliminary investigations, and initiating enforcement/administrative actions for violations; (2) conducting technical reviews of FGIS' operations and monitoring appropriate corrective action; (3) administering the program for delegating State agencies and designating State and private agencies to perform official functions and monitoring their performance; (4) establishing cooperative or reimbursable agreements with States under the AMA to provide miscellaneous processed commodity, graded commodity, or rice services; (5) identifying, monitoring, and exempting, where appropriate, official agency and licensee conflicts of interest; (6) licensing personnel of delegated States and designated agencies; (7) registering persons/firms engaged in buying grain for sale in foreign commerce and engaged in handling, weighing, and transporting of grain for sale in foreign commerce; and

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(8) maintaining an international monitoring program which interacts with foreign governments and trade teams to exchange information and to respond to complaints concerning quality and quantity grain shipments.

METHODS DEVELOPMENT - The Agency conducts applied research while fulfilling its mandate to administer the Nation's grain inspection and weighing system. Identifying, evaluating, and implementing new or improved techniques for measuring grain quality are the goals of the methods development activities.

Selected Examples of Recent Progress:

STANDARDIZATION AND QUALITY ASSURANCE ACTIVITIES:

1. Artificial Neural Network Technology for Wheat and Barley Protein. The variety of methods and equipment currently being used to determine wheat and barley protein content is hampering market efficiency and transparency. GIPSA has worked cooperatively for several years with groups from Canada, Australia, and several European countries to develop and evaluate a single global artificial neural network (ANN) near-infrared transmittance (NIRT) calibration for wheat and barley protein. ANN calibration technology offers several advantages over the partial least squares (PLS) calibrations currently being used in official inspection. Advantages include improved accuracy compared to the combustion nitrogen analyzer reference method, less effort required to standardize field instruments, and the potential to use a single wheat protein calibration for all six wheat classes, rather than separate calibrations and standardization for each. To facilitate the transition to the ANN technology, GIPSA conducted several field studies to investigate sample-by-sample differences between current partial least squares (PLS) wheat protein calibrations and the global ANN calibration to better assess regional market impact of implementing the new calibration for wheat protein; and evaluated field performance of the ANN barley protein calibration. In FY 2004, GIPSA evaluated instrument standardization procedures that could be used to support implementation of ANN calibrations for wheat and barley protein.

In FY 2005, GIPSA will offer wheat and barley protein content testing, upon request, as official criteria under the U.S. Grain Standards Act. For wheat protein, this action constitutes a change in the calibrations used; for barley protein, this will be a new official service.

Official wheat and barley protein services using ANN technology will facilitate the marketing of these grains by providing a fair, accurate, and transparent third-party determination, backed by a national quality control process, and standardized instrumentation, reference samples, calibrations, and procedures.

2. Short Voyage Ship Fumigation. GIPSA is improving the efficacy of fumigation of bulk grain cargoes on short voyages of 5 days or less. Currently, the Environmental Protection Agency (EPA) requires the grain be exposed to the fumigant for a minimum of 72 hours after the tablets/pellets begin disintegrating. Some customers shipping grain on short voyages have reported an incomplete insect kill.

To test these requirements, GIPSA, with grain industry representatives, developed an experimental protocol for a test ship in FY 2004. The experiment is designed to determine how long aluminum phosphide, the current industry solid fumigant standard, and Eco2Fume®, a new gaseous state phosphine product, take to reach the required 400 parts per million concentration through the grain mass in a vessel's holds. If the protocol is successful, the procedure will be implemented to enhance fumigant efficacy while reducing additional vessel demurrage costs incurred waiting for the grain to achieve its minimum exposure time. The test will be conducted on a suitable test vessel and cargo in FY 2005.

3. Soybean Projects. In FY 2004, GIPSA expanded its collaborative efforts with soybean producer associations to include several projects designed to enhance compositional traits of U.S. soybeans, meal,

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and oil to make them more attractive to the international market. GIPSA has several roles in these projects, including technical advisor, reference laboratory, and provider of samples and testing data.

Foreign Material Study. The American Soybean Association (ASA) and the United Soybean Board (USB) are studying whether exporting soybeans with lower foreign material levels would make the United States more competitive in world markets. The study includes evaluations of the level and composition of foreign material (FM) at various stages in the soybean market channel, from farm to export elevator. GIPSA is collecting export soybean samples for the 2003 and 2004 crops for the ASA/USB research team.

Select Yield and Quality Initiative (Protein and Oil Analysis). USB is reviewing the average oil and protein levels of soybeans grown in various regions of the United States. In FY 2004, GIPSA provided USB with soybean protein and oil data. In FY 2005 through 2008, the project will expand to include domestic market data.

Analytical Measurements and Standards Working Group. USB, with ASA's assistance, established a working group to assess the market's ability to identify intrinsic soybean qualities, standards and measurements currently available to assess those qualities, and measures needed for the future. GIPSA is serving as technical advisor on this project.

At its first meeting in May 2004, the working group identified that standardized methods and tests are needed for fatty acids; saturated fats; amino acids; phytate; and soluble carbohydrates. In response to this identified market need, GIPSA is including the development of laboratory tests for these factors in its 2005 through 2008 research plans.

Soybean Quality Traits Analytical Standards Program (SQT). USB, with the American Oil Chemists Society (AOCS), created the SQT to establish industry-accepted analytical methods to certify value-added soybean traits. GIPSA is providing technical expertise and making available its Technical Center in Kansas City, Missouri, as a reference laboratory.

4. Official United States Standards.

Beans. GIPSA prepared a notice proposing to change the U.S. Standards for Beans by removing the special grade "off-color" from the standards, and providing, upon request, an analysis to determine color uniformity. Bean color depends on environmental conditions, varietal differences, moisture, storage, and age. Beans grown in one region may vary greatly in color compared to the same variety grown in a different region. Due to these variances, visual reference aides that are helpful in one location aren't in another. GIPSA plans to publish the notice in the *Federal Register* during FY 2005 to foster uniformity and consistency in commercial practices.

Whole Dry Peas. At the request of the pea industry, GIPSA plans to establish grade standards and procedures for "feed peas" during FY 2005. GIPSA collected and analyzed samples during the 2004 crop year to provide quality information to help the pea industry determine which quality factors are needed for "feed pea" standards.

Sorghum. On December 17, 2003, GIPSA published an advance notice of proposed rulemaking in the *Federal Register* (68 FR 70201) inviting comments about the sorghum standards. The 60-day comment period generated 39 comments expressing multiple and conflicting points of view. GIPSA is analyzing the comments, reviewing literature and inspection data, and gathering additional background information. GIPSA will prepare a proposed rule for publication in FY 2005.

Soybeans. Researchers have long questioned the relationship of test weight to end-use functionality in soybeans. Over the past several years, GIPSA's Grain Inspection Advisory Committee has actively engaged in discussion of test weight and has passed several resolutions advising GIPSA to study the

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importance of test weight and its appropriate place in the soybean standards. To this end, GIPSA analyzed inspection data and assessed feedback from various associations, soybean handlers and processors, and other USDA agencies that might be affected by a change in the status of test weight in the standards. Most support removing test weight as a grade determining factor. To respond to this call for change, and also to serve those within the market who require test weight information (e.g., those who need to estimate and audit the amount of soybeans in storage and transit), GIPSA intends to propose that the minimum test weight per bushel be changed from a grade determining factor to an informational factor in the official U.S. Standards for Soybeans. In FY 2005, GIPSA plans to publish a Proposed Rule in the *Federal Register* announcing the Agency's intention to remove test weight as a grade-determining factor from the official U.S. soybean standards.

Wheat. On June 4, 2003, GIPSA published a proposed rule in the *Federal Register* (68 FR 33408) inviting comments on how GIPSA can further enhance and best facilitate the marketing of Hard White wheat. Specifically, GIPSA proposed creating two subclasses in the class Hard White wheat that would differ based on seed coat color. Seed coat color can be an important quality factor depending on the target flour product and the miller's flour extraction goal. Further, GIPSA proposed amending the definition of contrasting classes so that Hard White wheat was not a contrasting class in Hard Red Winter wheat or Hard Red Spring wheat. Finally, GIPSA proposed amending the standard to include the weight of the wheat used to determine sample grade. The 60-day public comment period generated four comments. GIPSA has prepared a final action based on the comments and intends to publish a final rule in FY 2005.

5. Ethanol Co-Products. Ethanol production has grown more than 570 percent over the past 20 years, and today represents the third largest market for U.S. corn, constituting approximately 10 percent of the annual U.S. corn production. Parallel with the expansion of the ethanol industry is a concurrent projected increase in the production of ethanol co-products. The National Corn Growers Association estimated that the capacity for ethanol production will double by 2005, potentially creating 7 million tons of distillers dried grains with solubles (DDGS). DDGS is a high protein, high energy feed used effectively as a supplement for ruminant and mono-gastric livestock species. Effective transportation, marketing, and certification of co-products, such as DDGS, are integral to maintaining the efficiency and profitability of ethanol facilities.

GIPSA will conduct market research, build coalitions with producer and trade representatives and other Federal agencies, and explore what role, if any, the Agency can play in increasing the marketability of ethanol co-products. Issues explored will include whether there is a need within the industry for marketing standards and standardized testing methodology.

6. Standardizing Commercial Grain Inspection Equipment. In FY 2004, GIPSA continued to participate in an on-going cooperative effort among GIPSA, National Conference on Weights and Measures (NCWM), and the National Institute for Standards and Technology to standardize commercial inspection equipment by serving as the sole evaluation laboratory for grain inspection equipment under the NCWM, National Type Evaluation Program (NTEP). Evaluation testing was initiated in 2004 for the test weight feature available on many grain moisture meter models. For the first time, the NTEP laboratory conducted testing for moisture, test weight, and protein and oil applications. GIPSA collected grain moisture meter calibration data for five instrument models as part of the NTEP on-going calibration program.

In FY 2005, GIPSA will again collect grain moisture meter calibration data for five NTEP models and will finalize NTEP testing for one near-infrared protein and oil analyzer model and the test weight feature on a current NTEP grain moisture meter model. Additional applications are expected for one grain moisture meter model and for the test weight feature on an additional NTEP moisture meter model.

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7. USDA/GIPSA Proficiency Program. Due to the non-approval of some U.S. commercialized biotechnology-derived grains and oil seeds, and labeling requirements that have been implemented in other countries, the grain industry must have access to reliable testing for specific biotechnology events. To help improve the reliability and consistency of testing for biotechnology-derived grains and oil seeds, the GIPSA established a USDA/GIPSA Proficiency Program:

- The USDA/GIPSA Proficiency Program was established in February 2002.
- On a quarterly basis, Program participants receive twelve corn and three soybean samples.
- The corn may contain any combination of the following biotechnology events: T25, CBH351, MON810, GA21, E176, Bt11, or NK603; or the corn sample may contain no biotechnology events. The soybean samples may contain the Roundup Ready™ event.

The USDA/GIPSA Proficiency Program has proven to be very popular both in the U.S. and with countries outside the U.S. As of December 2003, ninety organizations were enrolled in the USDA/GIPSA Proficiency Program:

- One organization from Africa
- Two organizations from Australia/New Zealand
- Eight organizations from Asia
- Forty organizations from Europe
- Twenty-nine organizations from North America
- Ten organizations from South America

In FY 2003 GIPSA prepared samples that contained concentrations of events ranging from 0.1 % to 5.0 %, and gave participants the option of receiving samples for qualitative or quantitative analysis. Approximately half of the participants chose to receive samples for quantitative analysis, and the results were summarized and posted on GIPSA biotechnology webpage.

In FY 2004, GIPSA continued to offer the USDA/GIPSA Proficiency Program to organizations testing for biotechnology-derived grains and oil seeds on a global basis. In FY 2004, the USDA/GIPSA Proficiency Program was expanded to include two new corn biotechnology events commercialized in FY 2003: Herculex™ produced by DowAgroSciences and YieldGard™ Rootworm produced by Monsanto. In FY 2004, participation in the USDA/GIPSA Proficiency Program increased to more than one hundred organizations with more than 70% of the participants in the Program from outside the U.S. The program promotes global harmonization for grain testing and reporting requirements which will help minimize non-tariff trade barriers for U.S. grain.

In FY 2005, GIPSA will continue to offer the USDA/GIPSA Proficiency Program to U.S. and International organizations testing for the presence of biotechnology-derived grains and oil seeds. The frequency of sample mailings will be reduced from four times a year to twice a year. In addition, the USDA/GIPSA Proficiency Program will be expanded to include new biotechnology-derived events as they are introduced into commercial production in the United States.

8. Reference Materials for Biotechnology-Derived Grains and Oilseeds. Many countries are developing legislation to establish labeling regulations for biotechnology-derived events. This legislation has increased the complexity in global markets, creating challenges for exporting and importing countries, and increasing the demand for testing to comply with regulations and contract specifications. The USDA/GIPSA Proficiency Program also illustrates the variability of testing capabilities throughout the world, and the need for reference materials and methods. Reference materials are not available for all biotechnology-derived grains and oilseeds, making it difficult for testing organizations to develop and validate accurate methods.

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In FY 2003, GIPSA and the National Institute for Standards and Technology (NIST) conducted a workshop entitled "Standard Reference Materials for Biotechnology Crops." The workshop was held on the NIST campus on June 27, 2003 with thirty-six representatives from the life science organizations, testing laboratories, test kit manufacturers, food processors, Canada, European Union and Japan attending. Participants in this workshop concluded that protein and DNA reference materials are needed to develop and validate methods and harmonize testing on a global basis. In addition, participants indicated reference materials should be in the target matrix, and address both protein and DNA needs.

In FY 2004, GIPSA and the National Institute for Standards Research (NIST) formally established a collaborative research effort to develop matrix DNA reference materials to be used to assess DNA quantitation methods currently utilized by laboratories throughout the world.

In FY 2005 GIPSA and NIST will continue the collaborative research effort to develop matrix DNA reference materials. Also in FY2005, GIPSA will use these matrix DNA reference materials to determine the relative accuracy of method routinely used by laboratories to quantitate the amount of DNA present in extracts of grains and oil seeds. The results of this research will be submitted for publication in a scientific peer-reviewed journal.

9. Performance Evaluation of Rapid Tests for Biotechnology Events. Scientists are developing new varieties of grains that are more productive, adapted to specific growing climates, resistant to insults (drought, frost, high salinity, insects, pathogens, etc.), and designed for specific end uses. These new varieties are being developed through both traditional and non-traditional (genetic manipulation) breeding programs. In September 2000, StarLink™ corn, a biotechnology-derived corn approved only for animal feed in the U.S., was found in foods intended for human consumption. This created new demands on the grain industry with the necessity to segregate and channel StarLink™ corn for approved uses domestically and make sure that StarLink™ corn was not in exported corn. As a result, GIPSA quickly developed and implemented a Rapid Test Performance Evaluation Program in October 2000 to evaluate the performance of rapid tests for the Cry9C protein produced in StarLink™ corn. Through this program, GIPSA was able to verify the performance of rapid tests to detect the presence of StarLink™ corn and enabled the grain industry to more effectively comply with U.S. regulations and manage risks. Initially this program was restricted to the evaluation of rapid tests for StarLink™ corn, but in February 2002 the program was expanded to include rapid tests for proteins produced in other biotechnology-derived grains and oil seeds. Under this program the tests are evaluated to ensure they satisfy GIPSA performance criteria and perform in accordance with manufacturer claims. Manufacturers receive a Certificate of Performance for tests that successfully satisfy performance criteria, and the GIPSA's Biotechnology web page is modified to include the performance-evaluated tests. In FY 2003 two new biotechnology-derived corn events were introduced: TC1507 (Herculex™) and MON863 (Corn Root Worm), and in FY 2003 GIPSA verified the performance of the following tests:

- One test for the CP4 EPSPS protein produced in corn event NK603 (glyphosate tolerance)
- One test for the Cry1F protein produced by the corn event TC1507 (Herculex™)
- Two tests for the Cry3Bb protein produced by the corn event MON863 (Corn Root Worm)

In FY 2004, GIPSA evaluated and issued one (1) Certificate of Performance (COP) for a test to detect the presence biotechnology-derived grains and oil seeds. In FY 2004, GIPSA also withdrew seven (7) Certificates of Performance (COPs) that had expired on tests for biotechnology-derived grains and oil seeds.

In FY 2005, GIPSA will continue to offer the Rapid Test Performance Verification Program to verify the performance of rapid tests for biotechnology-derived grains and oil seeds.

10. ISO Registration of Analytical Processes. The International Organization of Standardization (ISO) represents the national standards institutes and organizations of 97 countries worldwide, including the American National Standards Institute (ANSI). The ISO standards have been endorsed by the American

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Society of Quality, the European Standards Institute, and the Japanese Industrial Standards Committee and are becoming the *de facto* standard across industries throughout the world. GIPSA provides analytical services to the grain industry, both domestic and foreign, and it is very important that GIPSA maintain credibility as a provider of quality analytical services.

In FY2004, GIPSA maintained all ISO 9001: 2000 registered laboratories and programs at its Technical Center in Kansas City, Missouri. These include the Protein, Air Oven Moisture and Oil Extraction Reference laboratories, the Mycotoxin Reference Laboratory, and the Pesticide Analysis Service Program. The Pesticide Data Program continues to upgrade to the ISO 17025 standard and anticipates applying for accreditation within the next year. The Biotechnology Laboratory will continue preparation for ISO 17025 accreditation for a date to be determined.

In FY 2005, GIPSA will continue to maintain all ISO 9001: 2000 registered and ISO 17025:1999 accredited laboratories and programs at its Technical Center in Kansas City, Missouri.

COMPLIANCE ACTIVITIES:

1. Alleged Violations. At the beginning of FY 2004, 10 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 2004, GIPSA personnel opened 7 cases relating to the following alleged violations: deceptive loading, violating export grain requirements, improper procedures, inter-market quality discrepancies (domestic), and employee misconduct. GIPSA referred one case to USDA's Office of Inspector General (OIG) where the investigation continues. GIPSA closed 5 cases during FY 2004, leaving 12 cases pending at the end of the fiscal year. GIPSA took administrative action in all of the cases closed during FY 2004. GIPSA sent cautionary letters to two grain company officials, and informational letters to OIG, a confidential informant, and a GIPSA employee.

During FY 2004, the courts completed criminal action in an investigation involving false grain weighing. The final subject in this case pleaded guilty to charges of conspiracy to falsify grain weight certificates. A Judge sentenced the subject to serve 28 months imprisonment; 3 years supervised release; and ordered the individual to pay $214,501.15 in restitution. GIPSA did not take any administrative action in this matter and closed its case.

2. Registration. During calendar year 2004, GIPSA issued 98 Certificates of Registration to individuals and firms involved in foreign commerce grain business.

3. Compliance Reviews. Compliance reviews are independent reviews of GIPSA's grain inspection and weighing field operations, which includes Federal field offices and suboffices, and State and private agencies (official agencies). During FY 2004, GIPSA personnel conducted onsite compliance reviews of 1 GIPSA field office and 1 suboffice, as well as 12 official agencies. Teams of reviewers evaluated customer satisfaction (including potential service delivery discrimination), management effectiveness and efficiency, and procedural compliance. During the onsite reviews, GIPSA found no instances of service delivery discrimination. None of the findings during the onsite compliance reviews appear to have affected the overall integrity of GIPSA's mission or programs, or the national inspection system. The field office and suboffice, and all 12 of the official agencies evaluated onsite are performing satisfactorily.

4. Delegation/Designation Programs. GIPSA currently oversees 56 official agencies that are designated under the USGSA, as amended, to provide permissive official inspection and/or weighing services at domestic locations. Of these, 7 are States that also are delegated to provide mandatory official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State decides to terminate the agreement.

During FY 2004, under the triennial renewal process, 18 official agency designations automatically terminated in FY 2004. GIPSA renewed 17 of the 18 for full 3-year terms after reviewing their performance. One was renewed only for 12 months because of an ongoing investigation.

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5. Conflicts of Interest. At the beginning of FY 2004, three designated official agencies were operating with discretionary conflict-of-interest waivers. All three agencies remain designated and are operating properly under conflict waivers.

6. Drug-Free Workplace. As each designated official agency becomes eligible for designation renewal, it must certify to GIPSA that it provides a drug-free workplace. Each of the 18 agencies renewed in FY 2004 provided this certification.

7. Exception Programs. At the beginning of FY 2004, GIPSA operated three exception programs within the regulations under the USGSA. GIPSA gathers information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single geographic area.

The timeliness of service exception program allows official agencies to provide service to facilities located outside of their assigned geographic area on a case-by-case basis when official service cannot be provided within established timeframes. During FY 2004, there were no reports of the timely service exception being used.

The nonuse of service exception program allows official agencies to offer their service to facilities outside their assigned area if no official service has been provided during the previous 3 months. During FY 2004 through July 31, 103 facilities received 95,168 inspections under this program. This included 489 inspections for barges; 57,530 for railcars; and 37,149 other (trucks, containers, StarLink™, etc.).

The barge exception program allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 2004, 2 facilities received 46 barge inspections under this properly under conflict waivers.

8. Mandatory Services. Under provisions of the Act, most grain exported from U.S. export port locations must be officially weighed. A similar requirement exists for inspection, except for grain not sold or described by grade. Inter-company barge grain received at export port locations also must be officially weighed. Moreover, the Act requires that all corn exported from the United States be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required.

Mandatory inspection and weighing services are provided by GIPSA on a fee basis at 36 export elevators (including 4 floating elevators). Under a cooperative agreement with GIPSA, the Canadian Grain Commission provides official services, with GIPSA oversight, at seven locations in Canada exporting U.S. grain. Seven delegated States provide official services at an additional 18 export elevators under GIPSA oversight.

Grain exporters shipping less than 15,000 metric tons of grain abroad annually are exempt from mandatory official inspection and weighing requirements. Grain exported by train or truck to Canada or Mexico also is exempt from official inspection and weighing requirements.

International Affairs:

GIPSA's International Affairs program includes (1) investigating discrepancies reported by importing countries on the quality or weight of U.S. grains, oilseeds, and related products certified by GIPSA at the time of export; (2) working with other Agencies of USDA and the U.S. Government to address disruptions in grain trade concerning the quality, sanitary, or phytosanitary attributes of export shipments as they relate to the importer's contractual specifications, or the laws and regulations of the importing country; (3) conducting collaborative studies, sample exchanges, and monitoring activities with importers to address persistent or recurring discrepancies; (4) coordinating and conducting domestic sample surveys to collect market information about the quality of U.S. grain exports; (5) developing and conducting educational

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programs for public and private sector audiences in importing countries to explain the U.S. grain marketing system and our role in international grain commerce, as well as official U.S. quality standards and grain/oilseed/commodity inspection procedures.

In FY 2004, GIPSA received 4 quality complaints and no weight complaints from importers on grains inspected under the U.S. Grain Standards Act, as amended. These complaints involved 96,695 metric tons, or about 0.1 percent by weight, of the total amount of grain exported during the year. The 13 quality and no weight complaints GIPSA received in FY 2003 represented approximately 0.2 percent of grain exports by weight.

In FY 2004, GIPSA representatives met with teams from 54 countries to explain the role of the Agency in the U.S. grain marketing system, our national inspection and weighing system, U.S. grain standards, and GIPSA's mission. Briefings were tailored to address each group's interests and concerns.

Mexico Outreach. In FY 2004, GIPSA's Technical Center provided training for several visiting technical teams from Mexico at the request of SAGARPA, Mexico's Ministry of Agriculture. The Office of International Affairs (OIA) assisted USDA Cooperators to establish grain inspection laboratories mirrored after GIPSA's and trained local inspectors at five major corn importing companies in Mexico. Quality discrepancies reported from these companies soon ceased.

GIPSA also helped a large Mexican grain cooperative set up a grain inspection laboratory and train 18 inspectors from 8 grain elevators in U.S. grain standards, sampling and inspection methods for corn, wheat, and canola.

In October 2003, OIA developed a charter (Terms of Reference) to establish a Consultative Grain Industry Group (CGIG) with GIPSA and SAGARPA as co-conveners, with support of U.S. and Mexican industry groups. The CGIG is intended to be a technical-level forum for U.S. and Mexican public and private sectors to discuss cross border grain trade issues and work together to harmonize grain sampling and inspection methods in Mexico. (It will not have authority to set trade policy or arbitrate grain quality discrepancies.) After SAGARPA and GIPSA agreed on the final wording, the charter was signed by USDA's Under Secretary for Marketing and Regulatory Programs and the Under Secretary of SAGARPA in November 2004. The first meeting of the CGIG is scheduled to be held in CY 2005.

In November 2004, OIA in cooperation with the American Association of Grain Inspection and Weighing Agencies and USDA Cooperators, conducted three 1-day seminars on grain quality, official inspection services and contracting in Monterrey, Torreon, and Merida, Mexico. Additional seminars are being planned for CY 2005.

Collateral Duty Assignments. In FY 2004, OIA placed a collateral duty officer (CDO) in Asia on a long-term (4-month) assignment to develop a more proactive approach in working with overseas customers and/or their Governments. This assignment was preceded by previous CDO assignments in the region in FY '02 and FY '03. These collateral duty assignments represent new opportunities to proactively conduct international activities consistent with our Agency's mission, and they allow for increased opportunities to listen, discuss and initiate activities that better address both our interests and those of our overseas customers. Our representative visited nine countries in the region and conducted collaborative projects with the U.S. Wheat Associates (USWA), U.S. Grains Council (USGC), and American Soybean Association (ASA).

Following the successful completion of this assignment, OIA placed another representative in the region in early FY 2005. This assignment has provided further opportunities to address long term issues in the region and continue work related to activities initiated last year. Our presence in the region has drawn praise from USDA Cooperators and FAS representatives in the region.

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We plan to build on the successes of this program by continuing to place representatives in the region during FY 2006 and beyond.

Biosafety Protocol. The Cartagena Protocol on Biosafety (the Biosafety Protocol or BSP) is a multilateral environmental agreement designed to provide a framework for the safe transboundary movement of living modified organisms that may have an adverse effect on the environment. The BSP entered into force in September 2003. U.S. commodity exporters will be required to comply with Parties' implementing regulations. OIA has been working within an interagency process to influence how other countries implement the Protocol in ways that will minimize disruptions in commodity trade. In October 2003, the United States, Canada, and Mexico signed a trilateral "arrangement," originally drafted by GIPSA, articulating the documentations requirements for North America.

During FY 2004, we continued work within the interagency process to engage other countries (importers and exporters) to discuss the practical implications of the BSP implementation as it relates to commodity trade. We also participated in the First Meeting of the Parties (MOP) in February 2004, and continued interaction with other markets to influence decisions to be taken at the Second MOP in June 2005.

METHODS DEVELOPMENT:

1. Functional Quality Assessment. GIPSA has investigated the use of near-infrared transmittance (NIRT) measurements on whole wheat kernels to provide a rapid means of predicting dough strength and other characteristics for flour made from that wheat. Data used in these investigations were collected on grain representing export, domestic, and pure variety wheat samples. Data have also been collected on a near-infrared reflectance research instrument to help identify kernel characteristics affecting NIRT predictions of dough strength. Preliminary calibrations indicate some correlations but none consistent enough to support practical field applications. In FY 2004, GIPSA and ARS, through a cooperative research agreement, developed and initiated an expanded study to include additional near-infrared instrument models and a wider range of laboratory end-use quality measurements. A set of 98 Hard Red Winter and 100 Hard Red Spring wheat samples was assembled for this project and instrument and chemical data were collected. Preliminary data analyses, including NIR calibration development and assessment, were completed. In FY 2005, GIPSA will perform more in-depth data analyses to identify and expand NIR research into those areas showing the greatest potential for success.

2. Wheat End-use Functionality. New rapid test methods to assess wheat end-use quality are needed to help facilitate US wheat exports and provide standardization in the grain industry. Development of such new field test methods requires reference methods to validate and improve the accuracy of this testing. The milling, baking, and grain processing industries currently perform chemical, rheological, and baking tests to assess the end-use value of wheat. Developing and maintaining a reference laboratory with these testing capabilities is also important in helping to standardize the reference methods currently being used. In FY 2004, GIPSA began to establish a new physiochemical testing laboratory to facilitate the marketing of U.S. grain. In FY2005, GIPSA will establish and validate the three most important international reference methods; the Farnograph, the Glutomatic, and the Alveograph.

3. Moisture Measurement Methods. GIPSA conducted basic grain moisture research in FY 1999-2001 to measure and characterize dielectric response over a 1 to 501 MHz frequency range for fifteen major U.S. cereal grains and oilseeds. These data were used to develop a Unified Moisture Algorithm, a single calibration that can be used for all grain types, that provides prediction accuracy equal to that of individual grain calibrations available on current moisture meter designs. Data collection was extended to include forty-seven minor grains, beans, pulses, and oilseeds. GIPSA met with manufacturers to assess their interest in the development of prototype meter designs that will employ the moisture algorithm and identify how best to support and encourage manufacturer efforts.

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In FY 2003 and 2004, GIPSA supported research to define test cell design and performance parameters needed to support manufacturer development of prototype meters capable of employing the moisture algorithm. GIPSA met with manufacturers to discuss and support their efforts in development of prototype meter designs. In FY 2005, GIPSA will continue to support research efforts and prototype meter development and will continue to expand the calibration database as part of a long-term effort to develop and implement this new technology.

4. Type Evaluation of Mycotoxin Test Kits and Adoption of Reference Methods. Mycotoxins are toxic substances produced by a variety of molds and fungi. The Agency has been asked by farmers, grain dealers, and foreign buyers to quantitatively measure the level of mycotoxins in various grains and qualitatively identify the presence of mycotoxins. Using an evaluation protocol developed by the Agency, mycotoxin test kits for aflatoxin, deoxynivalenol (DON), and fumonisin have been evaluated and approved for use in the Official Inspection System. The Agency-approved instruments and specifications are generally adopted by the grain industry and, under a memorandum of understanding, the Agency performance specifications are used by the Association of Official Analytical Chemists (AOAC) Research Institute to verify the performance of mycotoxin test kits submitted to the Institute for evaluation (for commercial purposes).

Use of test kits by the Official Inspection System has enabled the Agency to provide analytical results rapidly and reduce the resources required to conduct the analyses. Through a routine monitoring program, the analytical capability of each mycotoxin test site is assessed on a regular basis. Naturally contaminated grain samples, previously analyzed using reference methods, are submitted for analysis to each mycotoxin test site. The results obtained are compared to actual levels of the particular mycotoxin and appropriate action taken when discrepancies are observed.

In FY 2004, GIPSA performed two mycotoxin rapid test kit evaluations. One quantitative rapid test kit was evaluated and approved for fumonisins and one for deoxynivalenol kit was evaluated and failed to meet GIPSA performance criteria. One additional aflatoxin test kit was submitted and is in the process of data verification. GIPSA released a new "Design Criteria and Test Performance Specifications for Quantitative Aflatoxin Test Kits." In FY 2005, GIPSA will continue to evaluate all submitted qualitative and quantitative mycotoxin test kits for use in the official inspection system.

5. Pesticide Residue Analytical Methods Development and Testing. GIPSA continued to participate in the Pesticide Data Program, a cooperative effort of the USDA, U.S. Environmental Protection Agency, and ten participating States to monitor pesticide residue levels in fruits, vegetables, grain, and milk. GIPSA tests all grain and grain-related products and develops new methods of analysis when necessary.

In FY 2004, GIPSA analyzed a total of 96 barley, 460 soybean, and 487 flour samples for multiple target analytes. A total of about 1,600 sample analyses were completed using both gas chromatographic (GC) and liquid chromatographic (LC) methods. Two new pesticide methods were developed for the analysis of soybeans. In FY 2005, GIPSA will analyze about 100 wheat flour, 500 wheat grain, and 600 soybean samples.

6. Reference Method Analyses. GIPSA maintains reference methods for protein, moisture, oil, fatty acid composition, and mycotoxins. These methods are used to develop new rapid field methods and to maintain the accuracy of current testing in the official inspection system. The protein, moisture, oil, and fatty acid reference analyses support the NIRT (protein), moisture meter, and NMR (oil) instruments used for rapid inspection at field locations performing official testing. The mycotoxin reference analyses support the evaluation and standardization of test kits used at official testing locations. In FY 2004, GIPSA performed 5,173 reference moisture analyses, 2,915 reference protein analyses, and 870 reference oil analyses on grains and oilseeds. GIPSA also analyzed approximately 10 samples for fatty acid composition. About 226 mycotoxin reference analyses were performed on grains and processed-grain commodities. In FY 2005, GIPSA will continue to provide quality reference method analyses in support of the development of new testing methods and in the maintenance of accurate field testing for the official inspection system.

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7. Reference Methods for Biotechnology-Derived Grains and Oilseeds. Through Confidentiality Agreements with the Life Science Organizations, GIPSA has been able to obtain proprietary information and methods for biotechnology-derived grains and oilseeds. Using this information GIPSA has verified methods for all commercialized biotechnology corn and soybean events. The majority of methods provided by the Life Science Organizations were qualitative methods (gel electrophoresis) or quantitative methods developed for a particular instrument. In FY 2004 GIPSA made significant progress on development of quantitative methods for all commercialized biotechnology-derived grains and oilseeds. In FY 2005, GIPSA will continue the development and validation of quantitative methods for commercialized biotechnology-derived grains and oilseeds on two common instruments used in the testing industry (Roche LightCycler and ABI700).

8. Collaborative Research with the National Institute for Standards and Technology. GIPSA and the National Institute for Standards and Technology (NIST) continued a research collaboration investigating the evaluation of sample preparation and DNA isolation procedures.

In FY 2004 GIPSA worked with NIST to compare the commonly used spectroscopic methods of analysis for plant DNA with important reference methods. A spectroscopic method of quantifying genomic DNA was developed and verified against a NIST reference method. In FY 2005 GIPSA will continue this collaboration with NIST and investigate methods to accurately quantify the amount of DNA isolated from samples. Additional methods will be evaluated and compared to reference methods for quantifying DNA.

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FEDERAL GRAIN INSPECTION SERVICE

INSPECTION AND WEIGHING SERVICES

Current Activities: The official grain inspection and weighing system--a unique mix of Federal, State, and private inspection agencies--served the industry by providing over 1.7 million inspections in FY 2004, representing an estimated 230 million metric tons of grains and oilseeds.

The Agency will continue to develop new inspection and weighing services while seeking additional ways of reducing costs.

Selected Examples of Recent Progress: (Inspection and Weighing)

1. Process Verification. In order to support the market's move toward increased use of identity preservation and similar marketing mechanisms to meet changing consumer demands, GIPSA plans to offer a new service to supplement traditional inspection services. Under GIPSA's "Process Verified Program," GIPSA will provide independent, third-party certification of the written quality practices and production processes used to provide consistent-quality products. Individuals and organizations, such as farmers, handlers, and processors, not GIPSA, develop and implement quality management systems based on internationally recognized standards and value-adding processes that satisfy their customers' expectations. Through audits and reviews, GIPSA will verify the individual's/organization's quality management systems. Successful completion of GIPSA's verification process will permit a company or organization to market their process or product as *"USDA Process Verified."* GIPSA's planned service will be voluntary, user-fee funded, and modeled on the Agricultural Marketing Service's existing programs that are used for breed identification, branded products, and origin of livestock.

In FY 2004, GIPSA continued working with the Iowa, Illinois, and Missouri Corn Growers Associations to develop production protocols to market grain under GIPSA's voluntary process verification program. Protocols were designed to market specialty crops and to document processes employed to produce commodity corn to meet ever-increasing requirements of various outlets using quality management systems.

2. AMA Review Inspections. On October 28, 2003, GIPSA revised the regulations on reinspection and appeal inspections under the U.S. Grain Standards Act to better reflect market needs and to remove an inefficient, costly, and unnecessary regulatory requirement. The change allows interested parties to specify which official factor(s) should be redetermined during appeal and board appeal inspection service. To safeguard against inadvertent misgrading, official personnel may determine other factors, when deemed necessary. In response to positive comments about this change, GIPSA plans to propose a similar action for rice and pulses under the Agricultural Marketing Act of 1946 during FY 2005.

3. Official Criteria for Barley. Sprouting occurred in barley in the U.S. Northern Plains region during 2002/2003 which prevented malting barley production contracts from being honored. Further, barley producers' insurance claims, based on obtaining official grades, were sometimes denied because official procedures to assess barley sprout damage differed from those used by the malting industry. The methods used by the industry were as varied as the number of companies in the industry; while GIPSA's official methods are standardized and serve the industry as a whole.

Until 2004, official inspection procedures for evaluating sprout-damaged kernels in barley were based on visual examination to identify detectable sprouting. However, before visual evidence of sprouting is present, biochemical changes may commence that affect kernel viability and the malting process. Thus, any degree of "pregermination" is potentially of concern to the malting industry.

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To better facilitate the marketing of malting barley, GIPSA coordinated industry efforts to establish a standardized procedure, and developed a new official criteria, available upon request, to determine the percentage of kernels "Injured-by-Sprout." When a determination is requested, the results of this non-grade determining factor are reported in the "Remarks" section of the certificate, thus providing information to those customers who desire it.

4. Supporting USDA Programs and Producers' Income. USDA farm programs for deficiency payments and crop insurance typically rely on the U.S. standards to determine eligibility and payment amount. GIPSA acted on one commodity this year—buckwheat—to help farmers in their eligibility requirements. Buckwheat producers wanted to receive Federal crop insurance coverage for their commodity this year, but it was not available because Federal inspection procedures were not established. To assist producers obtain crop insurance coverage, GIPSA worked with the USDA Risk Management Agency, Loss Adjustment Standards Branch, to develop Federal inspection procedures for buckwheat. GIPSA implemented these procedures on February 13, 2004, as a service provided under the Agricultural Marketing Act of 1946, as amended.

In 1998, to assist Kamut producers obtain crop insurance coverage, GIPSA developed inspection procedures for the factor analysis of this organically grown wheat-like grain. GIPSA used the name Kamut in the directive that established the inspection procedures. However, Kamut is not the name of the commodity, but is a registered trademark owned by Kamut International, Ltd (KI), used to market a grain that has certain guaranteed quality attributes as specified by KI. The common name of the grain is "Khorasan wheat" or *Triticum Turanicum*. In 2004, the Federal Crop Insurance Corporation modified its wheat crop insurance provisions to include the term Khorasan in the crop definition and create a separate definition of Khorasan: "the common name for a variety of wheat *Triticum Turanicum* that is marketed under trademarks such as Kamut. Khorasan is considered to be spring wheat for the purpose of this policy." To help Khorasan producers, GIPSA amended its directive to replace all reference of the name Kamut with the name Khorasan to match to the Federal Crop Insurance Corporation's crop insurance policies.

5. Mechanical Sampling Systems. In January 2004, GIPSA announced a policy change for approval of certain mechanical sampling systems at domestic facilities at which high load-out rates interfere with their safe testing. Each qualified facility has a simple system installed at a location directly above the carrier. After a thorough visual examination, the system may be exempted from requirements to test using a comparison of grain samples. During FY 2004, we exempted 22 sampling systems from the grain testing requirement.

6. Grain Inspection Handbook. GIPSA revised the Grain Inspection Handbook, Book II, Grain Grading Procedures, to incorporate 1997 through 2004 policy and procedural changes, reformat the complete handbook, and make minor editorial changes. Additionally, hyperlinks were created throughout the handbook to link the visual reference images (VRI) to pertinent grain grading factors. The VRI, a series of commodity specific images that contain descriptive text, represent the foundation for the national inspection system's subjective quality control program and provide an effective management tool for aligning inspectors and helping them make proper and consistent subjective grading decisions.

7. Fee Amendments. In FY 2004, GIPSA implemented new fee rates and adjusted the fee schedule for official inspection and weighing services performed in the United States under the U.S. Grain Standards Act, as amended. The final rule was published in the *Federal Register* (69 FR 26476) on May 13, 2004, and became effective June 14, 2004. The earlier administrative fee for service schedule was based on elevator size and implemented in 1996 and had a break-even export level which was achieved only once over the past seven years. As a result, the operating reserve has been significantly drawn down. Through the years, GIPSA has taken actions to reduce costs by reducing staff, scheduling part-time and intermittent employees during fluctuating work periods and reducing the amount of overtime via creative scheduling processes.

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In order to maintain financial stability, fees were adjusted to assure continued inspection and weighing services to the grain industry, which will further facilitate the sound and orderly marketing of grain in domestic and export markets.

The fee schedule, which will cover the costs, increased rates to the grain industry an average of 6.5 cents per ton. Most of the increase results from basing administrative fees regionally rather than basing those fees on elevator size and by increasing the one-year contract hourly rate.

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