

FY 2007

**BUDGET SUMMARY
AND
ANNUAL PERFORMANCE PLAN**



U. S. DEPARTMENT OF AGRICULTURE

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INTRODUCTION

The Budget Summary describes the fiscal year (FY) 2007 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. The funding estimates presented for FY 2006 are based on the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006, P.L. 109-97 and the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2006, P.L. 109-54. Throughout the booklet, “2002 Farm Bill” and “The Act” are used to refer to the Farm Security and Rural Investment Act of 2002.

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

Basic budget and performance plan terminology:

- **Strategic Plan** is a document that provides the mission statement, strategies, goals, objectives, and performance measures that the Department will use to guide its major functions and operations and measure the progress in achieving desired performance levels in those programs.
- **Strategic Goals** are the backbone of the Strategic Plan. Strategic Goals express the Department’s overarching purposes and are used to group multiple strategic objectives. They define how the Department or an agency will carry out a major segment of its mission over a period of time.
- **Strategic Objectives** represent statements of aim or purpose included in a strategic plan that relate to and in the aggregate are sufficient to achieve strategic goals.
- **Performance Goal** is the target level of performance at a specified time or period expressed as a tangible, measurable outcome, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. A performance goal is comprised of a performance measure with targets and timeframes. The performance goals used in this document are provided in the Department’s Strategic Plan.
- **Performance Measures** are indicators, statistics, or metrics used to gauge program performance. Program performance measures include outcome, output, and efficiency measures.
- **Program Assessment Rating Tool (PART)** is an evaluation process used to assess the effectiveness of Federal programs and to inform management actions, budget requests, and legislative proposals directed at achieving results. The PART examines various factors that contribute to the effectiveness of a program and requires that conclusions be explained and substantiated with evidence. The PART includes a set of questions that evaluates program performance based on: program purpose and design; strategic planning; program management; and program results. Each program receives a numerical score and a qualitative rating. The qualitative ratings include: Effective;

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Moderately Effective; Adequate; Ineffective; and Results Not Demonstrated. A rating of Results Not Demonstrated means that a program does not have sufficient performance measures or performance information to show results, and therefore it is not possible to assess whether it has achieved its goals. Results Not Demonstrated is not on the same scale as the ratings Ineffective, Adequate, Moderately Effective, or Effective, each of which indicate there is evidence of a certain level of program performance.

- **Budget Authority** is the authority to commit funds of the Federal Treasury. Congress provides this authority through annual appropriations acts and substantive legislation which authorizes direct spending. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended government programs.
- **Obligations** are commitments of government funds. In order for USDA to make a valid obligation, it must have a sufficient amount of budget authority to cover the obligation.
- **Outlays** are cash disbursements from the Federal Treasury to satisfy a valid obligation.
- **Program Level** represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.

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

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

FUNDING OVERVIEW

Mission Statement of the United States Department of Agriculture

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

Strategic Plan Framework

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

- Strategic Goal 1: Enhance International Competitiveness of American Agriculture
- Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies
- Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life in Rural America
- Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply
- Strategic Goal 5: Improve the Nation's Nutrition and Health
- Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment

The Department's strategic plan identifies key policy and management objectives that have been integrated into USDA's 2007 budget request. Central to the budget and planning process is effective management of the Department's limited resources in an effort to effectively deliver its multifaceted programs.

Budget and Performance Integration

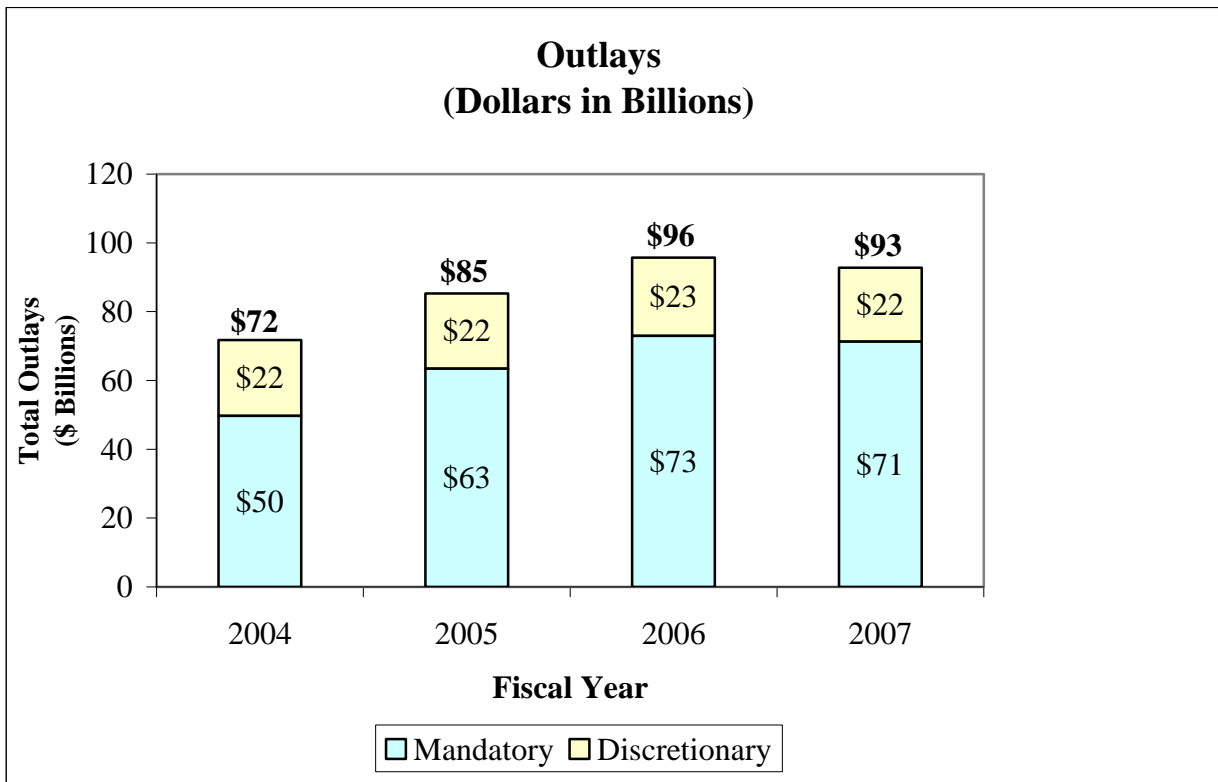
USDA developed and implemented a comprehensive budget and performance integration process for the 2007 budget that aligns funding and performance with the Department's strategic goals. The process involved an in-depth review of agency goals, objectives and performance measures as they relate to the Department's strategic goals and objectives. The results of this review, along with information from reviews conducted using the Performance Assessment Rating Tool and other analyses formed the basis for development of specific budget proposals. The result of this year's budget process is a budget that aligns the Department's strategic goals, program outcomes and performance with budget decisions.

2007 Funding Overview

The 2007 Federal budget is a disciplined budget that focuses priorities on homeland security, winning the War on Terrorism, and the highest priority needs of the Nation, while restraining spending in other areas to help reduce the deficit. The USDA budget maintains or increases funding for a number of high priority areas, includes changes for some existing programs, and proposes redirections and reductions for programs that need to improve program effectiveness or are of lower priority. The 2007 USDA budget focuses on: safeguarding America's food supply and agriculture; supporting sound land management practices and natural resources conservation; growing the farm and rural economy; and providing food assistance programs to all those who need it.

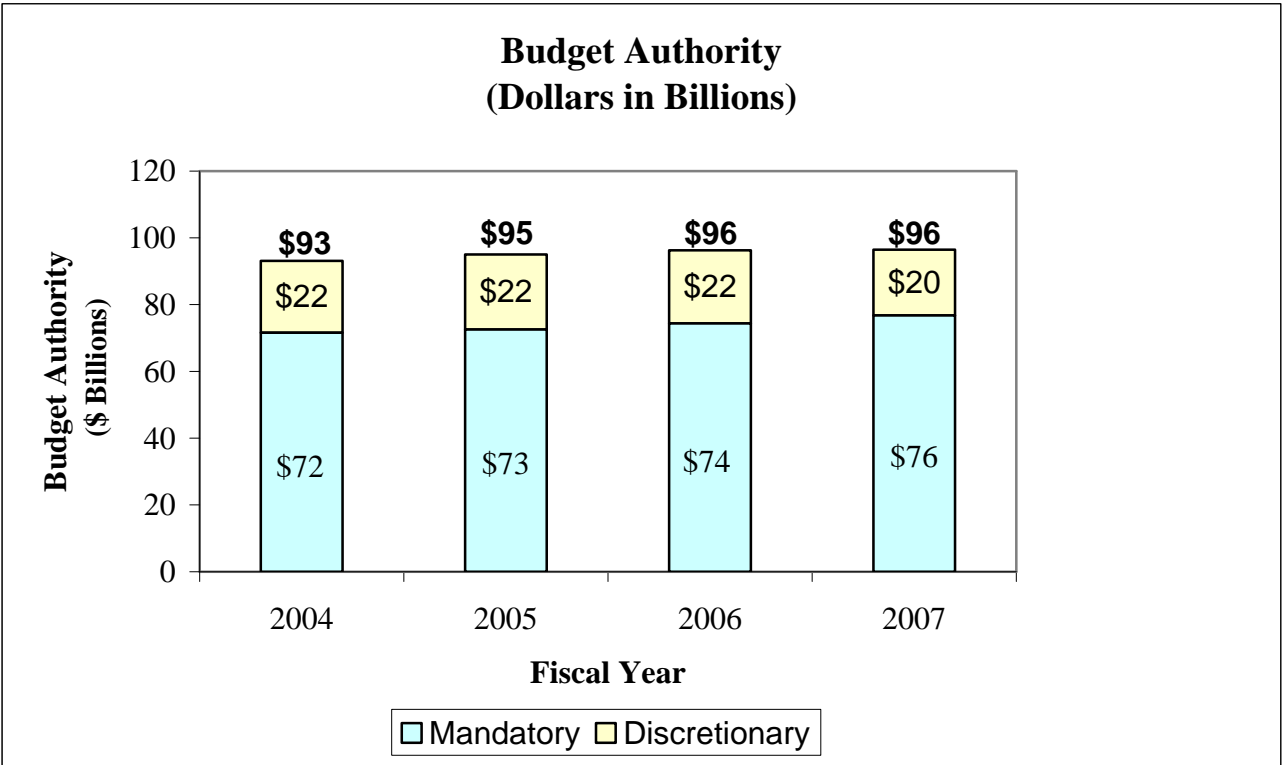
FUNDING OVERVIEW

USDA's total outlays are estimated at \$92.8 billion, about \$2.9 billion below the 2006 level. Roughly 77 percent of outlays, about \$71.3 billion in 2007, are associated with mandatory programs that provide services as required by law and include the majority of the nutrition assistance programs, farm commodity programs, export promotion programs and a number of conservation programs. This is a decrease of about \$1.7 billion from the 2006 level. The remaining 23 percent of outlays, estimated to be about \$21.5 billion in 2007, are associated with discretionary programs. This is a \$1.2 billion decrease from the 2006 level. Spending of emergency supplemental funding to deal with the hurricanes, a potential avian influenza pandemic and other emergencies is included in the outlay estimates. This accounts for \$0.5 billion of the \$1.2 billion decrease. Discretionary outlays are associated with programs to address pest and disease threats; funds for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); rural development loans and grants; research and education; soil and water conservation technical assistance; management of National Forests and other Forest Service activities; and domestic and international marketing assistance.



FUNDING OVERVIEW

In budget authority terms, the USDA total increases from \$96.3 billion in 2006 to \$96.4 billion in 2007. Within this total, discretionary funding is estimated to decline from about \$21.9 billion in 2006 to \$19.7 billion in 2007. The 2006 level includes about \$0.8 billion in supplemental funding provided for a potential avian influenza pandemic and natural disasters, and one-time reductions enacted to offset the emergency supplemental funding. These emergency funds are not continued in the 2007 budget. Further, the 2007 total reflects the impact of proposals to restrain funding levels for certain programs and to change selected programs.



FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE
(Dollars in Millions)

AGENCY/PROGRAM	Program Level				Outlays			
	2005 Actual	2006 Estimate	2007 Budget	Change 2006 to 2007	2005 Actual	2006 Estimate	2007 Budget	Change 2006 to 2007
FARM AND FOREIGN AGRICULTURAL SERVICES								
Farm Service Agency (p. 22):								
Farm Loan and Grant Programs.....	\$3,135	\$3,853	\$3,502	-\$351	\$322	\$345	\$132	-\$213
Conservation and Other Programs.....	2,012	2,213	2,327	114	1,886	2,135	2,508	373
Commodity Programs.....	30,099	29,406	26,651	-2,755	19,599	18,835	16,441	-2,394
Commodity Credit Corporation Programs.....	(34,919)	(34,975)	(32,535)	(-2,440)	(20,187)	(21,257)	(19,050)	(-2,207)
Salaries and Expenses.....	1,295	1,325	1,411	86	1,276	1,333	1,371	38
Total, Farm Service Agency.....	36,541	36,797	33,891	-2,906	23,083	22,648	20,452	-2,196
Risk Management Agency (p. 34):								
Administrative and Operating Expenses.....	70	76	81	5	67	74	80	6
Crop Insurance Fund.....	2,944	3,972	4,162	190	2,883	3,220	3,597	377
Total, Risk Management Agency.....	3,014	4,048	4,243	195	2,950	3,294	3,677	383
Foreign Agricultural Service (p. 37):								
Export Credit Guarantees.....	2,625	3,107	3,167	60	137	252	121	-131
Market Development Programs.....	188	248	148	-100	184	209	139	-70
Export Subsidy Programs.....	0	30	63	33	1	30	63	33
Trade Adjustment Assistance for Farmers.....	21	90	90	0	-37	90	90	0
Foreign Food Assistance.....	2,335	1,669	1,574	-95	1,719	1,552	1,450	-102
Salaries and Expenses.....	206	217	227	10	148	168	177	9
Total, Foreign Agricultural Service.....	5,375	5,361	5,269	-92	2,152	2,301	2,040	-261
Total, Farm and Foreign Agricultural Services.....	44,930	46,206	43,403	-2,803	28,185	28,243	26,169	-2,074
RURAL DEVELOPMENT								
Rural Utilities Service (p. 51):								
Loans and Grants.....	6,617	8,278	6,325	-1,953	483	244	159	-85
Rural Housing Service (p. 55):								
Loans and Grants.....	6,163	7,908	6,271	-1,637	2,399	2,279	2,431	152
Rural Business - Cooperative Service (p. 60):								
Loans and Grants.....	861	1,257	1,139	-118	124	207	237	30
Salaries and Expenses.....	637	659	671	12	140	169	168	-1
Subtotal, Rural Development.....	14,278	18,102	14,406	-3,696	3,146	2,899	2,995	96
Rural Community Advancement Program (p. 50).....	(3,176)	(3,104)	(2,926)	(-178)	(781)	(756)	(793)	(37)
Total, Rural Development.....	14,278	18,102	14,406	-3,696	3,146	2,899	2,995	96
FOOD, NUTRITION, AND CONSUMER SERVICES								
Food and Nutrition Service (p. 64)								
Food Stamp Program.....	32,851	34,811	34,795	-16	32,614	35,223	34,928	-295
Child Nutrition Programs.....	12,503	13,206	13,902	696	12,299	13,356	13,795	439
Women, Infants and Children (WIC).....	5,192	5,399	5,361	-38	4,975	5,198	5,200	2
All Other.....	490	446	386	-60	340	346	252	-94
Total, Food, Nutrition, and Consumer Services.....	51,036	53,862	54,444	582	50,228	54,123	54,175	52
FOOD SAFETY								
Food Safety and Inspection Service (p. 73).....	928	952	987	35	811	839	870	31
NATURAL RESOURCES AND ENVIRONMENT								
Natural Resources Conservation Service (p. 78):								
Conservation Operations.....	831	831	745	-86	783	921	768	-153
Watershed Programs.....	464	411	15	-396	233	496	362	-134
Resource Conservation and Development.....	51	51	26	-25	51	50	30	-20
Farm Security and Rural Investment Programs.....	1,820	1,850	1,999	149	45	1,596	1,519	-77
All Other.....	0	2	2	0	3	5	5	0
Total, Natural Resources Conservation Service.....	3,166	3,145	2,787	-358	1,115	3,068	2,684	-384

FUNDING OVERVIEW

Forest Service (p. 84):								
National Forest System.....	1,393	1,423	1,398	-25	1,398	1,379	1,404	25
Forest and Rangeland Research.....	276	279	268	-11	301	285	293	8
State and Private Forestry.....	352	309	244	-65	397	453	419	-34
Wildland Fire Management.....	1,703	1,753	1,768	15	1,588	1,825	1,693	-132
Capital Improvement and Maintenance.....	600	442	383	-59	564	547	411	-136
Land Acquisition.....	62	43	26	-17	100	54	77	23
All Other.....	9	8	9	1	9	12	14	2
Total, Discretionary Accounts.....	4,396	4,258	4,097	-161	4,357	4,555	4,311	-244
Repayments for Fire Borrowing/Emergency Fire Funding.....	425	0	0	0	a/	a/	a/	a/
Mandatory.....	716	936	835	-101	682	830	812	-18
Total, Forest Service.....	5,538	5,194	4,932	-262	5,039	5,385	5,123	-262
Total, Natural Resources and Environment.....	8,704	8,339	7,719	-620	6,154	8,453	7,807	-646
MARKETING AND REGULATORY PROGRAMS								
Animal and Plant Health Inspection Service (p. 91):								
Salaries and Expenses.....	939	1,016	1,092	76	1,024	1,013	1,093	80
Emergency Funding.....	169	0	0	0	85	85	0	-85
Other APHIS Programs.....	20	19	20	1	21	19	19	0
Total, Animal and Plant Health Inspection Service.....	1,128	1,035	1,112	77	1,130	1,117	1,112	-5
Agricultural Marketing Service (p. 96).....	79	78	85	7	217	204	237	33
Section 32 Funds.....	471	998	450	-548	452	998	449	-549
Grain Inspection, Packers and Stockyards								
Administration (p. 100).....	74	80	84	4	38	37	45	8
Total, Marketing and Regulatory Programs.....	1,752	2,191	1,731	-460	1,837	2,356	1,843	-513
RESEARCH, EDUCATION, AND ECONOMICS								
Agricultural Research Service (p. 104).....	1,309	1,288	1,027	-261	1,268	1,270	1,141	-129
Cooperative State Research, Education, and								
Extension Service (p. 108).....	1,184	1,207	1,046	-161	1,113	1,102	1,014	-88
Economic Research Service (p. 112).....	74	75	83	8	74	76	82	6
National Agricultural Statistics Service (p. 113).....	128	139	153	14	127	139	151	12
Total, Research, Education, and Economics.....	2,695	2,709	2,309	-400	2,582	2,587	2,388	-199
OTHER ACTIVITIES								
Departmental Activities (p. 115).....	137	152	166	14	137	162	177	15
Centralized Activities.....	321	343	341	-2	358	451	332	-119
Office of Civil Rights (p. 119).....	20	20	23	3	16	20	23	3
Office of Inspector General (p. 120).....	77	79	82	3	76	79	85	6
Receipts and Loan Repayments.....	0	0	0	0	-8,246	-4,500	-4,081	419
USDA TOTAL.....	\$124,877	\$132,954	\$125,610	-\$7,344	\$85,284	\$95,712	\$92,783	-\$2,929

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

HIGHLIGHTS BY GOAL

The Department's 2007 budget supports achievement of the six USDA strategic goals to promote agricultural production and trade; protect animal and plant health; assure a safe food supply; protect natural resources; foster strong rural communities; and fight hunger in America and abroad. These goals contain 17 strategic objectives that account for all program mission areas within USDA's responsibilities.

STRATEGIC GOAL 1: ENHANCE INTERNATIONAL COMPETITIVENESS OF AMERICAN AGRICULTURE.

Expanding global markets for agricultural products is critical to the long-term economic health and prosperity of the food and agricultural sector. USDA has three key objectives which support the achievement of this strategic goal. The three key objectives are: (1) expand and maintain international export opportunities; (2) support international economic development and trade capacity building; (3) improve sanitary and phytosanitary (SPS) systems to facilitate agricultural trade. The following table displays funding within Strategic Goal 1:

Enhance International Competitiveness of American Agriculture
(Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Farm and Foreign Agricultural Services.....	\$5,375	\$5,361	\$5,269
Natural Resources and Environment.....	14	12	12
Marketing and Regulatory Programs.....	26	26	32
Research, Education and Economics.....	60	62	52
Total, Strategic Goal 1.....	\$5,475	\$5,461	\$5,365

Key Proposals for the 2007 Budget:

- Expand and maintain international export opportunities through compliance monitoring and enforcement of trade agreements.** Compliance monitoring and enforcement of existing trade agreements are important components of the Department's efforts to expand international export opportunities. Each year, Foreign Agricultural Service (FAS) personnel monitor compliance and, when necessary, intervene with foreign governments on behalf of U.S. exporters who face market access difficulties as a result of unfair and illegal trade barriers. Increasingly in recent years, these barriers have involved the improper application by foreign governments of SPS measures adopted by foreign governments designed to protect human, animal, and plant health that are not science-based and consistent with international standards. FAS works in collaboration with other USDA agencies, such as the Animal and Plant Health Inspection Service (APHIS), to address and resolve such SPS issues. The budget provides additional funding for FAS to ensure the agency's representation and advocacy activities on behalf of American agriculture can continue. Additional funding is also provided for APHIS for its work to resolve or avoid SPS related issues. The value of trade that will be expanded or preserved in 2007 through

HIGHLIGHTS BY GOAL

compliance monitoring and enforcement activities for both SPS and non-SPS issues and SPS issue resolution is estimated to be \$3.1 billion. (See page 45.)

- Assist 2.5 million women and children through preschool and school feeding programs carried out in developing countries through the McGovern-Dole International Food for Education and Child Nutrition Program.** The budget maintains funding for the McGovern-Dole program at the 2006 enacted level of \$99 million. However, the number of women and children who will benefit from the program is projected to increase from 2.4 million in 2006 to 2.5 million in 2007. The program supports economic development by contributing to a healthy, literate workforce that can support a more prosperous, sustainable economy and ensure long-term food security. (See page 43.)

STRATEGIC GOAL 2: ENHANCE THE COMPETITIVENESS AND SUSTAINABILITY OF RURAL AND FARM ECONOMIES.

An economically prosperous agricultural production sector contributes to the Nation's economic vitality and standard of living. The sector's success depends on the ability to expand into new markets, gain adequate capital, protect itself against financial risk and adjust to changing market conditions. Success also depends on the economic well being of producers and their ability to increase production potential through increased farm acreage and/or other methods, maintain their farms and equipment, and utilize tools to mitigate risks associated with various aspects of production. USDA provides income stability to keep producers economically viable through economic safety net programs in the form of crop insurance, direct and guaranteed farm ownership and farm operating loans, direct payments, marketing assistance loans and commodity support programs. USDA also facilitates the efficient marketing of agricultural commodities while ensuring fair trading practices. When natural disasters strike, USDA reacts quickly to help affected producers recover from their losses and restore their lands to prior productivity levels. USDA supports much needed basic research, economic analysis, and baseline information to identify new uses and more efficient technology for producing and marketing agricultural products. USDA has three key objectives which support the achievement of this strategic goal. The three key objectives are: (1) expand domestic market opportunities, (2) increase the efficiency of domestic agricultural production and marketing systems, (3) and provide risk management and financial tools to farmers and ranchers. The following table displays funding within Strategic Goal 2:

Enhance the Competitiveness and Sustainability of Rural and Farm Economies
(Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Farm and Foreign Agricultural Services.....	\$37,564	\$38,691	\$35,653
Marketing and Regulatory Programs.....	616	1,148	609
Research, Education and Economics.....	977	979	791
Total, Strategic Goal 2.....	\$39,157	\$40,818	\$37,053

HIGHLIGHTS BY GOAL

Key Proposals for the 2007 Budget:

- **Deliver an estimated \$16 billion in commodity program benefits while proposing cost saving measures similar to last year to better target agricultural assistance, promote more efficient production decisions.** This includes proposals to reduce government costs by tightening payment limits, reducing crop and dairy payments to farmers by 5 percent, minimizing dairy price support expenditures, establishing a sugar marketing assessment to be paid by sugar producers on all processed sugar, and establishing a marketing assessment on milk. These changes will save an estimated \$5 billion over the next 5 years and \$7.7 billion over the next ten years. This proposal along with the crop insurance proposal mentioned below is part of a multi-agency deficit reduction package. (See page 27.)
- **Strengthen crop insurance delivery to ensure that farmers have adequate yield and price protection.** The value of crop insurance protection in 2007 will be about \$48 billion, representing more than 80 percent of the Nation's acres planted to principal crops. Despite the high level of participation, demand still exists for ad hoc disaster assistance due in part to reliance on catastrophic coverage which affords the producer only 27.5 percent protection in the event of a total loss. The budget includes proposals to require recipients, who receive any Federal payment for crops to purchase crop insurance at a level that would provide protection at 50 percent of the crop's value, modify the fee for catastrophic coverage, restructure premium rates to better reflect historical losses, and reduce delivery costs. These proposals were included in the 2006 budget and would save an estimated \$1.3 billion beginning in 2008. (See page 34.)
- **Agricultural and rural development information initiative.** This \$5 million initiative by the Economic Research Service will implement a comprehensive data collection and research program to monitor the changing economic health and well-being of farm and non-farm households in rural areas. How farm and non-farm rural households share, compete for, or build common rural community resources is key to understanding how farmers and rural America adjust to changing economic circumstances or policy scenarios over time.
- **Advance agricultural research by increasing competitively awarded grants.** The National Research Initiative is the Nation's premier competitive, peer-reviewed research program for fundamental and applied sciences in agriculture and is funded at \$248 million, an increase of \$66 million over 2006. The 2007 budget also proposes a reallocation of research formula funds made to eligible institutions under the Hatch Act and McIntire-Stennis programs. The proposal will expand the multi-state research programs and redirect these funds to nationally, competitively awarded, multi-state/multi-institutional projects. This new approach will sustain the State matching requirement and the use of Federal funds to leverage additional non-Federal resources. (See page 110.)
- **Advance agricultural genomics research.** Harnessing the inherent potential of genetic resources holds the promise for effectively meeting many of the challenges facing agriculture. Mapping and sequencing projects which have been completed, or are underway, underscore the need to develop bioinformatics to take advantage of this data for agricultural applications. Within the Cooperative State Research, Education, and Extension Service (CSREES) an increase of \$5 million is proposed to support projects on the analysis and

HIGHLIGHTS BY GOAL

annotation of domestic animal genomes. Another \$1 million increase will initiate a program on genomics of microorganisms associated with the efficient conversion of crops and their residues to high value biobased products and biofuels. Additionally, the budget seeks \$4.7 million for an Agricultural Research Service (ARS) initiative on plant genomics research as well as an increase of \$1.8 million for applied genomics research on the bovine genome.

STRATEGIC GOAL 3: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA.

Rural America encompasses a diversity of economic and quality of life conditions, including many areas with high levels of poverty, limited employment and business opportunities, and a lack of basic amenities and services. USDA’s rural development programs have been instrumental in improving conditions in rural America by providing technical and financial support for electric, telecommunication, water and waste disposal services, community facilities, homeownership, decent rental housing, and business ventures. These programs fill gaps that are not adequately served by private lenders and make the cost of financing more affordable for program participants. USDA has two key objectives which support the achievement of this strategic goal. The two key objectives are: (1) expand economic opportunities by using USDA financial resources to leverage private sector resources and create opportunities for growth, and (2) improve the quality of life through USDA financing of quality housing, modern utilities, and needed community facilities. The following table displays funding within Strategic Goal 3:

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

Program	2005 Actual	2006 Estimate	2007 Budget
Rural Development.....	\$14,278	\$18,102	\$14,406
Research, Education and Economics.....	222	232	220
Total, Strategic Goal 3.....	\$14,499	\$18,334	\$14,626

Key Proposals for the 2007 Budget:

- **Multi-family Housing Revitalization.** The 2007 budget extends the Administration’s proposal to revitalize USDA’s multi-family housing projects by providing \$74 million for rural housing vouchers for tenants of projects that are withdrawn from the program. Upon enactment of legislation the Administration has already submitted to Congress, these funds could also be used to provide incentives for project sponsors to stay in the program and make essential repairs and rehabilitations. (See page 57.)
- **Support home ownership opportunities in rural America.** The budget request includes \$1.2 billion in direct loans and \$3.5 billion in new guaranteed loans to support 40,760 home ownership opportunities. USDA single family housing programs contribute to the President’s Home Ownership Initiative. (See page 58.)

HIGHLIGHTS BY GOAL

- **Save or create in excess of 56,400 jobs in Rural America.** This will be achieved through Rural Development’s business programs, primarily the business and industry guaranteed loan program and the intermediary relending loan program. The budget is reproposing to shift two grant programs to the Department of Commerce in 2007 as part of the President’s Strengthening American Communities initiative. The budget request includes \$990 million for business and industry guaranteed loans. This is \$76 million above the 2006 level. (See page 61.)
- **Provide about 560,000 rural households with new or improved water and waste disposal facilities.** The proposed \$1.4 billion funding level includes about \$1.1 billion in loans and \$349 million in grants. This combination of funding represents a higher loan to grant ratio than exists for 2006. However, USDA is proposing to reduce the interest rate on loans. Most rural communities would have lower repayment costs as a result of the combination of these changes. (See page 54.)

STRATEGIC GOAL 4: ENHANCE PROTECTION AND SAFETY OF THE NATION’S AGRICULTURE AND FOOD SUPPLY.

USDA has unique and critical responsibilities to help ensure the safety of the U.S. food and fiber supply chain and the security of the U.S. agricultural production system. USDA has two key objectives which support the achievement of this strategic goal. The two key objectives are: (1) reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the United States; and (2) reduce the number and severity of agricultural pests and disease outbreaks. The following table displays funding within Strategic Goal 4:

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

Program	2005 Actual	2006 Estimate	2007 Budget
Food Safety Programs.....	\$928	\$952	\$987
Marketing and Regulatory Programs.....	1,110	1,017	1,090
Research, Education and Economics.....	707	709	632
Total, Strategic Goal 4.....	\$2,745	\$2,678	\$2,709

Key Proposals for the 2007 Budget:

- **Provide for continued protection of the Nation’s supply of meat, poultry and egg products.** The 2007 budget includes a program level of \$987 million for the Food Safety and Inspection Service (FSIS). This is an increase of \$35 million over 2006. Of this total, \$863 million would be funded through appropriations, which includes \$105 million to be derived from proposed new user fees, and \$124 million would be funded through existing user fees and trust funds. The proposed program level includes sufficient resources to cover the costs of Federal inspection, maintain Federal support for State inspection programs, and meet FSIS responsibilities under the Food and Agriculture Defense Initiative. The proposed

HIGHLIGHTS BY GOAL

new user fee would provide the authority to recover the cost of providing inspection services beyond a single primary approved shift. (See page 74.)

- **Prevent the introduction or spread of foreign agricultural diseases or pests that cause severe economic or environmental damage.** USDA plays a critical role in protecting the Nation from the deliberate or unintentional introduction of an agricultural health threat. The budget request includes a \$45 million increase for efforts to rapidly detect and respond to such threats. Increased funding would improve plant pest detection and animal health monitoring and surveillance, bolster responses to agricultural health threats, and increase the availability of animal vaccines. (See page 94.) This is in addition to increased funding requested for efforts to deal with highly pathogenic avian influenza. (See page 19.)
- **Protect agriculture from emerging diseases of livestock and crops.** Because of its size, complexity, and integration, U.S. agriculture is uniquely vulnerable to highly infectious disease and pests, particularly foreign diseases. An increase of \$40 million is sought for ARS research on controlling exotic and emerging diseases of livestock and crops, including avian influenza, foot-and-mouth disease, bovine spongiform encephalopathy, Asian soybean rust, citrus canker, and Sudden Oak Death. The budget also seeks an increase of \$4.2 million for the National Plant Disease Recovery System to develop disease resistant varieties to be able in the event of a natural or intentional catastrophic disease or pest outbreak. (See page 106.) Within the National Research Initiative, a \$7 million increase will also support projects focusing on minimizing threats to domestic animals posed by infectious foreign pathogens.
- **Ensure the safety of the Nation's food supply as part of the President's Food and Agriculture Defense Initiative.** The request for FSIS includes an increase of \$16 million to expand the laboratories participating in the Food Emergency Response Network (FERN) and implement the Electronic Laboratory Exchange Network (eLEXNET). \$13.7 million is sought for ARS research on food safety. This initiative will strengthen surveillance and epidemiology programs, control of food pathogens in the preharvest stage, and diagnostic methods for rapidly detecting and identifying pathogens and contaminants. (See page 73.)
- **Support innovative efforts to eradicate invasive species.** The budget includes \$10 million for competitive grants to private groups for eradication and control of invasive species through the use of new and innovative methodologies.

STRATEGIC GOAL 5: IMPROVE THE NATION'S NUTRITION AND HEALTH.

USDA promotes America's health through food assistance for low-income people and nutrition education to the general public and to target groups, as well as through research on human nutrition and healthy diets. USDA programs teach and motivate Americans to use this information to improve their diets and physical activity patterns. USDA has three key objectives which support the achievement of this strategic goal. The three key objectives are: (1) ensure access to nutritious food; (2) promote healthier eating habits and lifestyles; and (3) improve nutrition assistance program management and customer service. The following table displays funding within Strategic Goal 5:

HIGHLIGHTS BY GOAL

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

Program	2005 Actual	2006 Estimate	2007 Budget
Food, Nutrition and Consumer Services.....	\$51,036	\$53,862	\$54,444
Research, Education and Economics.....	260	261	258
Total, Strategic Goal 5.....	\$51,296	\$54,123	\$54,702

Key Proposals for the 2007 Budget:

- **Support for an estimated 25.9 million food stamp participants.** The 2007 budget for the Food Stamp Program is \$35 billion, approximately the same as 2006. The budget projects modest food price inflation and anticipates a decrease in participation down from a record high in 2006 of about 1 million recipients, about 4 percent below the 2006 estimate as hurricane victim’s transition off the program. The budget proposes a \$3 billion contingency fund to cover unanticipated increases in participation or benefit costs. Food Stamp Program funding provides for nutrition education which is critical for achieving the key performance measures of reducing obesity and hunger and increasing the Healthy Eating Index (HEI) scores. Funding is provided for efforts to improve participation rates among eligible applicants and to improve program accuracy rates.

Further, the 2007 budget would continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services. Legislation will be repropose to restrict categorical eligibility for food stamps to Supplemental Security Income (SSI) recipients and Temporary Assistance for Needy Families (TANF) recipients who receive cash benefits from these programs. Under current law, households in which all members receive any TANF services, including non-cash assistance such as receipt of an informational pamphlet published with TANF funds, can be deemed categorically eligible for food stamps. This change will reduce food stamp costs by \$71 million in 2007, with additional savings in each subsequent year. In addition, legislation is proposed to extend the current exemption from being counted as resources for eligibility determinations to all tax-favored retirement accounts, such as IRAs. This will help families secure their future, even in times of need. Additionally, the Administration supports a continuation of efforts to rename the Food Stamp Program to better represent the program’s mission of providing nutritional support to low-income families. (See page 66.)

- **Support for a monthly average of 8.2 million low-income, nutritionally at-risk WIC participants.** The President’s budget provides a total WIC program level of \$5.4 billion, approximately the same as the 2006 program level. A \$125 million contingency fund is also available if program participation or costs exceed estimated levels. Legislation is being repropose to limit WIC nutrition services and administration to 25 percent of total costs with an estimated savings of \$152 million. WIC has grown to be a vital part of the nutrition safety net, providing better nutrition and a gateway to healthcare for needy participants

HIGHLIGHTS BY GOAL

during the stage in life when such assistance can make the most difference. WIC is central to improving breastfeeding rates among the people it serves, as well as vital to the more general efforts to reduce obesity and hunger, and improve HEI scores. (See page 68.)

- **Support for balanced meals for school children via the School Lunch Program serving an average of 30.9 million children each day, and the School Breakfast Program serving 10.3 million children each day.** The 2007 budget funds the Child Nutrition Programs at a program level of \$13.9 billion, an increase of approximately \$700 million above 2006. The budget proposes a \$300 million contingency fund to cover unanticipated increases in participation or meal reimbursement rates. This level provides an increase to meet projected participation growth and for food cost inflation. The School Lunch Program projects over 5 billion reimbursable meals in 2007, an increase of 1.3 percent over the 2006 level. The proposed funding is critical for achieving the key performance measures of reducing obesity and hunger, improving HEI scores, improving participation rates, ensuring that all free and reduced price meal eligibles are correctly certified, and improving the appeal and nutritional quality of meals. (See page 67.)
- **Eliminate funding for the Commodity Supplemental Food Program (CSFP).** This program is only available in limited areas, and overlaps with two of the largest nationwide Federal nutrition assistance programs – Food Stamps and WIC. USDA intends to pursue a transitional strategy to encourage those women, infants and children that are eligible for WIC to apply for that program, and to encourage elderly CSFP recipients to apply for the Food Stamp Program. As part of this strategy, the budget provides resources for outreach and temporary transitional food stamp benefits to CSFP participants 60 years of age or older equaling \$20 per month for the lesser of six months or until the recipient starts participating in the Food Stamp Program. (See page 69.)
- **Produce new scientific information which will assist in promoting health and preventing obesity.** The ARS budget proposes an increase of \$4.7 million for nutrition survey research. ARS will assess the efficacy of the healthful eating and physical activity patterns set forth in the *Dietary Guidelines* in preventing obesity in the U.S. population. The budget also seeks \$6.6 million to conduct research that addresses the obesity epidemic and promotes a healthier lifestyle. (See page 107.)

STRATEGIC GOAL 6: PROTECT AND ENHANCE THE NATION'S NATURAL RESOURCE BASE AND ENVIRONMENT.

In addressing this goal, the Department employs a portfolio approach that incorporates various conservation management tools including technical assistance, cost-share, incentive, land retirement, easement and regulatory assistance programs. USDA has four key objectives which support the achievement of strategic goal 6. They are to: (1) protect watershed health to ensure clean and abundant water; (2) enhance soil quality to maintain productive working cropland; (3) protect forests and grazing lands; and (4) protect and enhance wildlife habitat to benefit desired, at-risk and declining species. The following table displays funding within Strategic Goal 6:

HIGHLIGHTS BY GOAL

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

Program	2005 Actual	2006 Estimate	2007 Budget
Farm and Foreign Agricultural Services.....	\$1,991	\$2,154	\$2,481
Natural Resources and Environment.....	8,690	8,327	7,707
Research, Education and Economics.....	469	466	356
Total, Strategic Goal 6.....	\$11,151	\$10,947	\$10,545

Key Proposals for the 2007 Budget:

- **Provide record levels of funding for financial and technical assistance to support the farm bill conservation programs.** The 2007 budget includes \$4 billion for these programs, an increase of \$252 million over the 2006 level and an increase of more than \$1.6 billion since 2002. This includes continued implementation of the Conservation Security Program which is funded in the 2007 budget at \$342 million, an increase of \$83 million over 2006. The budget also includes \$403 million to enroll 250,000 acres in the Wetlands Reserve Program (WRP) in 2007, up from about 150,000 acres in 2006. The WRP is a principal supporter of the President's policy announced in April 2004 to restore, protect and enhance three million acres of wetlands over five years. Finally, the budget supports the President's commitments for the Conservation Reserve Program as the program continues to expand to a total enrollment of 38.9 million acres in 2007 as it reaches its full enrollment authority of 39.2 million acres in 2008. (See page 78.)
- **Reform the Resource Conservation and Development (RC&D) Program.** Through the RC&D Program, the Natural Resources Conservation Service (NRCS) helps State and local units of government and local nonprofit organizations in rural areas to plan, develop, coordinate, and carry out programs that help improve and manage natural resources. A PART assessment was conducted on the RC&D program in 2005 and found that it is duplicative of other USDA and Federal resource conservation and rural development programs and that it does not target funds based on performance. The budget proposes to reduce the number of federal coordinators from the current level of 375 to about 150. Coordinators will provide support to one or more RC&D areas. This new policy permits a savings of \$24.9 million in the 2007 budget. (See page 80.)
- **Reduce the risk from catastrophic fire and implement the President's Healthy Forests Initiative.** The 2007 budget maintains funding for National Fire Plan activities and funds commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities. The budget allows for the continued implementation of the Healthy Forests Initiative which provides for hazardous fuel treatment of approximately 3.2 million acres of land; \$656 million for fire preparedness; and \$746 million for suppression activities which is the 10-year average. (See page 87.) **Enhance the ability of the National Forest System to meet multiple demands.** A total of \$1.4 billion is provided for management of the National Forest System. The budget includes an additional \$30 million above the 2006 level in the Forest Products program which will provide for a timber sales offer level of approximately

HIGHLIGHTS BY GOAL

2.0 billion board feet, depending on salvage sales volume. The 2007 budget reflects full funding of the Northwest Forest Plan and allows for the associated timber volume commitment under the plan. The budget also includes an additional \$7 million above the 2006 level for vegetation and watershed management in support of invasive species treatment goals. (See page 86.)

- **Provide research in support of water security for agriculture.** Drought is one of the most pervasive events in nature. The budget includes a \$1.9 million increase for ARS to conduct research leading to drought mitigation technologies and management systems. Additionally, CSREES requests a \$3 million increase in the National Research Initiative to support projects to improve the water-use efficiency of crops, managed forests, and horticultural plants.
- **Provide research to support the President's Climate Change Research Initiative.** The budget includes a \$3.2 million increase for ARS to conduct research leading to production technologies and practices for sustaining and enhancing food and fiber production and carbon sequestration by agricultural systems, to expand the existing ARS network of sites conducting measurements of greenhouse gases, and to continue Administration leadership in producing two reports required by the Administration's Climate Change Science Program. These reports focus on 1) the relationship between observed ecosystem changes and climate change; and 2) adaptation options for climate-sensitive ecosystems and resources.

FOOD AND AGRICULTURE DEFENSE INITIATIVE

UNITED STATES DEPARTMENT OF AGRICULTURE 2007 Food and Agriculture Defense Initiative (Dollars in Millions)

	Agency	2005 Actual	2006 Estimate	2007 Budget
Food Defense:				
Surveillance and Monitoring.....	FSIS	\$3	\$3	\$3
Food Emergency Response Network (FERN).....	FSIS	3	3	19
FSIS Enhanced Inspections.....	FSIS	2	2	2
Laboratory Upgrades and Physical Security.....	FSIS	3	6	6
Education/Training.....	FSIS	3	4	4
Other FSIS Activities.....	FSIS	5	5	5
Research.....	ARS	8	9	23
Total, Food Defense.....		27	32	62
Agriculture Defense:				
Research.....	ARS	21	25	49
National Plant Disease Recovery System.....	ARS	2	2	6
Regional Diagnostic Network.....	CSREES	9	10	12
Higher Education Agrosecurity Program.....	CSREES	0	0	5
Pest Detection/Animal Health Monitoring:				
Enhanced Surveillance.....	APHIS	80	87	130
Biosurveillance.....	APHIS	2	2	3
Plant Safeguarding Activities.....	APHIS	17	17	23
Select Agents - Plants and Animals.....	APHIS	3	3	5
National Veterinary Stockpile	APHIS	3	3	8
Other APHIS Activities.....	APHIS	13	14	19
Total, Agriculture Defense (Excluding Ames).....		150	163	260
Subtotal, Food and Agriculture Defense Initiative (Ongoing Activities).....		177	195	322
Complete Ames, IA BSL-3 Facility.....	ARS	121	58	0
Total, Food and Agriculture Defense Initiative.....		\$298	\$253	\$322

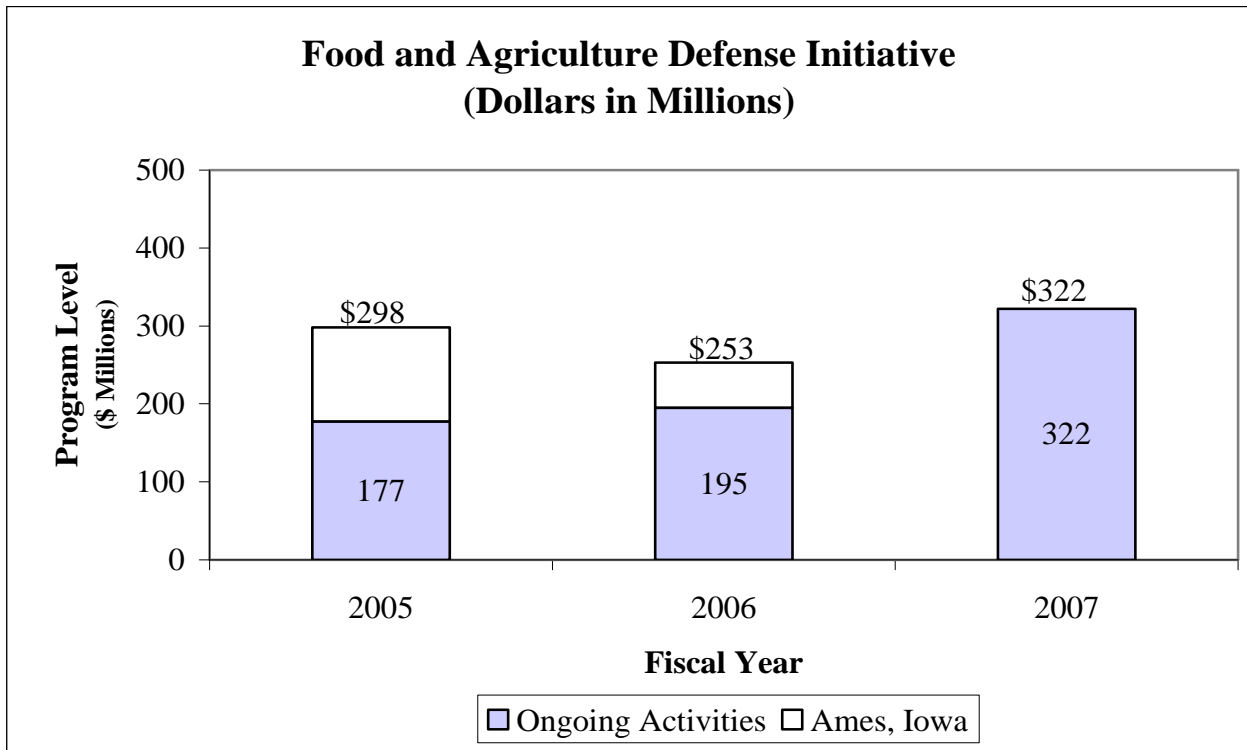
The Food and Agriculture Defense Initiative budget request for 2007 continues efforts to safeguard America's food supply and agriculture under Homeland Security Presidential Directive (HSPD) 9, Defense of U.S. Agriculture and Food. HSPD-9 established a national policy to defend the agriculture and food system against terrorist attacks, major disasters, and other emergencies. Building upon existing expertise and infrastructure, under the Initiative USDA, along with the Department of Health and Human Services, continues preparedness efforts to increase the government's ability to detect, respond to, and recover from incidents of disease, pests, or other harmful agents either naturally occurring in, or intentionally or unintentionally introduced to the United States.

FOOD AND AGRICULTURE DEFENSE INITIATIVE

Supported by research and other activities conducted by the Agricultural Research Service and the Cooperative State Research, Education and Extension Service, the Food Safety and Inspection Service leads the Department's efforts to ensure that the Nation's commercial supply of meat, poultry, and egg products is safe and the Animal and Plant Health Inspection Service helps protect and promote U.S. agricultural health. Overall, the budget requests \$322 million to protect America's food supply and agriculture, an increase of \$69 million over 2006. Since the Ames, Iowa research and diagnostic facility was fully funded in 2006, this level represents a programmatic increase of \$127 million or 65 percent.

Funding is provided for Food Defense to improve the capability of laboratories to provide detection or screening tests of potentially contaminated products and to provide needed surge capacity in testing when incidents occur; to improve data exchange between laboratories and Federal surveillance personnel responsible for analyzing trends and detecting potential outbreaks; and to increase research in areas of rapid detection, threat agent characteristics, antibiotic resistance, and preharvest pathogen control.

Funding for Agriculture Defense is provided for research on emerging and exotic diseases, such as chronic wasting disease, foot-and-mouth disease, and Asian soybean rust, as well as the National Plant Disease Recovery System. Increases will fund cooperative agreements with States to improve State-level monitoring, surveillance for wildlife, the national animal health laboratory network, and emergency coordination to respond to the threat of agricultural diseases, and to enhance the National Veterinary Vaccine stockpile.



FOOD AND AGRICULTURE DEFENSE INITIATIVE

Specific highlights of the 2007 request for increased Food and Agriculture Defense activities include:

Enhancing food defense by:

- expanding the Food Emergency Response Network (FERN) with participating laboratories, including implementation of the Electronic Laboratory Exchange Network (eLEXNET), an electronic laboratory diagnostic methods repository; and,
- strengthening research on automated diagnostic methods for rapidly detecting and identifying pathogens and chemical contaminants and modeling food security and incident scenarios.

Enhancing agriculture defense by:

- strengthening research on rapid response systems to bioterror agents, improving vaccines and identifying genes affecting disease resistance;
- expanding the National Plant Disease Recovery System to ensure disease resistant seed varieties are continually developed and made available to producers in the event of a natural or intentional catastrophic disease or pest outbreak;
- expanding the sample testing capacities of the Regional Diagnostic Networks;
- establishing a Higher Education Agrosecurity Program for capacity building grants to universities that provide interdisciplinary degree programs to train food defense professionals;
- augmenting international information gathering about potential threats abroad;
- enhancing the monitoring and surveillance of pests and diseases in plants, including national wildlife monitoring and surveillance;
- improving diagnostic methodologies and laboratory capabilities;
- increasing activities to safeguard plants from intentional threats to spread pests and diseases;
- strengthening the ability to safeguard and track biological disease agents; and,
- improving USDA's ability to respond to a disease outbreak, including provision of needed supplies in the National Veterinary Stockpile.

AVIAN INFLUENZA

UNITED STATES DEPARTMENT OF AGRICULTURE

Avian Influenza

(Dollars in Millions)

	2005 Actual	2006 Estimate	2007 Budget
International Activities:			
APHIS.....	0	\$18	\$5
FAS.....	0	2	0
Total, International Activities.....	0	20	5
Domestic Activities:			
Wildlife Surveillance:			
APHIS.....	0	16	17
ARS.....	0	1	0
CSREES.....	\$1	1	0
Total, Wildlife Surveillance.....	1	19	17
Surveillance and Diagnostics:			
APHIS.....	19	48	40
ARS.....	0	1	0
CSREES.....	2	0	0
Total, Surveillance and Diagnostics.....	20	49	40
Emergency Preparedness:			
APHIS.....	1	20	15
ARS.....	1	5	2
CSREES.....	2	0	0
All Other.....	0	1	0
Total, Emergency Preparedness.....	4	26	16
Other:			
ARS.....	1	3	4
CSREES.....	1	0	0
Total, Other.....	2	3	4
Total, Domestic Activities.....	27	96	77
Total, USDA.....	\$27	\$116	\$82
RECAP:			
Ongoing Appropriations.....	\$17	\$16	\$82
Emergency Supplemental.....	0	91	0
CCC Funding.....	10	9	0
Total, USDA.....	\$27	\$116	\$82

AVIAN INFLUENZA

For more than two decades, USDA has worked to prepare for and prevent an outbreak of dangerous strains of avian influenza in our country. Low pathogenic avian influenza has existed in the United States since the early 1900's and is not uncommon. It causes birds to become ill and can be fatal to some of them; it does not pose a significant threat to human health. Highly pathogenic avian influenza is often fatal to birds and is more easily transmitted. The highly pathogenic form has been of concern for its threat to the commercial poultry industry, and more recently, because of concern that it may mutate and cause a human pandemic. USDA has worked to protect the United States through import restrictions, international assistance, surveillance, outbreak response, and research.

Among the goals of the Administration's pandemic influenza initiative are to stop, slow, or otherwise limit the spread of a pandemic to the United States and to limit the domestic spread of a pandemic. Supplemental funds were appropriated to USDA in December, 2005, for efforts related to highly pathogenic avian influenza. The 2007 budget request continues these efforts. As part of the APHIS request, about \$57 million would be used for international capacity building (e.g., providing in-country expertise overseas); domestic surveillance and diagnostics (including wildlife surveillance); and emergency preparedness and response. In addition, \$3.2 million would be used to develop methods to detect avian influenza in the environment and assess the risk that feral swine pose in the development of a potential pandemic. Swine have been recognized as a potential 'mixing vessel' in which these pandemic influenza viruses arise. Further, an additional \$3 million is requested to enhance efforts related low pathogenic avian influenza. The ARS request includes \$5.4 million for further avian influenza research, including vaccine development.

FARM AND FOREIGN AGRICULTURAL SERVICES

MISSION AND RELATIONSHIP TO STRATEGIC GOALS

The Farm and Foreign Agricultural Services (FFAS) mission area has responsibility for the delivery of most programs and services that support USDA Strategic Goals 1 and 2, which focus on enhancing international competitiveness of American agriculture and enhancing the competitiveness and sustainability of rural and farm economies. Under USDA Strategic Goal 1, the mission area supports three key USDA objectives, including: (1) expand and maintain international export opportunities; (2) support international economic development and trade capacity building; and (3) improved sanitary and phytosanitary (SPS) system to facilitate agricultural trade. Under USDA Strategic Goal 2, the mission area supports two key USDA objectives, including: (1) expand domestic market opportunities; and (2) provide risk management and financial tools to farmers and ranchers.

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

Key performance measures for these objectives include the value of trade expanded or preserved through trade agreement compliance monitoring and enforcement for both SPS and non-SPS issues; number of women and children assisted overseas through McGovern-Dole preschool and school feeding activities; increase in the value of risk protection coverage provided to producers through the Federal crop insurance program; and increase in the percent of loans extended to beginning and socially disadvantaged farmers and ranchers. Program delivery performance measures include maintaining or reducing processing time for direct and guaranteed loans and maintaining or increasing the percentage of program benefits delivered through a web environment. Program performance may be affected by numerous external factors. For example, preserving the value of trade through trade agreement monitoring and enforcement depends heavily on the actions of other governments and their willingness to meet their trade obligations. Also, the expected market price of farm commodities may dramatically affect the value of commodities protected by crop insurance and therefore the value of risk protection provided.

FFAS also plays an important role in support of USDA Strategic Goal 6, which is to protect and enhance the Nation's natural resource base and environment. FFAS administers and provides support for programs that contribute to Strategic Objective 6.2, enhance soil quality to maintain productive working cropland, which is one of four objectives supporting Strategic Goal 6.

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

FARM AND FOREIGN AGRICULTURAL SERVICES

FARM SERVICE AGENCY (FSA)

FSA supports USDA Strategic Goal 2 through the delivery of farm credit, disaster assistance, and commodity and related programs. FSA also administers some of the USDA conservation programs that support Strategic Goal 6. FSA provides administrative support for the Commodity Credit Corporation (CCC) which funds most of the commodity, export, and some of the conservation programs of USDA. To deliver its programs, FSA operates an extensive network of local Service Center-based offices.

**Program Level
(Dollars in Millions)**

Program	2005 Actual	2006 Estimate	2007 Budget
Farm Loan and Grant Programs.....	\$3,135	\$3,853	\$3,502
Commodity Programs.....	30,099	29,406	26,651
Conservation and Other Programs.....	2,012	2,213	2,327
Salaries and Expenses.....	1,295	1,325	1,411
Total, FSA.....	\$36,541	\$36,797	\$33,891

FARM AND FOREIGN AGRICULTURAL SERVICES

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

Program	2005		2006		2007	
	<u>Actual</u>		<u>Estimate</u>		<u>Budget</u>	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized.....	\$885	\$27	\$1,138	\$34	\$1,026	\$2
Guaranteed Subsidized.....	283	38	272	34	272	25
Direct.....	556	56	644	64	644	75
Total, Operating Loans.....	1,724	121	2,054	132	1,942	102
Farm Ownership Loans:						
Guaranteed Unsubsidized.....	1,027	5	1,386	7	1,200	0
Direct.....	272	15	206	11	223	9
Total, Ownership Loans.....	1,299	20	1,592	18	1,423	9
Indian Land Acquisition Loans.....	0	0	2	a/	4	1
Boll Weevil Eradication.....	83	0	100	0	59	1
Subtotal, Farm Loan Programs.....	3,106	141	3,748	150	3,428	113
State Mediation Grants.....	4	4	4	4	4	4
Alaska Dairy Loans and Grants.....	1	1	1	1	0	0
Emergency Loans b/.....	24	3	100	11	70	8
Total, Farm Loan and Grant Programs...	\$3,135	\$149	\$3,853	\$166	\$3,502	\$125

a/ Less than \$0.5 million.

b/ Amounts for 2005, 2006, and 2007 are from funds carried over from prior years.

The farm credit programs provide an important safety net for America's farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. Consistent with the Administration's policies on food and agriculture, the farm credit programs play an important role in enhancing the infrastructure of the food and agricultural system. The 2007 budget supports about \$3.4 billion in direct and guaranteed farm loans. This compares to a total program level of \$3.7 billion provided in 2006. The program supports USDA Strategic Objective 2.3: provide risk management and financial tools to farmers and ranchers.

FARM AND FOREIGN AGRICULTURAL SERVICES

Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Increase percent of loans to beginning farmers, racial and ethnic minorities, and women farmers financed by the Farm Service Agency (FSA) Baseline: 2000 = 27%	33%	34%	40%	46%	40%	40%
Reduce average processing time for direct loans (days) Baseline: 2000 = 43	41	43	37	35	35	34.5
Reduce average processing time for guaranteed loans (days) Baseline: 2000 = 16	15	15	14	14.5	14.25	14
Maintain or increase percentage of FSA program benefits delivered through a web environment (percent of dollars) Baseline: 2005 = 22%	N/A	N/A	N/A	22	33	33

As has been the case for several years, greater levels of assistance will be offered through guaranteed loans rather than direct loans. Guaranteed loans have lower subsidy costs and are serviced by private lenders. The budget authority requested to support guaranteed farm ownership and guaranteed unsubsidized farm operating loans has declined from 2006 due, in part, to an Administration proposal for a modest increase in the fee required to obtain such loans. This fee increase is expected to produce about \$30 million in savings in 2007 and \$300 million in savings over the next ten years. The modified fee structure does not require Congressional action and will be implemented through the rulemaking process. Guaranteed farm ownership loans are a critical source of credit for some borrowers because they allow real estate equity to be used to restructure short-term debt. Emphasis will continue to be placed on providing assistance to socially disadvantaged farmers. As required by statute, a portion of both direct and guaranteed farm operating and ownership loan funds is targeted to socially disadvantaged borrowers based on county level demographic data. Although targets vary by loan program and county, on average about 14 percent of loan funds are targeted to socially disadvantaged borrowers.

The 2007 budget proposes loan levels that generally reflect actual usage in recent years. The amounts a farmer may borrow under the direct and guaranteed loan programs are limited by statute. For direct loans, the borrowing limit is \$200,000 for any combination of direct farm ownership or operating loans. For guaranteed loans, the borrowing limit adjusts annually for inflation; in 2006 the loan limit is \$852,000 for any combination of guaranteed farm ownership or operating loans.

FARM AND FOREIGN AGRICULTURAL SERVICES

For farm operating loans, the 2007 budget provides \$644 million for direct loans and about \$1.3 billion for guaranteed loans. These loan levels will serve an estimated 18,200 farmers, about 12,100 of whom will receive direct loans and 6,100 will receive guarantees. The availability of farm operating loans provides farmers with short term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock, feed, equipment, and other supplies. For farm ownership loans, the 2007 budget provides \$223 million in direct loans and \$1.2 billion for guaranteed loans. The 2007 levels will provide almost 9,800 people with the opportunity to either acquire their own farm or keep an existing one. About 4,200 borrowers would receive direct loans and 5,600 would receive guaranteed loans. The estimates of the number of borrowers served reflect the 2005 average loan amounts of about \$53,000 for all direct loans and \$212,000 for all guaranteed loans.

The 2007 budget requests no additional funding for emergency loans. No additional funding has been provided for emergency loans since 2002 due to the availability of carry-over funding from prior years' supplemental appropriations. There is expected to be sufficient carry-over funding available for 2007 to fund the emergency loan program given "normal" weather conditions. The 2007 budget also provides funding for Indian Land Acquisition loans and the Boll Weevil Eradication Loan Program. Due to the successful completion of some State eradication programs, the 2007 budget requests \$59 million for the boll weevil program compared to \$100 million provided for 2006.

Funding for State Mediation Grants would be maintained at \$4.2 million. These grants are made to States to help support certified programs that provide alternative dispute resolution on a wide variety of agricultural issues. Mediation benefits family farmers, including many low-income and socially disadvantaged farmers, who, because of mediation, are often able to resolve credit and other issues and remain on the farm.

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

FARM AND FOREIGN AGRICULTURAL SERVICES

Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	<u>Program Levels</u>			<u>Net Outlays</u>		
	2005	2006	2007	2005	2006	2007
Commodity Programs:						
Price Support and Marketing						
Assistance Loans.....	\$12,619	\$11,116	\$10,331	\$5,801	\$4,565	\$3,205
Loan Deficiency Payments.....	3,856	4,839	4,258	3,856	4,839	4,258
Direct Payments.....	5,235	4,800	4,322	5,235	4,800	4,322
Countercyclical Payments.....	2,772	4,291	5,109	2,772	4,291	5,109
Milk Income Loss Contract Payments.....	9	415	330	9	415	330
Noninsured Assistance Payments.....	110	380	328	110	380	328
Farm Storage Facility Loans.....	72	64	71	15	4	5
Cotton User Marketing Payments.....	582	397	0	582	397	0
Tobacco Payments.....	939	960	952	939	960	952
Other Direct Payments.....	12	29	0	12	29	0
Purchases and Sales.....	898	521	533	-4,329	-3,538	-2,606
Processing, Storage and Transportation...	125	130	113	125	130	113
Disaster Assistance.....	2,469	728	0	2,469	728	0
Interest Expenditures.....	139	427	467	71	331	366
Other.....	262	309	918	1,932	504	1,140
Total, Commodity Programs Baseline..	30,099	29,406	27,732	19,599	18,835	17,522
Conservation Programs:						
Conservation Reserve Program.....	1,862	1,987	2,093	1,828	1,992	2,092
Other Conservation Programs.....	0	22	234	23	25	237
Total, Conservation Programs.....	1,862	2,009	2,327	1,851	2,017	2,329
Export Programs:						
Export Credit.....	2,625	3,107	3,167	137	252	121
Market Access Program (MAP).....	140	200	200 ^{a/}	139	150	190
Foreign Market Development						
(Cooperator) Program.....	34	34	34	36	35	35
Emerging Markets Program.....	10	10	10	6	20	10
Technical Assistance for Specialty						
Crops Program.....	2	2	2	2	2	2
Quality Samples Program.....	2	2	2	1	2	2

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Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	Program Levels			Net Outlays		
	2005	2006	2007	2005	2006	2007
Export Enhancement Program.....	0	28	28	0	28	28
Dairy Export Incentive Program.....	0	2	35	1	2	35
Food for Progress Program.....	122	158	161	93	119	154
Section 416(b) Donations b/.....	8	0	0	70	5	2
Other.....	15	17	18	15	15	16
Total, Export Programs.....	2,958	3,560	3,657	500	630	595
Subtotal, CCC.....	34,919	34,975	33,716	21,950	21,482	20,446
Pre-credit Reform Loan Repayments.....	0	0	0	-1,763	-225	-215
CCC Baseline.....	34,919	34,975	33,716	20,187	21,257	20,231
Limit MAP to \$100 million.....	0	0	-100	0	0	-100
Legislative Changes to Reduce Spending...	0	0	-1,081	0	0	-1,081
Total, CCC.....	\$34,919	\$34,975	\$32,535	\$20,187	\$21,257	\$19,050

RECAP COMMODITY PROGRAMS:

Baseline.....	\$30,099	\$29,406	\$27,732	\$19,599	\$18,835	\$17,522
Proposed Legislation.....	0	0	-1,081	0	0	-1,081
Total, Commodity Programs.....	\$30,099	\$29,406	\$26,651	\$19,599	\$18,835	\$16,441

a/ Reflects authorized level for MAP. The 2007 budget includes a proposal to limit MAP to \$100 million.

b/ Ocean freight and overseas distribution costs.

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

Changes over the last decade in commodity, disaster, and conservation programs due to policy, weather, and market conditions have dramatically changed the level, mix, and variability of CCC outlays. CCC net outlays have declined from a record high of \$32.3 billion in 2000 to \$20.2 billion in 2005. Projected outlays are about \$21.3 billion in 2006 and \$19.1 billion in 2007, reflecting the provisions of the 2002 Farm Bill and changing to a stochastic estimating procedure. Stochastically derived projected outlays are \$0.1 billion higher in 2006 and \$2 billion higher in 2007 compared with projected outlays under the previously used point-estimate procedure. Under the new stochastic procedure, projected outlays reflect a range of price outcomes as opposed to a single price outcome to take into account price variability and that program payments increase when prices fall below specified levels. CCC outlays in 2005 and

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2006 as well as some prior years also included substantial levels of emergency disaster and other *ad hoc* supplemental assistance.

Farm Service Agency Commodity Program Outlays (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Commodity:			
Feed Grains.....	\$6,813	\$10,034	\$7,889
Wheat.....	1,232	1,149	1,722
Rice.....	473	603	532
Upland and ELS Cotton.....	4,444	3,108	2,828
Tobacco.....	-411	-73	0
Dairy.....	-95	386	414
Soybeans and Products.....	1,149	347	1,858
Minor Oilseeds.....	32	51	36
Peanuts.....	408	357	312
Sugar.....	-86	0	0
Honey.....	8	26	30
Wool and Mohair.....	7	10	10
Vegetable Oil Products.....	24	15	39
Other Crops.....	122	88	69
Subtotal.....	14,120	16,101	15,739
Disaster Assistance.....	2,469	728	0
Subtotal, Assistance To Farmers.....	16,589	16,829	15,739
Other <u>a/</u>	3,010	2,006	1,783
Commodity Programs Baseline.....	19,599	18,835	17,522
Legislative Changes to Reduce Spending.....	0	0	-1,081
Total, Commodity Programs.....	\$19,599	\$18,835	\$16,441

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

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

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

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given an opportunity to update historical acreage bases and yields for use in determining counter-cyclical payments. Nearly 1.9 million farms were enrolled in the program in 2005. The CCC marketing assistance loan programs are provided for the direct payment program commodities as well as for wool, mohair, honey, and pulses to provide protection against sharp declines in market prices.

Marketing assistance loan program levels are projected to decline from \$12.6 billion in 2005 to \$11.1 billion in 2006 and then to decline further to about \$10.3 billion in 2007. Loan deficiency payments totaled \$3.9 billion in 2005 and are expected to rise to \$4.8 billion in 2006 due to abundant agricultural production and low prices before dropping to a projected \$4.3 billion in 2007. A PART review of the marketing loan assistance program conducted as part of the 2005 budget process determined that the program was “moderately effective.”

The Farm Bill dramatically increased dairy program outlays by establishing a direct payment tied to milk prices. The Milk Income Loss Contract (MILC) program provides payments equal to a percentage of the difference between \$16.94 per hundredweight and the Class I milk price per hundredweight in Boston under the applicable Federal milk marketing order. Due to improved milk prices since 2004, dairy outlays have declined dramatically from nearly \$2.5 billion in 2003 to a minus \$95 million in 2005, reflecting net receipts from sales of surplus dairy products. Dairy program outlays are expected to rise to about \$400 million in 2006 and 2007. Most of the projected outlays in 2006 and 2007 are due to the expected extension of the MILC program. Consistent with a Presidential commitment, the extension is provided in the pending Deficit Reduction Act of 2005 to maintain support to dairy producers for two more years.

The American Jobs Creation Act of 2004 eliminated the historic tobacco price support and quota program effective with the 2005 crop. In return tobacco producers and quota holders will receive transition “buyout” payments for 10 years of about \$960 million per year. The transition payments are funded by assessments on tobacco manufacturers and importers so that the program will be budget neutral.

The 2007 budget proposes a broad package of deficit reduction measures which are similar to the proposals in the 2006 President’s budget which were not enacted by Congress. The proposals include legislative changes to make a net reduction in farm program spending of about \$1.1 billion in 2007 and \$7.7 billion over the ten year period 2007 through 2016. These proposals include: reducing the payment limitation for all CCC commodity payments including marketing loan gains to \$250,000; reducing all commodity payments to farmers by 5 percent; applying a 1.2 percent marketing assessment on sugar processors; keeping the costs of the dairy price support program at a minimum; and implementing a 3 cent per hundredweight assessment on milk marketings. The 2007 proposals, including a crop insurance proposal also made last year, will save about \$5 billion over 5 years compared to the \$5.2 billion in savings proposed in the 2006 budget.

The proposed legislative changes are consistent with PART review results for several of the programs impacted by the proposals. For example, an evaluation of the dairy price support program indicated that it may be possible to improve its cost effectiveness.

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The 2007 budget reflects the expiration of the CCC bioenergy incentive program as authorized by the Farm Bill. A PART review of this program conducted during the 2005 budget process suggested that additional incentives from CCC for ethanol were less critical than other Federal assistance, including tax credits and production mandates, and that greater emphasis should be placed on incentives for biodiesel production rather than ethanol. New tax incentives for biodiesel and ethanol enacted in the American Jobs Creation Act of 2004 further reduce the need for the CCC program.

The Farm Bill also provides authority for conservation programs. The Conservation Reserve Program (CRP), a CCC program, is administered by FSA in addition to the Emergency Conservation Program. All other USDA cost-share and easement conservation programs such as the Environmental Quality Incentives Program, Wetlands Reserve Program, Farm and Ranch Lands Protection Program, Conservation Security Program, and Wildlife Habitat Incentives Program are administered by the Natural Resources Conservation Service (NRCS). The programs are described on page 80.

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

Acreage that counts toward the total enrollment cap includes acres enrolled in the CRP through scheduled general signups and those enrolled through a continuous, noncompetitive signup that has been under way since September 1996 with the purpose of enrolling land in filter strips, riparian buffers, and similar conservation practices. Continuous signup includes an initiative announced in December 2003 to restore up to 500,000 acres of floodplains by planting bottomland hardwood trees. Continuous signup acreage also includes enrollment under the Conservation Reserve Enhancement Program (CREP) that is designed to target program benefits to address specific local and regional conservation problems. At this time, 25 States have approved CREP agreements.

The Farm Bill also permits up to 1 million acres of wetland acreage to be enrolled under the Farmable Wetlands Program (FWP) as part of the 39.2 million total acreage for CRP. Up to 100,000 acres per State may be enrolled. Two additional initiatives announced by the President in 2004 which are being conducted under continuous signup are the CRP Northern Bobwhite Quail Habitat initiative to provide 250,000 acres of grass buffers around field borders and the 250,000 acre Wetlands Restoration initiative to enroll large wetland complexes and playa lakes. Playa lakes are shallow, depressional wetlands formed from rain and associated runoff. Over 95 percent of the world's playa lakes may be found in the Western Great Plains; they are the sole source of recharge for the Ogallala Aquifer. The Farm Bill also permits managed harvesting of forage from CRP lands (subject to the requirement that environmental benefits be maintained or enhanced) and requires equal consideration be given to soil erosion, water quality, and wildlife.

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CRP enrollment totaled over 35 million acres at the end of 2005 with over 90 percent of the acreage having been enrolled under scheduled general signups. General signups of 2.5 million acres in 2006 and 4.9 million acres in 2007 are planned. Total CRP enrollment is projected to reach 36.3 million acres in 2006 and 38.9 million acres in 2007 with the maximum enrollment of 39.2 million acres expected in 2008.

Re-enrollments and extensions will be offered in 2006 to participants with CRP contracts expiring during 2007 through 2010 consistent with a Presidential commitment to preserve environmental benefits. Contracts expiring in 2007 cover 16 million acres and a total of 28 million acres involving 400,000 contracts will expire over the 2007-2010 period. Re-enrollments for 10 years will be offered to the top one-fifth of the expiring acreage as ranked by environmental benefits. Shorter extensions will be offered to other participants based on the ranking. Rental rates and other incentives are being reviewed and updated.

The CRP was evaluated under the Program Assessment Rating Tool (PART) as part of the 2007 budget process and determined to be moderately effective. In order to improve FSA's ability to deliver the program, modest new service fees will be proposed for servicing re-enrolled and extended contracts.

The Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza Act, 2006 provided for an Emergency Forestry Conservation Reserve Program to be implemented in 2006. This new program permits certain hurricane damaged timberland to be placed in environmentally beneficial long-term contracts to restore timber stands and to prevent soil erosion. A key performance measure for conservation efforts pertinent to agricultural production on private lands is noted below:

Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (million acres) Baseline: 2000 = 1.21	1.24	1.45	1.65	1.75	1.85	2.00

Emergency Conservation Program (ECP). Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and (4) represent damage that is unusual and would not recur frequently in the same area. For the past several years, this program has been funded through emergency supplemental appropriations. The Hurricane Disaster Assistance Act of 2005 provided \$150 million for ECP and the 2006 supplemental for hurricane assistance provided \$199.8 million. The budget is proposing no new funding for the ECP in 2007 since needs are difficult to predict in advance.

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Farm Bill Conservation Programs Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Commodity Credit Corporation:			
Conservation Reserve Program.....	\$1,862	\$1,987	\$2,093
Natural Resources Conservation Service:			
Farm Bill Programs (Funded from CCC):			
Total Budget Authority:			
Environmental Quality Incentives Program.....	950	1,017	1,000
Ground and Surface Water Conservation.....	65	51	51
Klamath Basin.....	10	8	6
Wetlands Reserve Program.....	267	250	403
Wildlife Habitat Incentives Program.....	46	43	55
Farm and Ranch Lands Protection Program.....	112	74	50
Grassland Reserve Program.....	71	54	0
Conservation Security Program.....	202	259	342
Agricultural Management Assistance.....	14	5	0
Biomass Research and Development.....	14	12	12
Total, NRCS Farm Bill Programs.....	1,751	1,773	1,919
Total, Farm Bill Conservation Programs.....	\$3,613	\$3,760	\$4,012

The focus of USDA conservation programs administered by NRCS and FSA is to use environmentally sound management systems for agricultural production to meet food and fiber needs of the society.

Salaries and Expenses. The 2007 budget proposes a level of \$1.4 billion to support staff years and 9,425 non-Federal staff years. Federal staff years will decline by 65 in 2007. Staff levels have been reallocated among FSA's key goals to reflect the decreased workload associated with farm income program support and other areas while accommodating rising workload needs for conservation and other programs. Non-Federal county staff years will decline by 24 staff years in 2007. Total FSA staff years will decline by 1,069 in 2006 and will decline another 89 staff years in 2007. Elimination of the tobacco program and other program workload changes have reduced staffing needs in certain areas.

FSA's large and decentralized delivery system remains largely unchanged from its inception decades ago despite dramatic changes in transportation and communications systems. Modernization of FSA is crucial to maintaining quality service to its clientele as program delivery requirements remain high while its delivery system has remained too dependent on aging technology and on an inefficient network of county offices. The budget includes funding to support ongoing operational needs as well as modernization initiatives.

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Funding for IT modernization and related Geospatial Information Systems (GIS) initiatives has been provided in the Common Computing Environment (CCE) account managed by the Office of the Chief Information Officer (OCIO) as well as in FSA's salaries and expenses budget. The maintenance of modern digitized databases with common land unit information, integrated with soils and crop data and other farm records and related initiatives, is vital to the development of more efficient and effective customer services at the Service Centers. This facilitates the realization of potential benefits from electronic (e)-Government. FSA is also pursuing a major initiative to develop new and improved business processes and fully modernized software to enable more customer friendly web-based delivery of its farm programs in the future. The budget includes \$14 million for development of technical specifications required to develop modernized software and improved processes. Modernized software applications will replace current systems which are dependent upon aging, obsolete IT architecture. The Administration expects significant long-term savings and improved services to clientele to result from improvements made in the information technology services, as well as in the IT administrative support services of the three county-based agencies (FSA, NRCS, and the Rural Development mission area). FSA will also make administrative improvements in its servicing of farm credit loans. FSA efforts to improve the efficiency of program delivery are also critically dependent upon the ability to streamline the local service center structure. Over 1,000 of the 2,350 local FSA offices are currently staffed with three or fewer employees per office and are increasingly costly to maintain. FSA will review its county office structure consistent with Congressional guidance to obtain local input and thorough analysis to determine appropriate restructuring of its county offices.

In addition, modest new service fees are proposed for loan deficiency payments and for conservation reserve contracts including re-enrolled and extended contracts. These fees will help cover administrative expenses for site visits, contract preparation and related expenses for these two programs.

Farm Service Agency Staff Years

Program	2005 Actual	2006 Estimate	2007 Budget
Federal.....	5,577	5,318	5,253
Non-Federal:			
Permanent Full-Time.....	9,140	8,799	8,775
Temporary.....	1,119	650	650
Total, Non-Federal.....	10,259	9,449	9,425
Total, FSA Staff Years.....	15,836	14,767	14,678

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RISK MANAGEMENT AGENCY (RMA)

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

Program	2005 Actual	2006 Estimate	2007 Budget
SUMMARY OF GOVERNMENT COSTS:			
Delivery and Other Administrative Expenses <u>a/</u>	\$914	\$927	\$1,015
Gross Indemnities.....	3,266	3,974	4,171
Underwriting Gains <u>b/</u>	848	740	667
Subtotal, Crop Insurance Program Level.....	5,028	5,641	5,853
Administrative and Operating Expenses.....	70	76	81
Total, Program Level.....	5,098	5,717	5,934
Less: Producer Premium and CAT Administration Fees.....	-2,084	-1,669	-1,691
Total, Government Costs.....	<u>\$3,014</u>	<u>\$4,048</u>	<u>\$4,243</u>

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

b/ Payments to private insurance companies.

RMA administers the Federal Crop Insurance Program which provides a critical means of support for USDA Strategic Goal 2. The program provides an important safety net that protects producers from a wide range of risks caused by natural disasters, as well as the risk of price fluctuations. In recent years, an increasing proportion of risk protection has been provided by revenue insurance which protects against both a loss of yield and price declines.

Crop insurance is designed to be the primary Federal risk management tool for farmers and ranchers. Despite this, since 2000, four *ad hoc* disaster programs have been authorized, covering six crop years for a total cost of about \$10 billion. The continued reliance on disaster assistance stems, in part, from the low coverage level of catastrophic crop insurance (CAT), which provides a maximum of 27.5 percent of the crop value for a total crop loss. When natural disasters occur, that low level of protection creates the demand for additional disaster assistance.

In continuing the Administration's efforts to more effectively budget and administer crop disaster programs, the 2007 budget includes a proposal to encourage producers to purchase more adequate crop insurance coverage by tying the receipt of direct payments or any other Federal payment for crops to the purchase of crop insurance. This change will ensure that the farmer's revenue loss would not be greater than 50 percent. Other changes include making catastrophic coverage more equitable in its treatment of both large and small farms, restructuring premium rates to better reflect historical losses, and reductions in delivery costs. The combination of changes is expected to significantly improve the program and save the government approximately \$140 million per year, beginning in 2008. In total, this change should ensure that

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the majority of producers have crop insurance and that the minimum coverage level is sufficient to sustain the producer in times of loss.

Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Increase the value of FCIC risk protection coverage provided through FCIC sponsored insurance (billions)	\$37.3	\$40.7	\$41.4	\$44.7	\$43.9	\$47.9
Baseline: 1999 = \$30.9						

The program is expected to provide about \$48 billion in risk protection on about 287 million acres in 2007, about the same number of acres as 2005. This represents about 80 percent of the Nation’s acres planted to principal crops. In 2005, over 50 percent of the policies sold were revenue products which provide protection against both a loss of yield and a decline in commodity prices. Commodity prices are a key external factor which can significantly affect performance measurements for the crop insurance program.

Participation in the Federal Crop Insurance Program by producers is voluntary; however, participation is encouraged through premium subsidies. Crop insurance is delivered to producers through private insurance companies that share in the risk of loss and opportunity for gain. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience. The 2007 budget requests “such sums as necessary” for the mandatory costs associated with the Crop Insurance Program, including premium subsidies, indemnity payments (in excess of premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures. The estimated 2007 indemnities of \$4 billion reflect the statutory loss ratio of 1.075. In addition, producers are expected to pay about \$1.7 billion in premiums.

Discretionary costs for the Federal Crop Insurance Program cover Federal salaries and related expenses to manage the program. The 2007 budget includes about \$81 million for these costs, compared to about \$76 million for 2006. The base funding includes \$3.6 million for the continuation of data mining. The increase includes \$1 million for continued development of the emerging information technology architecture (EITA). The EITA will replace a decade old information technology system which has reached the end of its useful life, resulting in increased costs to maintain and upgrade to accommodate the expanding role of the crop insurance program. The EITA will provide a web-based entry point for companies participating in the crop insurance program that will, among other advantages, facilitate the detection of fraud, waste and abuse in the crop insurance program by improving data mining and data sharing with FSA.

The budget also includes an increase of \$1.3 million for 15 additional staff years. The additional staffing would be focused on reducing fraud; waste and abuse in the crop insurance program and strengthening the front-end oversight of approved insurance providers, as well as, ensuring requirements of the Improper Payment Improvement Act are met.

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The 2007 budget also includes a proposal to establish a fee to be paid by companies participating in the Federal Crop Insurance Program. As the existing IT system reaches the end of its expected useful life, RMA has experienced increases in program down-time due to computer outages and increased maintenance costs to keep this antiquated system operating. The participation fee is being proposed to finance the build-out of the EITA system and eventually to replace appropriated funding for ongoing maintenance costs. The fee would be expected to generate up to \$15 million annually and would be based on the amount of premium sales generated by each company participating in the program. This level of fees could be supported with an assessment of about one-half cent per premium dollar.

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

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FOREIGN AGRICULTURAL SERVICE (FAS)

International Programs and Activities

Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
CCC Export Credit Guarantees:			
Short-term Guarantees (GSM-102).....	\$2,170	\$2,485	\$2,535
Supplier Credit Guarantees.....	455	602	602
Facilities Financing Guarantees.....	0	20	30
Total, Export Credit Guarantees.....	2,625	3,107	3,167
Market Development Programs:			
Market Access Program.....	140	200	100
Foreign Market Development (Cooperator) Program.....	34	34	34
Emerging Markets Program.....	10	10	10
Technical Assistance for Specialty Crops Program.....	2	2	2
Quality Samples Program.....	2	2	2
Total, Market Development Programs.....	188	248	148
Export Subsidy Programs:			
Export Enhancement Program.....	0	28	28
Dairy Export Incentive Program.....	0	2	35
Total, Export Subsidy Programs.....	0	30	63
Trade Adjustment Assistance for Farmers.....	21	90	90
Foreign Food Assistance:			
P.L. 480 Title I Credit and Food for Progress Grants.....	118	73	0
P.L. 480 Title II Donations	1,620	1,335	1,310 ^{a/}
Bill Emerson Humanitarian Trust.....	377	b/	b/
Food for Progress - CCC Funded	122	158	161
McGovern-Dole International Food for Education Program....	90	103	103
Section 416(b) Donations:			
Ocean Freight and Overseas Distribution Costs.....	8	0	0
Value of Commodities.....	(68)	0	0
Total, Foreign Food Assistance ^{c/}	2,335	1,669	1,574
FAS Salaries and Expenses ^{d/}	206	217	227
Total, International Programs.....	\$5,375	\$5,361	\$5,269

^{a/} Budget authority increases \$80 million over the 2006 enacted level.

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

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

^{d/} Includes administrative reimbursement for managing GSM export credit guarantee program and other reimbursable agreements.

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FAS is the lead agency for the Department's international activities. Operating on a global basis, FAS supports three of the Department's strategic objectives: (1) expand and maintain international export opportunities for U.S. agriculture, (2) support international economic development and trade capacity building, and (3) improve the global sanitary and phytosanitary (SPS) system to facilitate agricultural trade.

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

CCC Export Credit Guarantee Programs. The CCC export credit guarantee programs, administered by FAS in conjunction with FSA, provide payment guarantees for the commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales.

The budget includes an overall program level of nearly \$3.2 billion for CCC export credit guarantees in 2007. This estimate reflects the level of sales expected to be registered under the export credit guarantee programs. However, the actual level of programming is likely to vary from this estimate, depending upon program demand, market conditions, and other relevant factors during the course of the year.

Of the total program level for export credit guarantees expected to be issued by CCC in 2007, \$2.5 billion will be made available under the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms (up to 3 years). For supplier credit guarantees, the budget includes an estimated program level of \$602 million for 2007. Under this credit activity, CCC guarantees payments due from importers under short-term financing (up to 180 days) that exporters extend directly to the importers for the purchase of U.S. agricultural products.

The budget also includes an estimated program level of \$30 million for facility financing guarantees in 2007. Under this activity, CCC provides guarantees to facilitate the financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, these guarantees enhance sales of U.S. agricultural products to countries where demand is constricted due to inadequate storage, processing, or handling capabilities.

On July 1, 2005, a number of changes were adopted for the CCC export credit guarantee programs in response to a World Trade Organization (WTO) dispute panel decision. These changes are intended to remove any long-term subsidy component of the program, prospectively.

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First, the guarantee fees charged under the export credit guarantee programs were changed from a flat fee basis to a country risk-based approach. Second, countries in the highest risk categories were eliminated from the program altogether. Third, operation of the GSM-103 intermediate export credit guarantee program was suspended, and the Administration submitted proposed legislation to Congress seeking deletion of the statutory authority for the program.

A PART review of the CCC export credit guarantee programs was carried out as part of the 2006 budget process, resulting in an overall rating of “moderately effective.” The review found that the programs are generally well managed but have some weaknesses in strategic planning. In response to those findings, FAS developed a new long-term performance measure and performance targets designed to gauge better the programs’ market development effectiveness. FAS also is taking steps to minimize defaults and improve its claims recovery activities, and to develop a process for regular independent evaluations to examine program effectiveness.

Foreign Market Development Programs. FAS administers a number of programs, in partnership with private sector cooperator organizations, which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. Under the Market Access Program (MAP), CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities, such as direct consumer promotions. Historically, more than 80 percent of MAP funding has been devoted to building export markets for high-value products, the fastest growing component of U.S. agricultural exports. MAP participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies which qualify as small business concerns. As a deficit reduction measure and in response to recent PART findings, the budget provides funding for MAP of \$100 million in 2007, a reduction of \$100 million from the 2006 level.

Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions. For 2007, the budget continues funding for the Cooperator Program at the current level of \$34.5 million.

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

The 2002 Farm Bill authorized a new Technical Assistance for Specialty Crops Program to address unique barriers that prohibit or threaten the export of U.S. specialty crops. Under the program, grants are provided to assist U.S. organizations in activities designed to overcome

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phytosanitary and related technical barriers to trade. For 2007, the budget provides \$2 million for the program, which will be carried out with CCC funding.

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

The foreign market development programs were subject to a PART review as part of the 2007 budget process. The review resulted in an overall rating of “moderately effective” and found that some of the activities can help reduce trade barriers that have been erected against U.S. agricultural exports. At the same time, however, the PART review found that it is difficult to determine whether activities funded through the programs would have occurred in the absence of government funding and noted that some of the participating trade groups receive funding from large organizations that could afford to support their own export promotion efforts. As a result of these findings, the budget recommends lower funding for the MAP and a better targeting of funds to organizations that can benefit the most.

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

EEP programming has been limited in recent years due to world supply and demand conditions, and no bonuses were awarded under the program during 2005. In view of this recent performance, the budget assumes an EEP programming level of \$28 million for both 2006 and 2007. However, the 2002 Farm Bill established a maximum annual program level for EEP of \$478 million, the maximum allowable level under the Uruguay Round export subsidy reduction commitments. Should market conditions warrant, the program can be reactivated and the awarding of bonuses resumed up to the authorized level.

Due to favorable world market conditions, U.S. dairy products were competitive in overseas markets during 2005 and, therefore, no bonuses were awarded under DEIP. This situation is expected to continue relatively unchanged during 2006, and the budget projects a DEIP program level of \$2 million for this year. However, more competitive market conditions are expected in 2007, and the budget assumes an increase in the DEIP program level to \$35 million. The DEIP program level is an estimate of the level of subsidy funding needed to facilitate export sales consistent with projected U.S. and world market conditions. The program level may increase or decrease from the projected level depending upon the relationship between U.S. and world market prices during the course of the programming year.

Trade Adjustment Assistance for Farmers. The Trade Act of 2002 established the Trade Adjustment Assistance (TAA) Program for Farmers. Under the program, USDA is authorized to make payments to eligible producer groups when the current year’s price of an agricultural

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commodity is less than 80 percent of the national average price for the 5 marketing years preceding the most recent marketing year, and the Secretary determines that imports have contributed importantly to the decline in price. Procedures for determining rates and amounts of payments to eligible producers are set forth in the statute. The statute also authorizes USDA to use not more than \$90 million annually to carry out the program through 2007.

During 2005, 14 petitions for TAA were approved, including 9 that were recertified for a second year of assistance. Commodities that were approved as eligible for assistance included Pacific salmon, shrimp, lychees, California black olives, Idaho potatoes, and Concord juice grapes. Total program costs for 2005 were approximately \$21 million.

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

A PART review of USDA food aid activities was first conducted as part of the 2004 budget process and was updated for the 2006 budget. As a result of the update, the overall rating for those activities was upgraded to “moderately effective.” The original PART found that the programs had strategic planning deficiencies, including the need to identify annual performance goals that are linked to government-wide measures for U.S. foreign food aid. FAS has taken a number of steps to address deficiencies identified in the original PART, including development of a new food aid effectiveness performance measure and baseline. Financial management improvements also have been made, and FAS has undertaken a review of food aid information and reporting systems that will identify improvements in IT systems that should result in efficiencies in program administration.

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

- **Title I** provides for sales of U.S. agricultural commodities to developing country governments and private entities through concessional financing agreements and for donations through Food for Progress grant agreements. The Title I program is administered by FAS.
- **Title II** provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements, and to meet economic development needs that address food security. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, mainly the World Food Program of the United Nations. The Title II program is administered by the Agency for International Development (AID).

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For 2007, the budget supports an overall program level for P.L. 480 food assistance of \$1.3 billion. This includes appropriated funding of \$1.2 billion requested in the budget, plus projected reimbursements to be received from the Maritime Administration for prior year cargo preference related expenses. Together, this funding is expected to support total P.L. 480 commodity assistance of approximately 2.2 million metric tons.

The budget proposes that all P.L. 480 food assistance will be provided through the Title II donations program in 2007. Accordingly, no funding is requested for Title I credit sales and grants. This proposal reflects several recent developments, including the fact that since 2000 an increasing share of U.S. food assistance has been directed to emergency situations in which food aid is critical to prevent famine and save lives. In 3 of the past 5 years, commodities have been released from the Bill Emerson Humanitarian Trust in order to meet unanticipated emergency needs. At the same time, demand for food assistance provided through concessional credit has declined significantly. During 2006, only two government-to-government Title I credit agreements are expected to be signed.

Under this proposal, an increasing share of U.S. food assistance will be programmed to the most critical emergency and economic development needs. Appropriated funding requested for Title II donations is increased by \$80 million over the 2006 enacted level, which offsets the proposed elimination of funding for Title I.

In addition, the budget proposes that the Administrator of AID have the authority to use up to 25 percent of Title II funding to purchase commodities in locations closer to where they are needed, such as neighboring countries. This authority will increase the timeliness and effectiveness of the U.S. response to overseas food aid emergencies by eliminating the need to transport the commodities by ocean carriers. Further, savings achieved in transportation and distribution costs will be available for additional commodity purchases, thereby increasing the overall level of the U.S. response to emergencies.

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

During 2005, two separate releases of wheat from the Trust were authorized totaling 700,000 metric tons. The first, authorized in December 2004, was for up to 200,000 metric tons of wheat to be released to respond to emergency food needs in Sudan. The second release in June 2005 was for up to 500,000 metric tons to meet emergency food needs in Africa, especially Ethiopia and Eritrea. The total value of the assistance provided as a result of these releases is estimated at \$377 million, including freight and overseas distribution costs. Following these releases, the Trust holds approximately 900,000 metric tons of wheat and \$107 million in cash.

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Food for Progress. The Food for Progress Act of 1985 authorizes U.S. agricultural commodities to be provided to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary organizations, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements currently provide for the commodities to be supplied on grant terms. The 2002 Farm Bill authorized the use of CCC funding for commodity procurement, transportation, and associated non-commodity costs for Food for Progress through 2007. P.L. 480 Title I funds may also be used for the procurement and transportation costs of Food for Progress commodities.

The 2007 budget assumes a program level for the CCC-funded portion of Food for Progress programming of \$161 million, which is expected to support approximately 300,000 metric tons of commodity assistance.

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

During 2005, the program provided for the donation of approximately 104,000 metric tons of food commodities to 15 countries. The assistance was provided through ten private voluntary organizations and the World Food Program. The value of the commodities, associated transportation costs, and other related expenses totaled just under \$90 million.

The value of assistance under the McGovern-Dole program is expected to increase in both 2006 and 2007. During 2006, total assistance should reach \$103 million, based on enacted appropriations and anticipated reimbursements from the Maritime Administration. The programming level will benefit approximately 2.4 million women and children, through the donation of nearly 80,000 metric tons of commodities. In conjunction with providing the commodities, the program is authorized to provide technical and financial assistance directed at improving the educational environment, such as improvements in buildings and sanitation facilities.

For 2007, the budget requests appropriated funding of \$99 million for the program, unchanged from the 2006 enacted level. This will be supplemented by an additional \$4 million of anticipated cargo preference reimbursements. Together, these funds are expected to provide for the donation of about 80,000 metric tons of commodities which will assist an estimated 2.5 million women and children.

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

Key Performance Measure	2002	2003	2004	2005	2006	2007
Number of mothers, infants and school children receiving daily meals and take-home rations under McGovern-Dole (participants in millions)	N/A	2.5	2.0	3.4	2.4	2.5

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

In recent years, nonfat dry milk has been the only commodity in CCC inventory available for donation under section 416(b) authority, and approximately 37,000 metric tons of nonfat dry milk were donated during 2005. However, current CCC baseline estimates project that no surplus nonfat dry milk will be made available for programming under section 416(b) authority during 2006 or 2007.

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Foreign Agricultural Service Salaries and Expenses (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Market Access, Intelligence and Analysis.....	\$65	\$71	\$78
Trade Development.....	48	51	52
Agricultural Development for National Security.....	28	29	32
Total, Appropriated Programs.....	141	151	162
CCC Computer Facility and Other IRM Costs			
Funded by CCC.....	12	12	12
Development Assistance Programs Funded by			
AID and Other Organizations.....	48	48	48
Other Reimbursable Agreements.....	5	6	5
Total, Reimbursable Program Activity.....	65	66	65
Total, FAS Program Level.....	\$206	\$217	\$227

In support of its efforts to expand overseas market opportunities and support international economic development and trade capacity building, FAS conducts its activities and programs through offices in Washington, D.C. and at 61 overseas posts. Those posts represent and advocate for U.S. agricultural interests, and provide reporting on agricultural policies, production, and trade for about 130 countries. FAS also operates 16 Agricultural Trade Offices, located in key foreign trading centers, that assist U.S. exporters, trade groups, and State export marketing officials in their trade promotion efforts. FAS has nearly 1,000 employees, of whom about 25 percent serve in overseas locations.

An important component of FAS' work to expand and maintain international export opportunities is compliance monitoring and enforcement of existing trade agreements to ensure full and fair access to overseas markets for American producers and exporters. Each year, FAS personnel in Washington and at overseas posts monitor compliance and, when necessary, intervene with foreign governments on behalf of U.S. exporters who face market access difficulties as a result of unfair and illegal trade barriers. Increasingly, in recent years these barriers have involved sanitary and phytosanitary (SPS) measures. As tariffs have come down globally, SPS measures to protect human, animal, and plant health have become more important barriers to trade and have required significantly enhanced efforts by FAS, in collaboration with other USDA agencies, to address and resolve.

These monitoring and intervention activities are documented and incorporated in the following performance measures. For 2007, a performance target of \$3.1 billion has been established for the value of trade to be expanded or preserved through staff intervention and trade agreement monitoring activities for both SPS and non-SPS issues.

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Objective 1.1: Expand and Maintain International Export Opportunities.

Objective 1.3: Improved Sanitary and Phytosanitary (SPS) System to Facilitate Agricultural Trade

Key Performance Measure	2002	2003	2004	2005	2006	2007
Dollar value of trade expanded through negotiation or preserved through USDA staff intervention and trade agreement monitoring activities (billions)						
Non-SPS Activities				\$0.8	\$0.9	\$0.9
SPS-Related Activities	\$1.3	\$2.7	\$3.9	<u>2.0</u>	<u>2.2</u>	<u>2.2</u>
Baseline: 1999 = \$2.6				\$2.8	\$3.1	\$3.1

As a result of an agency review of its organizational structure and changing workload demands, the FAS budget activity structure has been revised for 2007 to reflect core agency priorities and emerging issues. The FAS budget presentation is now comprised of the following three budget activities: market access, intelligence, and analysis; trade development; and agricultural development for national security. The last activity, which is new, reflects the President’s National Security Strategy that cites “development” as one of the top three pillars of U.S. foreign policy, on par with “diplomacy” and “defense.” The strategy recognizes that the root of the national security threat to the U.S. is the lack of economic development, which often results in political instability.

The budget provides a program level of \$162 million for FAS activities in 2007, an increase of \$11 million above the 2006 level. The budget has been developed to ensure the agency’s continued ability to conduct its activities and provide services to U.S. agriculture. Particular emphasis has been placed on maintaining FAS’ overseas presence so that its representation and advocacy activities on behalf of U.S. agriculture can continue. Included in the budget is funding to cover pay cost increases and an increase of \$4.5 million to meet higher operating costs at FAS’ overseas offices, including increased payments to the Department of State for administrative services provided at overseas posts. Recent declines in the value of the dollar, coupled with overseas inflation and rising wage rates, have led to sharply higher operating costs that must be accommodated if FAS is to maintain its overseas presence.

The budget also requests an increase of \$2.9 million to meet FAS’ contribution to the Capital Security Cost Sharing Program. Under this program, which was implemented in 2005, agencies with an overseas presence will contribute a proportionate share of the costs of accelerated construction of new, safe U.S. diplomatic facilities over a 14-year period.

Additional funding of \$1.5 million is requested to support a new FAS Trade Capacity Building initiative. Through technical assistance, training, and related activities, the initiative will support U.S. trade policy objectives by assisting developing countries to adopt scientifically sound health and safety standards that will enable U.S. exporters to take advantage of negotiated market

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access. It will also strengthen their ability to participate in and benefit from the global trading arena and, thereby, enhance opportunities for U.S. agricultural exports.

Additional funding in support of FAS efforts to address market access constraints related to biotechnology will be made available from funds requested for the Office of the Secretary for USDA cross-cutting trade negotiation and biotechnology activities.

In addition, the budget includes an estimated \$65 million in funding to be made available to FAS through reimbursable agreements. The largest component of this is funding for technical assistance, training, and research activities that FAS carries out overseas on behalf of AID, foreign governments, and international organizations. Although funded by other agencies, these activities are an important component of the Department's efforts to support economic development and trade capacity building in developing countries.

During 2007, FAS will continue to coordinate the Department's efforts to assist in the reconstruction of Afghanistan by providing technical advisors to serve on the Provincial Reconstruction Teams (PRTs) that are operating throughout the rural provinces of Afghanistan. The PRTs promote economic development and stability in the rural areas of that country by addressing a wide range of problems brought on by years of neglect and mismanagement. USDA advisors, who volunteer to serve temporary assignments on the PRTs, provide a variety of technical expertise in support of agricultural reconstruction and rural development activities, offer advice to non-governmental organizations, and assist local authorities in setting agricultural priorities. The 2007 budget includes \$5 million in the Office of the Secretary to help support the costs of those agencies whose personnel serve on the PRTs; this funding will help to ensure continued USDA participation in these efforts.

RURAL DEVELOPMENT

MISSION AND RELATIONSHIP TO STRATEGIC GOAL

All funds for the Rural Development (RD) mission area support USDA Strategic Goal 3, which is to support increased economic opportunities and improved quality of life in rural America. USDA has two key objectives which support the achievement of this strategic goal. These objectives are (1) expand economic opportunities by using USDA financial resources to leverage private sector resources and create opportunities for growth; and (2) improve the quality of life through USDA financing of quality housing, modern utilities, and needed community facilities. Key performance measures include the number of jobs created or saved, the number of home ownership opportunities provided, and the number of rural residents served by USDA-financed facilities. Efforts are underway to improve these measures. In particular, RD has been working with the University of Missouri on implementing an evaluation model known as the Social-Economic Benefit Assessment System (SEBAS). This model is designed to assess the job and income creation impacts at local, regional and State levels due to RDs' investments. Initially, the model will be applied to RD's business programs and, later, to other RD programs, as appropriate. In addition, improvements are being made in RD's collection and verification of performance data, and analysis of the relationships among such data and the numerous external factors that may affect performance. RD also developed new performance measures that resulted in upgrades in the PART review for its water and waste disposal and multi-family housing programs to ratings from "Results Not Demonstrated" to "Effective" for the water and waste disposal program and "Moderately Effective" for the multi-family housing program.

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

RD programs have traditionally served as a source of financing for borrowers who could not obtain credit elsewhere, or could not afford to pay commercial rates of interest. Currently, more attention is being paid to addressing specific priorities that have the potential for significant returns in terms of income and social benefits. These priorities include: directing the business programs to venture capital opportunities, such as value-added processing and renewable energy and energy efficiency projects; ensuring that rural areas have access to quality broadband services; supporting the President's "first responders" and "faith-based" initiatives; and providing for capital improvements and tenant protection for residents of USDA's multi-family housing projects. In addition, RD continues to provide substantial assistance for increasing homeownership opportunities in rural areas, supporting rural businesses, and helping rural communities improve and expand essential electric, telecommunication, and water and waste disposal services.

RURAL DEVELOPMENT

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

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Ongoing Rural Development Programs:						
Rural Utilities Service.....	\$6,617	\$655	\$8,278	\$658	\$6,325	\$553
Rural Housing Service.....	6,163	1,049	7,908	1,134	6,271	875
Rural Business - Cooperative Service.....	861	160	1,257	171	1,139	102
Salaries and Expenses.....	637	637	659	659	671	671
Total, Rural Development.....	\$14,278	\$2,501	\$18,102	\$2,622	\$14,406	\$2,201

The 2007 budget includes \$14.4 billion in loans, grants, salaries and expenses, and related assistance in ongoing programs for rural residents and communities. This level is \$3.7 billion below the estimate for 2006, \$1.5 billion of which is due to not extending a program to underwrite notes issued by private sector electric and telephone lenders. Other notable reductions from the 2006 estimates include about \$100 million in water and waste disposal grants, \$198 million in broadband loans, and \$161 million in rural rental assistance payments. The remaining \$1.6 billion is due to one time supplemental funding for the 2005 hurricanes.

The Rural Community Advancement Program (RCAP) was created by the 1996 Farm Bill. It combines several key USDA Rural Development programs under three funding streams – rural utilities programs (water and waste loans and grants), rural community programs (direct and guaranteed loans, and grants), and rural business and cooperative development programs (primarily business and industry loan guarantees and rural business enterprise grants). Funding may be transferred both within and among these streams, subject to certain limitations. This provides greater flexibility for meeting State and local priorities. RCAP activities are discussed under the individual RD programs.

RURAL DEVELOPMENT

Rural Community Advancement Program (Dollars in Millions)

Program	2005 Program Level	2006 Program Level	2007 Program Level
Water and Waste Disposal Programs:			
Direct Loans.....	\$921	\$990	\$990
Guaranteed Loans.....	3	75	75
Grants.....	481	452	346
Emergency Supplemental.....	39	45	0
Individually Owned Household Water Well Programs.....	2	1	0
Solid Waste Management Grants.....	3	3	3
Community Facility Programs:			
Direct Loans.....	426	297	297
Emergency Supplemental.....	303	0	0
Guaranteed Loans.....	195	208	208
Grants.....	20	17	17
Emergency Supplemental.....	5	0	0
Community Facility Earmarks.....	5	4	0
Rural Community Development Grants.....	4	6	0
Tribal College Grants.....	4	4	0
Economic Impact Initiative Grants.....	20	18	0
High Energy Cost Grants.....	21	26	0
Business and Industry Programs:			
Guaranteed Loans.....	678	914	990
Delta Regional Authority.....	3	2	0
Rural Business Opportunity Grants.....	3	3	<u>a/</u>
Rural Business Enterprise Grants.....	41	40	<u>a/</u>
Total, Loans and Grants.....	\$3,176	\$3,104	\$2,926

a/ To be funded within the Department of Commerce budget.

RURAL DEVELOPMENT

RURAL UTILITIES SERVICE (RUS)

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

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loan Programs:						
Direct 5 Percent.....	\$119	\$4	\$99	\$1	\$99	\$2
Municipal.....	100	1	99	5	40	1
Direct Treasury Rate.....	1,000	0	990	<u>a/</u>	700	0
FFB Direct.....	2,100	0	2,600	0	3,000	0
FFB Loan Modification Emerg Suppl.....	0	0	<u>c/</u>	8	0	0
Guaranteed CFC/CoBank.....	0	0	99	<u>a/</u>	0	0
Guaranteed Underwriting.....	1,000	0	1,500	0	0	0
Total, Electric Loans.....	4,319	5	5,387	14	3,839	3
Telecommunications Loans:						
Direct 5 Percent.....	145	0	145	0	144	1
Direct Treasury Rate.....	248	<u>a/</u>	420	<u>a/</u>	247	<u>a/</u>
FFB Direct.....	125	0	125	0	299	0
FFB Direct, Emergency Supplemental.....	0	0	50	0	0	0
Total, Telecommunications Loans.....	518	<u>a/</u>	740	<u>a/</u>	690	1
Rural Telephone Bank (RTB).....	175	0	0	0	0	0
Total, Electric, Telecomm. and RTB.....	5,012	5	6,127	14	4,529	4
Distance Learning Program:						
Distance Learning Treasury Rate Loans.....	3	<u>a/</u>	25	<u>a/</u>	0	0
Discretionary Broadband Loans:						
Direct 4% Loans.....	0	0	0	0	30	3
Direct Treasury Rate Loans.....	97	2	495	11	297	6
Guaranteed Loans.....	0	0	0	0	30	1
Mandatory Broadband Loans						
(Sec. 6103, Farm Bill):						
Direct Treasury Rate Loans.....	15	<u>a/</u>	0	0	0	0
Distance Learning and Telemedicine Grants.....	2	2	25	25	25	25
Public Broadcasting/Analog Conversion Grants...	0	0	5	5	0	0
Broadband Grants.....	18	18	9	9	0	0
Total, Distance Learning Program.....	135	22	559	49	382	35
High Energy Costs Grants <u>b/</u>	21	21	26	26	0	0

RURAL DEVELOPMENT

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

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Water and Waste Disposal Programs:						
Direct Loans <u>b/</u>	921	83	990	68	990	165
Guaranteed Loans <u>b/</u>	3	0	75	0	75	0
Water and Waste Disposal Grants <u>b/</u>	470	470	438	438	346	346
Water and Waste Disposal Grants Emerg. Supp....	39	39	45	45	0	0
Emer. and Imminent Com. Water Assist. Grants...	11	11	14	14	0	0
Individually Owned Household Water Well <u>b/</u>	2	2	1	1	0	0
Solid Waste Management Grants <u>b/</u>	3	3	3	3	3	3
Total, Water & Waste Disposal	1,449	608	1,566	569	1,414	514
Total, RUS Loans and Grants.....	\$6,617	\$655	\$8,278	\$658	\$6,325	\$553
RECAP:						
Ongoing Programs.....	\$6,563	\$616	\$8,183	\$605	\$6,325	\$553
Emergency Supplemental.....	39	39	95	53	0	0
Mandatory Funding.....	15	<u>a/</u>	0	0	0	0
Total	\$6,617	\$655	\$8,278	\$658	\$6,325	\$553

a/ Less than \$500 thousand.

b/ These are also included in the Rural Community Advancement Program. (See page 50.)

c/ To be determined.

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

RURAL DEVELOPMENT

Objective 3.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Number of customers receiving new and/or improved electric facilities (millions) Baseline: 2001 = 4.501	3.30	3.38	4.33	3.25	1.60	2.39
Number of customers receiving new or improved telecommunication services (Broadband) (millions) Baseline: 2001 = 0.315	0.31	0.38	0.37	0.23	0.27	0.19
Number of customers receiving new and/or improved water and/or waste disposal service (millions) Baseline: 2000 = 0.67	0.80	0.59	0.97	1.33	0.57	0.56

Note: For telecommunications services, customers are defined as access lines financed by the programs. For water and/or waste disposal services, customers are defined as hook-ups financed by the programs.

Some facilities require more than one improvement, particularly when there are changes in technology and/or health standards. Consequently, the measures cannot be aggregated to suggest that the universe of customers will eventually be fully served.

Program Assessment Rating Tool (PART) reviews of the rural electric and telecommunications programs conducted as part of the 2003 and 2004 budget process identified a need to reassess program goals and performance measures. In response, RUS initiated an analysis of the communities served by the programs and began work on developing program goals and performance measures to better define the purpose of the programs in terms of serving rural communities rather than those communities that have become suburban or urban in size and character. As a result of these efforts, the scores of the PART reviews were upgraded from “Results Not Demonstrated” to “Adequate” for demonstrating program performance.

The 2007 budget provides \$3.8 billion in electric loans and \$690 million in telecommunications loans; levels which are considered to be adequate to meet the expected demand. It does not include guarantees of underwriting the notes of private sector lenders, which was authorized in the 2002 Farm Bill and funded in recent appropriation acts. Further, it does not include funding for the Rural Telephone Bank, which is being dissolved in 2006.

Distance learning and telemedicine is a newer program that has a more specific purpose than RUS’ traditional electric and telecommunication programs. It is designed to provide rural

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communities that would otherwise be without access to learning and medical services over the internet, with a total system of telecommunication linkages for obtaining such access. The 2007 budget includes \$25 million in grants for this program. This program was evaluated through the PART process in conjunction with the 2006 budget process which has resulted in RUS beginning work on new performance measures. The primary finding is that RUS needs to develop more precise performance measures.

Loans for broadband and internet services were established as a pilot program in 2001 to finance the installation of various modes of broadband transmission capacity, including fiber optic cable for high speed internet access, and to provide local dial-up internet service to underserved areas. Recipients included existing RUS telecommunication borrowers or their subsidiaries as well as other entities. The 2002 Farm Bill authorized a permanent program and provided mandatory funding through 2007. Recent appropriation acts have blocked the mandatory funding, but provided discretionary funding for the program. The 2007 budget includes discretionary funding to support about \$357 million in loans.

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

The 2007 budget includes \$990 million in direct loans, \$75 million in guaranteed loans and \$346 million in grants for water and waste disposal projects. This combination reflects a higher loan to grant ratio than the same loan amounts and \$438 million in grants that are available for 2006. However, the budget also reflects a significant reduction in the interest rate that many borrowers would have to pay on direct loans. Currently, the “poverty” interest rate is 4.5 percent. The proposal calls for a “poverty” interest rate to be 60 percent of the market rate, not to exceed 5 percent. Based on a current market rate of 5.3 percent, these borrowers would pay 3.2 percent. This change is the primary reason for an increase in subsidy costs on the \$990 million in direct loans from \$68 million in 2006 to \$165 million in 2007 – a \$97 million difference. An analysis of loan repayment requirements demonstrated that most rural communities could benefit more from the reduction in the interest rate than they would by receiving an additional \$97 million in grants and having to pay the higher interest rate on smaller loans. In addition, \$3.5 million is provided for solid waste management grants

The water and waste disposal program for 2007 is expected to provide 560,000 rural households with new or improved service facilities, which is about the same number served in 2006.

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RURAL HOUSING SERVICE (RHS)

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

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Housing Loans:						
Single Family:						
Direct Loans (Sec. 502).....	\$1,141	\$132	\$1,129	\$129	\$1,237	\$124
Direct Loans - Emergency Supplemental.....	0	0	176	20	0	0
Guar. Loans Purchase (Sec. 502).....	3,022	33	3,439	40	3,465	7
Guar. Loans Purchase - Emergency Supplemental.....	0	0	1,293	15	0	0
Guar. Loans Refinance (Sec. 502).....	23	a/	205	1	99	a/
Multi Family Housing:						
Direct Loans (Sec. 515).....	99	47	99	45	0	0
Preservation and Revitalization Demo (Sec. 515).....	0	0	9	9	0	0
Guaranteed Loans (Sec. 538).....	97	3	99	5	198	15
Very Low-Income Repair (Sec. 504).....	35	10	35	10	36	11
Housing Repair Loans; Emergency Supplemental.....	2	1	34	10	0	0
Self-Help Housing (Sec. 523).....	2	0	5	0	5	a/
Housing Site Development (Sec. 524).....	a/	0	5	0	5	0
Credit Sales, Single Family Housing.....	1	0	10	0	10	a/
Credit Sales, Multi Family Housing.....	1	1	1	1	1	1
Total, Housing Loans.....	4,425	226	6,538	284	5,056	158
Grants and Payments:						
Very Low-Income Repair (Sec. 504).....	32	32	30	30	30	30
Very Low-Income Repair; Emergency Supplemental.....	6	6	20	20	0	0
Mutual and Self-Help (Sec. 523).....	42	42	34	34	38	38
Multi-Family Housing Revitalization - Vouchers.....	0	0	16	16	74	74
IRP Housing Demonstration Project.....	0	0	1	1	0	0
Supervisory & Tech. Assist. (Sec. 525).....	1	1	1	1	1	1
Compensation for Construct. Defects.....	a/	a/	0	0	0	0
Rural Housing Preservation (Sec. 533).....	9	9	10	10	10	10
Processing workers.....	1	1	0	0	0	0
Multi-Fam. Preserv. Demo Revolving Fund.....	6	3	6	3	0	0
Rental Assistance (Sec. 502 and 521).....	587	587	647	647	486	486
Rental Assistance - Emergency Supplemental.....	6	6	0	0	0	0
Total, Grants and Payments.....	689	686	764	761	638	639

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

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Labor Housing Program:						
Loans (Sec. 514).....	33	16	38	17	42	20
Grants (Sec. 516).....	30	30	14	14	14	14
Grants (Sec. 516); Emergency Supplemental.....	4	4	0	0	0	0
Total, Farm Labor Program.....	67	50	52	31	55	34
Community Facility Programs:						
Direct Loans <u>b/</u>	426	17	297	10	297	19
Direct Loans Emergency Supplemental <u>b/</u>	303	13	0	0	0	0
Guaranteed Loans <u>b/</u>	195	<u>a/</u>	208	1	208	8
Community Facility Grants <u>b/</u>	20	20	17	17	17	17
Community Facilities Earmarks.....	5	5	4	4	0	0
Community Facility Grants; Emergency Supplemental <u>b/</u> ..	5	5	0	0	0	0
Rural Community Development Initiative Grants <u>b/</u>	4	4	6	6	0	0
Tribal College Grants <u>b/</u>	4	4	4	4	0	0
Economic Impact Initiative Grants <u>b/</u>	20	20	18	18	0	0
Total, Community Facility Programs.....	982	88	553	59	522	44
Total, RHS Loans and Grants.....	\$6,163	\$1,049	\$7,908	\$1,134	\$6,271	\$875
RECAP:						
Ongoing Programs.....	\$5,838	\$1,015	\$6,385	\$1,069	\$6,271	\$875
Emergency Supplemental.....	325	34	1,523	65	0	0
Total	\$6,163	\$1,049	\$7,908	\$1,134	\$6,271	\$875

a/ Less than \$500 thousand.

b/ These are also included in the Rural Community Advancement Program. (See page 50.)

RHS has a portfolio of about 17,000 existing multi-family projects that provide housing for about 470,000 low-income tenants, many of whom are elderly. The average annual income of tenants is about \$7,900. The direct loans that USDA provide to finance these projects have an interest rate of 1 percent, and most projects receive rental assistance payments to make them affordable to very low-income tenants. Most of the projects were built in the 1980's and many are in need of repairs and rehabilitation. The projects have an outstanding indebtedness of about \$12 billion. The Supreme Court recently ruled in favor of project owners who wished to prepay their loans and remove their property from the subsidized housing market. A recent capital needs assessment indicated that about 10 percent of the projects are potentially viable for non-subsidized use and could leave the program. Such action would put existing tenants at risk of substantial rent increases and potential loss of their housing. In addition, there are concerns about the physical condition of the projects and the extent of assistance that may be needed for

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repairs and rehabilitation. Most of the projects have inadequate reserves for financing repairs and rehabilitation.

RHS recently published a comprehensive revision of its multi-family housing regulations that incorporated numerous recommendations for streamlining the program and protecting it against potential abuses. The final rule did not, however, contain a provision that was included in the proposed rule that would have required projects to maintain substantially higher reserves for repairs and rehabilitation. Implementation of this provision was postponed pending further review of the potential impact on rents and, hence, the cost to the government for rental assistance payments. In conjunction with this review as well as the capital needs assessment study, USDA began developing a proposal for revitalization of the multi-family housing portfolio. The proposal was included in the President's 2006 budget. It focused on using existing authority to provide rural housing vouchers to protect tenants adversely affected by prepayments. The Administration subsequently submitted draft legislation to Congress. This legislation would authorize debt restructuring and other incentives for project sponsors to keep their projects in the multi-family housing program instead of prepaying their loans, and to agree to a long-term commitment to using the projects for low-income housing and to make necessary repairs and rehabilitation to the projects.

The 2007 budget also focuses on the immediate need to provide assistance for tenants of projects that prepay and leave the program. It includes \$74 million to be used primarily for rural housing vouchers to be administered, to the maximum extent possible, consistent with HUD's Section 8 program. Upon enactment of the Administration's proposed legislation, the funds would also be available for debt restructuring and other revitalization incentives.

The 2007 budget does not include loans made directly by the government for multi-family housing; however, it includes \$198 million - double the amount available for 2006 - in Section 538 guarantees of loans that are made by private lenders for this purpose. The Section 538 program serves rural families with incomes up to 115 percent of the area median income who can afford to pay unsubsidized rents. Regulations for administering the program were recently revised to make the program a more attractive component of a complete funding package, including access to secondary market funds and use of tax credits and other subsidies.

Rural rental assistance payments are vital to the success of the multi-family housing program. These payments make up the difference between 30 percent of income that low-income tenants contribute toward their rent and a "basic" rent that reflects the operating costs of the project, including the project's debt servicing requirements. The assistance is linked to units in a project as long as that project remains in the program and the units are occupied by tenants who qualify for the assistance. Unlike vouchers, rental assistance cannot be retained by tenants who move. About 60 percent of the units in USDA's multi-family housing portfolio receive rental assistance payments. Most projects are dependent upon this assistance, without which the projects would likely be converted to uses other than low-income housing.

The 2007 budget includes \$486 million for the rural rental assistance payment program. This amount reflects 2 year contracts, rather than 4 year contracts currently in use. The amount needed for renewing existing 4 year contracts and funding a limited number of new 2 year

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contracts for farm labor housing projects is substantially less than the \$647 million that is available for 2006. The Administration is aware that the change to shorter contracts will affect the cycle of renewals and, thus, result in higher costs for renewals in future years. Changes in the cycle are already being felt due to efforts in recent years to align contract obligations more closely to the term of such contracts, as well as to Congressional action in 2004 to reduce the terms of contracts from 5 to 4 years. The Administration remains fully committed to meeting the contract renewal needs in future years, and ensuring that a change from 4 to 2 year contracts can be achieved without risk of a disruption in the flow of benefits to low-income recipients of this assistance. The Section 8 program administered by HUD operates with annual contracts.

The Section 502 single family housing program provides direct and guaranteed loans for the purchase of modest housing in rural areas. Direct loans can be made at an interest rate as low as 1 percent and as high as the note rate on the loan – depending on the borrowers' income. Direct loans are limited to families who have an income under 80 percent of the area median income. The average annual income of a direct loan borrower is generally about 55 percent of area median income, or about \$17,000 on a national basis. Loan guarantees primarily serve families with incomes of up to 115 percent of area median income. Interest rates on guaranteed loans are negotiated between the lender and borrower.

In 2005, the one-time fee on new guaranteed loans was increased from 1.5 percent to 2.0 percent. This change was intended to reduce subsidy costs and provide for more manageable growth in the program. In addition, the 2005 appropriations act allowed guaranteed loans to exceed 100 percent of appraised value by the amount of the fee on such loans. This change helped ensure that rural families are not denied home ownership for lack of funds to pay the cost of the fee. For 2006, the one-time fee is being maintained at 2.0 percent. The 2007 budget seeks authority to increase this fee to 3.0 percent. In addition the budget includes appropriation language to limit these loans to applicants who would not be served by another Federal program.

The 2007 budget provides \$1.2 billion in direct loans, \$3.5 billion in guarantees, and \$99 million for refinancing, for the Section 502 single family housing program. It is anticipated that this level of funding will provide homeownership opportunities for 40,760 rural families.

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Objective 3.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Homeownership opportunities provided Baseline: 1999 = 55,941	43,189	44,371	48,894	43,224	43,530	40,760
Number of customers who are provided access to new and/or improved essential community facilities – e.g. health and safety facilities (millions) Baseline: 2001 = 6.8	7.2	10.3	12.0	12.9	10.5	10.5

The community facilities program provides direct loans, guarantees, and grants to finance essential community facilities, with priority given to health and safety facilities. The 2007 budget provides \$297 million in direct loans, \$208 million in guarantees, and \$17 million in grants for this program – the same as available for 2006. This level of funding will support over 560 new or improved health care facilities, child care, fire and emergency services and other facilities lacking in rural America.

RURAL DEVELOPMENT

RURAL BUSINESS - COOPERATIVE SERVICE (RBS)

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

(Dollars in Millions)

Program	2005		2006		2007	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loans:						
Business and Industry:						
Guarantees <u>a/</u>	\$675	\$34	\$914	\$44	\$990	\$43
NADBank Guaranteed <u>a/</u>	3	<u>b/</u>	0	0	0	0
Rural Development Loan Fund.....	34	16	34	15	34	15
Rural Economic Development.....	24	5	25	5	35	8
Renewable Energy - (Discretionary).....	10	1	177	11	35	2
Total, Loans.....	746	55	1,150	74	1,094	67
Grants:						
Renewable Energy - (Discretionary).....	22	22	11	11	8	8
Rural Economic Development.....	8	0	10	0	10	0
Value-added Ag. Product Market Devel. (Discretionary)...	13	13	19	19	19	19
Rural Business Enterprise <u>a/</u>	41	41	40	40	<u>c/</u>	<u>c/</u>
Rural Business Opportunity <u>a/</u>	3	3	3	3	<u>c/</u>	<u>c/</u>
Delta Regional Authority <u>a/</u>	3	3	2	2	0	0
Rural Cooperative Development.....	7	7	5	5	6	6
Appropriate Technology Transfer	2	2	2	2	0	0
Grants to Assist Socially Disadvantaged Producers.....	<u>b/</u>	<u>b/</u>	1	1	1	1
Agricultural Marketing Resource Center.....	1	1	1	1	1	1
EZ/EC, National Sheep Industry Impr. Center.....	13	13	12	12	0	0
Total, Grants.....	115	106	107	96	45	35
Total, RBS Loans and Grants.....	\$861	\$160	\$1,257	\$171	\$1,139	\$102

a/ These are also included in the Rural Community Advancement Program. (See page 50.)

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

c/ To be funded within the Department of Commerce budget.

RBS administers the Department's rural business assistance programs, including technical assistance, development, and research on agricultural cooperatives. The agency delivers a wide variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loan losses so that private lenders are willing to extend credit to establish, expand, or modernize rural businesses. The program provides guarantees up to 80 percent of a loan made by a commercial lender. The primary purpose is to create and maintain employment and improve the economic climate in rural communities. Special efforts are being made to help rural communities diversify their economies, particularly into value-

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added processing, by focusing on cooperative ventures. For example, USDA recently developed regulations to expand the renewable energy program into making loans as well as grants. This change allows more projects to be funded at the same cost to the government. RBS has also changed its regulations to provide for an annual service fee on B&I loan guarantees.

Objective 3.1: Expand Economic Opportunities By Using USDA Financial Resources To Leverage Private Sector Resources and Create Opportunities For Growth.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Number of jobs created or saved through USDA financing of businesses						
Baseline: 2001 = 105,222	76,301	88,607	67,187	73,328	72,114	56,460

Overall, the 2007 budget provides for over \$1.1 billion in loans and grants for the business programs administered by RBS. This level of assistance is expected to save or create an estimated 56,460 jobs. The reduction in performance from 2004 is attributable to the transfer of the Rural Business Enterprise Grant and Rural Business Opportunity Grant programs to the President’s Strengthening American Communities initiative. The B&I program accounts for about \$990 million of the program level.

The rural development loan fund will support a loan level of \$34 million. This program provides 1 percent interest loans to eligible intermediaries that relend the money at a higher rate of interest to other entities for business purposes. The spread in interest rates pays for the costs incurred by the intermediaries. Many rural entrepreneurs lack credit history or sufficient collateral to qualify for traditional lending. Financial assistance from the intermediary to the ultimate recipient supports economic and community development projects, new business and/or expansion of existing businesses.

The renewable energy program will support a program level of about \$35 million for loans and \$8 million for grants. Renewable energy systems and energy efficient improvement programs are available to small rural ranchers and farmers to increase energy efficiency and reduce pollution. Funds are used to pay up to 25 percent of eligible project costs to purchase renewable energy systems or make energy improvements, including those that derive energy from wind, solar, biomass or geothermal sources, or hydrogen derived from biomass or water using wind, solar or geothermal energy sources.

The 2007 budget also continues RBS programs that provide research and technical assistance for cooperatives. These programs are relatively modest in size, yet provide opportunities to encourage farmers and rural residents to organize cooperatives as a way to expand their income base. The rural cooperative development grants (RCDG) program is used to improve the economic condition of rural areas through a range of cooperative development activities. RCDG grants are made to non profit corporations and institutions of higher education to operate centers for cooperative development, including grants to assist socially disadvantaged producers. RCDG grants promote the creation or retention of jobs in rural areas through the development of

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new rural cooperatives, value-added processing and other rural businesses. The 2007 budget also continues support for the value-added development grant program. The primary objective of this program is to help independent producers of agricultural commodities, agricultural producer groups, farmer and rancher cooperatives, and majority controlled producer-based business ventures overcome problems related to market entry. Grants help awardees develop strategies to create marketing opportunities and to help develop business plans for viable marketing opportunities. These grants will facilitate greater participation in emerging and new markets for value-added products.

Rural economic development loans (REDL) will also continue to be available in 2007. The REDL program provides zero-interest loans to electric and telephone utilities financed by RUS, an agency of the USDA, to promote sustainable rural economic development and job creation projects. The utilities program is required to re-lend at zero percent interest, the loan proceeds to an eligible third party who is required to repay the loan to the business program in the event of delinquency or default.

No funds are included in the 2007 budget for the rural business enterprise and rural business opportunity grant programs or the EZ/EC program. The Administration has re-proposed the combination of these programs with several other Federal programs to begin a new initiative for Strengthening American Communities. This initiative is housed within the Department of Commerce.

FOOD, NUTRITION, AND CONSUMER SERVICES

MISSION AND RELATIONSHIP TO STRATEGIC GOAL

The activities and funding of Food, Nutrition, and Consumer Services, including the Food and Nutrition Service (FNS) and the Center for Nutrition Policy and Promotion (CNPP), support USDA Strategic Goal 5, improve the Nation's nutrition and health. USDA has three objectives which support achievement of this strategic goal. These objectives are to: (1) ensure access to nutritious food; (2) promote healthier eating habits and lifestyles; and (3) improve nutrition assistance program management and customer service. Key performance measures for 2007 focus on increasing the proportion of eligible persons who actually participate in the major nutrition assistance programs; improving dietary quality measured by the Healthy Eating Index (HEI) for low-income persons; and increasing the food stamp payment accuracy rate.

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Nutrition Service Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Food Stamp Program.....	\$31,356	\$33,293	\$33,236 <u>a/</u>
Nutrition Assistance for Puerto Rico.....	1,495	1,518	1,559
Total, Food Stamp Program.....	32,851	34,811	34,795
Child Nutrition Programs.....	12,503	13,206	13,902 <u>b/</u>
Special Supplemental Nutrition Program (WIC)	5,192	5,399	5,361 <u>c/</u>
Commodity Assistance Program:			
Commodity Supplemental Food Program.....	112	108	0
Emergency Supplemental.....	0	4	0
The Emergency Food Assistance Program (TEFAP), Soup Kitchens, Food Banks.....	190	150	190
Emergency Supplemental.....	0	6	0
Seniors Farmers' Market Nutrition Program <u>d/</u>	15	15	15
Farmers' Market Nutrition Program.....	30	20	20
Pacific Island Assistance and Disaster Assistance.....	1	1	1
Total, Commodity Assistance Program.....	348	304	226
Nutrition Programs Administration.....	142	142	160
Total, FNS.....	\$51,036	\$53,862	\$54,444
RECAP:			
Ongoing Appropriations.....	\$51,036	\$53,852	\$54,444
Emergency Supplemental.....	0	10	0
Total, FNS.....	\$51,036	\$53,862	\$54,444

a/ In addition, \$3 billion is available in 2007 for a contingency reserve.

b/ In addition, \$300 million is available in 2007 for a contingency reserve.

c/ In addition, \$125 million is available in 2007 for a contingency reserve.

d/ Funds provided by transfer from the Commodity Credit Corporation.

FNS administers the Department's domestic nutrition assistance programs. The mission of FNS is to increase food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires confidence. FNS fulfills its mission via nutrition promotion and direct nutrition assistance provided through the programs identified in the table above. The Food Stamp Program is the cornerstone of the Department's commitment to helping low-income people secure an adequate diet. The other programs target specific categories of the population. Improving dietary outcomes for all Americans by

FOOD, NUTRITION, AND CONSUMER SERVICES

promoting healthier eating habits and lifestyles is a major Departmental objective fostered by the nutrition assistance programs.

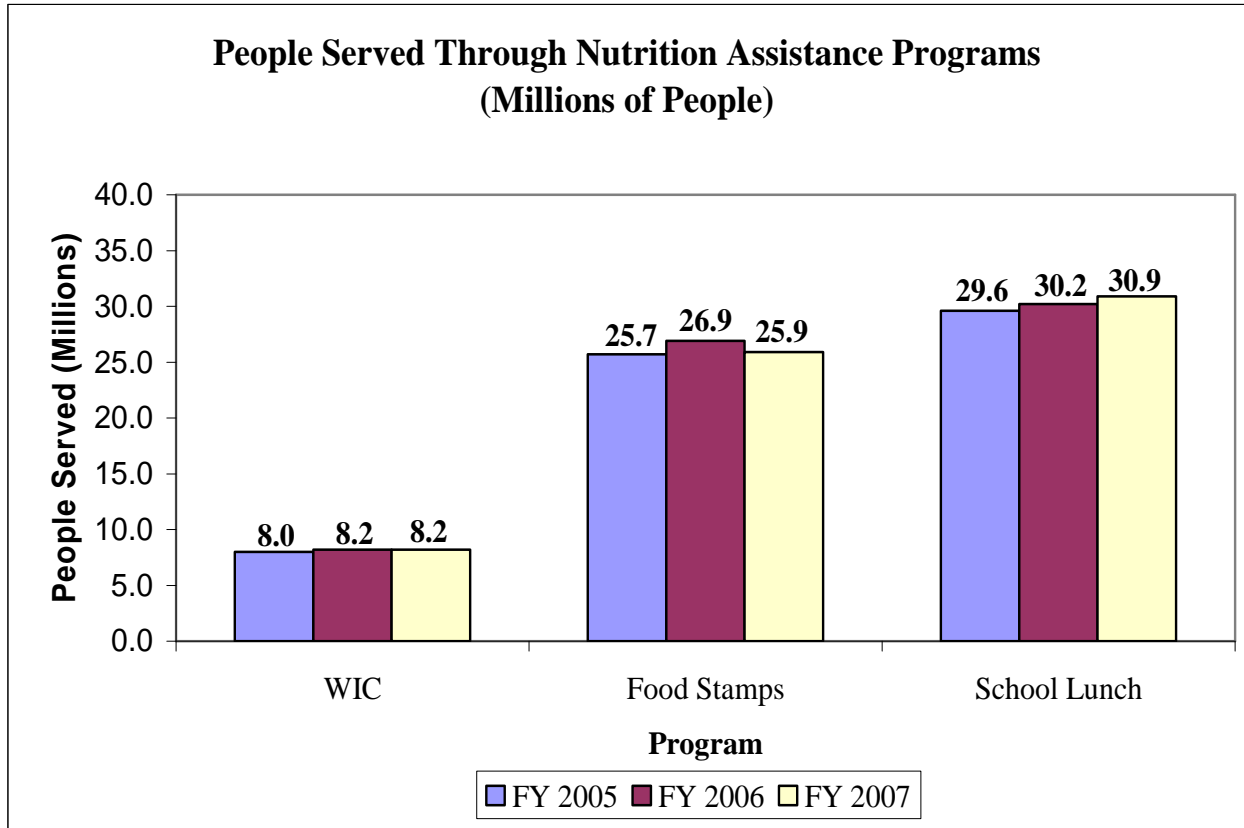
The 2007 budget funds the anticipated needs for each of these programs. An increase is proposed for the Child Nutrition Programs sufficient to provide for anticipated changes in participation and food cost inflation. Greater emphasis will be directed in all the major nutrition assistance programs towards improving access and operations in 2007 and improving the nutritional status of recipients. Both FNS and CNPP will continue efforts to promote healthy eating and active lifestyle behaviors, in part by the continued use and promotion of MyPyramid.gov and the *Dietary Guidelines for Americans* released in 2005.

The nutrition assistance programs work in concert to achieve several key performance measures. The major cross-cutting performance measure pertains to improving diet.

Objective 5.2: Promote Healthier Eating Habits and Lifestyles.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Application and usage level of nutrition guidance tools (billions of pieces of nutrition guidance distributed)	N/A	N/A	N/A	N/A	1.5	2.0

FOOD, NUTRITION, AND CONSUMER SERVICES



Food Stamp Program. The 2007 budget anticipates a decrease in participation of about 1 million recipients, about 4 percent less than in 2006 estimates, and assumes modest food price inflation. Funding for State administrative expenses will increase, and the program will continue to focus on encouraging all eligible persons to take advantage of food stamps. Food stamps will continue to provide critical assistance to ease the transition from welfare to work, as well as nutrition education and program information activities. Funding for the Nutrition Assistance Program for Puerto Rico is requested at \$1.6 billion.

Objective 5.1: Ensure Access to Nutritious Food.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Participation levels for the major Federal nutrition assistance programs (millions):						
Food Stamp Program	19.1	21.3	23.9	25.7	26.9	25.9

The Department is continuing its efforts to improve payment accuracy, seeking to reach a payment accuracy rate of 94.2 percent in 2007. This will be achieved through working with stakeholders to implement best practices, focusing particularly on error prone areas.

FOOD, NUTRITION, AND CONSUMER SERVICES

Objective 5.3: Improve Nutrition Assistance Program Management and Customer Service.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Improve Food Stamp payment accuracy rate						
Baseline: 2001 = 91.3%	91.7%	93.4%	94.1%	93.5%	93.8%	94.2%

The 2007 budget will continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services. Military personnel often receive supplements to their basic pay when they serve in combat. This proposal supports the families of servicemen and servicewomen fighting overseas by ensuring that they do not lose Food Stamp Program benefits as a result of this additional income. In addition, legislation is proposed to extend the current exemption from being counted as resources for eligibility determinations to all tax-favored retirement accounts, such as IRAs. This will help families secure their future, even in times of need.

The Administration is committed to ensuring an uninterrupted flow of food stamp benefits to program participants. Yet, Food Stamp Program costs are not fully predictable, particularly in a changing economic environment. In the event that actual program needs exceed current estimates, the 2007 budget includes a \$3 billion contingency reserve, the same as in recent years.

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

A Program Assessment Rating Tool (PART) review was completed on the Food Stamp Program in 2003. The review found that the program is effective overall, but is better designed to reduce hunger and malnutrition related to inadequate income than to achieve further improvements in the dietary status of low-income people. FNS developed a plan for improving nutrition among food stamp participants in response to the PART, and will be engaged in a significant effort through 2007 to improve outcomes from the Food Stamp Nutrition Education Program, a program component cost-shared by the States.

Child Nutrition Programs. Ensuring access to food for children and improving their eating habits continues to be a priority. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low-income children. These

FOOD, NUTRITION, AND CONSUMER SERVICES

programs assist pre-school and school-aged children by subsidizing quality meals in participating schools and child care settings. While children from all income levels are eligible to receive some assistance from these programs, the preponderance of funding supports meals served to low-income children for free or at a greatly reduced price. Child Nutrition Program subsidies for meals at school and particularly for meals at child care centers and homes help support child care, a critical tool for working families.

Objective 5.1: Ensure Access to Nutritious Food.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Participation levels for the major Federal nutrition assistance programs (millions):						
National School Lunch Program	27.9	28.3	28.9	29.6	30.2	30.9
School Breakfast Program	8.1	8.4	8.9	9.3	9.8	10.3

For 2007, the Child Nutrition Programs are funded at a level that will support anticipated participation and food costs including implementation of changes enacted in the Child Nutrition and WIC Reauthorization Act, signed into law June 30, 2004. In the event that actual program needs exceed current estimates, the 2007 budget proposes a \$300 million contingency reserve.

PART evaluations have been completed on the National School Lunch Program, the School Breakfast Program and the Child and Adult Care Food Program for the 2005, 2006 and 2007 budget cycles, respectively. In response to the PART reviews, FNS will continue to work with the States to improve the appeal and nutritional quality of meals with primary emphasis on the delivery of appealing meals consistent with *The Dietary Guidelines for Americans*. Also, FNS will work harder to increase overall participation rates and certification accuracy for free and reduced price meals.

WIC. The President's budget request will provide \$5.4 billion, about the same program level as the 2006 estimate. The funding for the WIC Program will support a monthly average of 8.2 million participants.

Objective 5.1: Ensure Access to Nutritious Food.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Participation levels for the major Federal nutrition assistance programs (millions):						
WIC Program (average)	7.5	7.6	7.9	8.0	8.2	8.2

Language is being repropose that would limit WIC nutrition services and administration to 25 percent of total costs, a savings of \$152 million, beginning in 2007. Proposed legislation is requested that will introduce a 20 percent State match of Federal nutrition services and

FOOD, NUTRITION, AND CONSUMER SERVICES

administration spending to begin in 2008. In addition, the budget is reproposing to limit automatic eligibility to individuals who receive medical assistance or whose family member is a pregnant woman or an infant who receives assistance unless their family income falls below 250 percent of the Federal poverty guidelines.

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

Commodity Assistance Program (CAP). CAP distributes USDA purchased commodities through several programs. The Emergency Food Assistance Program (TEFAP) provides support to a network of food banks and other programs that assist households in need of immediate, short-term food assistance. TEFAP includes components of both discretionary and mandatory funding. For program administration, \$50 million in discretionary funding is requested, part of which, at State discretion, may be used to purchase additional commodities. Under the Food Stamp Act, mandatory funding of \$140 million is available to be used to purchase commodities. In 2007, the Department anticipates delivering approximately the same amount of commodities, including bonus commodities, as delivered in 2006.

Another program under CAP is the Commodity Supplemental Food Program (CSFP). The budget proposes the elimination of the program, since the program is only available in limited areas, and overlaps with two of the largest nationwide Federal nutrition assistance programs – Food Stamps and WIC. USDA intends to pursue a transitional strategy to encourage those women, infants and children that are eligible for WIC to apply for that program, and to encourage elderly CSFP recipients to apply for the Food Stamp Program. As part of this strategy, the budget provides resources for outreach and temporary transitional food stamp benefits to CSFP participants 60 years of age or older equaling \$20 per month for the lesser of six months or until the recipient starts participating in the Food Stamp Program.

For the Senior Farmers' Market Nutrition Program (SFMNP), the 2002 Farm Bill authorizes a transfer of \$15 million each year from the Commodity Credit Corporation in fiscal years 2003 through 2007. The 2007 budget includes a legislative proposal to prohibit farmers selling eligible foods under SFMNP from charging sales tax on fresh fruits and vegetables purchased using SFMNP checks or coupons. Legislation is also proposed to exclude the value of the benefits provided to eligible recipients when determining eligibility for any other Federal or State assistance programs. This proposal conforms program rules to other Federal nutrition programs.

In 2007, \$20 million is requested for the Farmers' Market Nutrition Program for women, infants and children.

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Nutrition Programs Administration (NPA). Funding of \$160 million is requested for NPA, the Federal-level administrative salaries and expenses account that supports Federal management and oversight of USDA's investment in nutrition assistance programs. The budget includes an increase of \$4 million to enhance program integrity in the Food Stamp Program as well as an increase of \$3.5 million to upgrade and integrate program financial management systems. The request also includes an additional \$5 million to expand and improve nutrition education and obesity prevention efforts. It includes \$4 million for research and analytical activities to better assess the impact of programs on key outcomes, to determine the level of payment errors, and to better target program improvements. An increase of \$2 million is also requested to evaluate Food Stamp Program modernization efforts at the State level, to identify best practices and ensure consistency with Federal goals. USDA's ability to simplify and improve the programs, increase program efforts to improve nutritional outcomes, encourage healthy and nutritious diets and expand an obesity prevention campaign, is fostered by the Federal administrative efforts supported by these funds.

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Nutrition Service Key Indicators

	2005 Actual	2006 Estimate	2007 Budget
Average Participation, Millions:			
Food Stamps.....	25.7	26.9	25.9
Free School Lunch.....	14.5	15.1	15.3
Total School Lunch.....	29.6	30.2	30.9
Free School Breakfast.....	6.8	7.2	7.6
Total School Breakfast.....	9.3	9.8	10.3
WIC.....	8.0	8.2	8.2
Commodity Supplemental Food Program (CSFP):			
WIC.....	0.05	0.05	0.00
Elderly.....	0.47	0.42	0.00
Food Distribution Program on Indian Reservations (FDPIR).....			
Reservations (FDPIR).....	0.10	0.10	0.10
Unemployment Rate (percent).....	5.2	5.0	5.0
Average/Person/Month Food Benefit in \$:			
Food Stamps.....	\$92.70	\$93.79	\$96.95
WIC.....	37.55	38.38	39.30
CSFP: WIC (FNS Funded) <u>a/</u>	16.66	22.07	0.00
CSFP: Elderly (FNS Funded) <u>a/</u>	12.71	14.26	0.00
FDPIR (FNS Funded) <u>a/</u>	40.69	40.28	41.66
Per Meal Subsidies Including Commodities in \$: <u>b/</u>			
School Lunch:			
Free	\$2.21	\$2.29	\$2.35
Reduced Price	1.81	1.89	1.95
Paid	0.39	0.40	0.41
School Breakfast:			
Free	1.24	1.28	1.31
Paid	0.23	0.23	0.24

a/ Excludes bonus commodities. In 2005, an average \$3.92, \$4.67, and \$0.88 was added for each participant monthly for WIC, elderly and FDPIR respectively.

b/ Excludes bonus commodities.

FOOD SAFETY

MISSION AND RELATIONSHIP TO STRATEGIC GOAL

All funds for the Food Safety mission area support USDA Strategic Goal 4, which is to enhance protection and safety of the Nation's agriculture and food supply. This mission area contributes to the accomplishment of one key objective under this goal. This key objective is to reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the United States. The Food Safety mission area is the public health mission area of USDA and provides scientific focus, leadership and expertise in addressing the important domestic and international public health and safety issues related to meat, poultry, and egg products.

The Food Safety mission area includes the Food Safety and Inspection Service (FSIS) and the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission (Codex). Codex is the major international mechanism for encouraging fair international trade in food while promoting the health and economic interests of consumers. FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed egg products for sale or distribution into interstate commerce, and also reviews and approves foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to, and review of, States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,250 establishments, including approximately 130 import stations. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures. FSIS also coordinates the development of its policies with other USDA agencies, the Food and Drug Administration, the Environmental Protection Agency, the Centers for Disease Control and Prevention, as well as international organizations, to ensure an integrated farm-to-table approach to food safety. For Codex, FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Commission.

FOOD SAFETY

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

Program	2005 Actual	2006 Estimate	2007 Budget
Federal Food Safety and Inspection.....	\$845	\$864	\$898
State Food Safety and Inspection.....	50	53	57
International Food Safety and Inspection.....	23	22	24
Field Automation and Information Management.....	7	10	5
Codex Alimentarius.....	3	3	3
Total, FSIS Program Level.....	928	952	987
Existing User Fees and Trust Funds.....	-113	-121	-124
Total, FSIS Appropriations.....	\$815	\$831	\$863 ^{a/}

^{a/} Includes \$105 million to be derived from proposed new user fees.

To ensure that FSIS continues to achieve the goals for improving food safety that are identified in the USDA Strategic Plan, the 2007 budget proposes a program level of \$987 million, a net increase of \$35 million over 2006. Of this total, \$105 million will be derived from proposed new user fees. Funds are requested to cover the costs of Federal inspection and to maintain Federal support of State inspection programs. The budget requests resources necessary to support FSIS food safety activities and fund approximately 7,670 meat, poultry, and egg inspectors, which are necessary to provide inspection services without disruption to the industry. In addition to increases for pay, the 2007 budget includes programmatic increases aimed at achieving USDA's strategic goal of enhancing the protection and safety of the Nation's agriculture and food supply.

For 2007, a top priority for USDA is to support the Food and Agriculture Defense Initiative. Of the total increase for this initiative USDA-wide, \$15.8 million is requested to expand the FSIS participation in the Food Emergency Response Network (FERN) and upgrade FSIS' laboratory capabilities for evaluating a broader range of threat agents. With the additional funds, FSIS laboratories as well as other Federal and State laboratories would be upgraded to ensure that adequate laboratory capacity will be available in the event of a biohazard emergency that requires large volume testing of food products. These laboratories would be linked to form a nationwide laboratory infrastructure that will have the capacity to quickly identify an agent and the method of delivery, as well as to respond rapidly and limit the loss of life.

The 2007 budget for FSIS includes an increase of \$2.6 million to further implement risk-based inspection. A risk-based approach to verification sampling in establishments will allow FSIS to allocate inspection resources and regulatory activities to high-risk processes that may need more attention from inspection personnel. Funding will also enhance FSIS' laboratory testing and reporting procedures, which will allow more microbiological testing and faster reporting times and decrease the amount of time it takes to identify and respond to food safety hazards. Together, this information can be used to allocate inspection resources to high-risk processes that may need more attention from an inspector than other activities.

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FSIS is also proposing an increase of \$2.5 million for equipment that field inspectors need to receive, analyze, and respond in real-time to complex information and to more effectively protect public health. This includes the employees at the plants, in the laboratories, at the border, and in the districts, all working as an interdependent team. For this interdependent team to be the most effective, all members will receive information at the same time. Additionally, the information gathered and analyzed by the interdependent team will support the scientific foundation for moving to a risk-based inspection system. The budget also includes an increase to centralize data entry and electronic certification of imported products through the Department of Homeland Security, Customs and Border Patrol's International Trade Data System. This will allow FSIS to integrate its IT systems for imports into the government-wide system for the electronic collection and dissemination of trade and transportation data. FSIS participation in this system will enhance regulatory enforcement and provide the infrastructure to secure our Nation's borders and points of entry. For the Field Automation and Information Management (FAIM) project, a stand alone IT system, the budget reflects a reduction for one-time funding for implementation of the Humane Animal Tracking component of FAIM.

In 2007, FSIS estimates it will collect \$124 million through existing user fee activities for providing overtime, holiday, and voluntary inspection services. Under the 2007 budget, legislation will be repropose to collect user fees to recover the cost of providing inspection services beyond an approved eight-hour primary shift. The Federal government would continue to fund 100 percent of the costs of meat, poultry, and egg products inspection services for one complete primary work shift in all establishments. Current overtime and holiday policies will not change. Recovering a greater portion of these funds through user fees would result in savings to the taxpayer of \$105 million in 2007. The overall impact on producer and consumer prices as a result of these fees would be significantly less than one cent per pound of meat, poultry, and egg products.

Pathogen reduction relates directly to USDA's strategic objective of reducing the level of foodborne illness by targeting common and dangerous pathogens for control. Although the presence of safe and wholesome food products may decrease the likelihood of foodborne illness, it does not guarantee that after purchase food will be stored, handled, and prepared to maintain safety. For this reason, FSIS has been conducting public education campaigns to educate the public about safe food handling methods. The 2007 budget provides the resources necessary for FSIS to maintain its level of performance in ensuring the safety of the meat, poultry, and egg products supply as indicated by the following performance measures:

FOOD SAFETY

Objective 4.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, And Egg Products in the U.S.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Prevalence of <i>Listeria monocytogenes</i> in ready-to-eat meat and poultry products	1.03%	0.90%	0.89%	0.70%	0.70%	0.70%
Baseline						
Prevalence of <i>E. coli</i> 0157:H7 in ground beef	0.77%	0.37%	0.19%	0.20%	0.20%	0.20%
Baseline						
Millions of viewings of food safety messages (mixed media – e.g., USDA Food Safety Mobile, USDA Meat and Poultry Hotline, etc)	90	92	123	120	94	96
Baseline						

FSIS' program responsibilities include:

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

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

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International Food Safety and Inspection. FSIS reviews and approves inspection systems in countries exporting meat, poultry, and egg products to the U.S. and inspects imported products at ports-of-entry. While foreign food regulatory systems need not be identical to the U.S. system, they must employ equivalent sanitary measures that provide the same level of protection against food hazards as is achieved domestically.

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

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

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

NATURAL RESOURCES AND ENVIRONMENT

MISSION AND RELATIONSHIP TO STRATEGIC GOALS

The mission of the Natural Resources and Environment area is to promote the conservation and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the national forests. This mission supports USDA Strategic Goal 6, which is to protect and enhance the Nation's natural resource base and environment. The mission area includes two agencies, the Natural Resources Conservation Service (NRCS) and the Forest Service (FS).

The NRE mission area supports the objectives of the President's Executive Order, signed in August 2004, to promote cooperative conservation between Federal agencies and States, local governments, tribes, and individuals. In this capacity, both NRCS and FS participated in the White House Conference on Cooperative Conservation held in St. Louis, MO in August 2005 to advance the spirit and objectives of the Executive Order and to provide a forum for a diverse group of leaders to exchange information. The Conference, convened by the White House Council on Environmental Quality, helped identify innovative and effective approaches to promoting cooperative conservation.

Both NRCS and FS contribute to achieving Strategic Goal 6 through a variety of programs aimed at preserving natural resources on public and private lands. The goal has four objectives:

- Protect watershed health to ensure clean and abundant water;
- Enhance soil quality to maintain productive, working cropland;
- Protect forests and grazing lands; and
- Protect and enhance wildlife habitat to benefit desired, at-risk and declining species.

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

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NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Conservation Operations:			
Conservation Technical Assistance.....	\$696	\$696	\$634
All Other Conservation Operations Programs.....	135	135	111
Total, Conservation Operations.....	831	831	745
Watershed and Flood Prevention Operations.....	75	74	0
Watershed Surveys and Planning.....	7	6	0
Watershed Rehabilitation Program.....	27	31	15
Resource Conservation and Development.....	51	51	26
Healthy Forest Program.....	0	2	2
Farm Bill Programs (Funded from CCC):			
Total Budget Authority:			
Environmental Quality Incentives Program.....	950	1,017	1,000
Ground and Surface Water Conservation.....	65	51	51
Klamath Basin.....	10	8	6
Wetlands Reserve Program.....	267	250	403
Wildlife Habitat Incentives Program.....	46	43	55
Farm and Ranch Lands Protection Program.....	112	74	50
Grassland Reserve Program.....	71	54	0
Biomass Research and Development.....	14	12	12
Conservation Security Program.....	202	259	342
Agricultural Management Assistance.....	14	5	0
Conservation Reserve Program Technical Assistance.....	69	77	80
Total, Farm Bill Programs.....	1,820	1,850	1,999
Subtotal, NRCS Ongoing Programs.....	2,811	2,845	2,787
Emergency Watershed Protection.....	355	300	0
Total, NRCS Programs.....	\$3,166	\$3,145	\$2,787
RECAP:			
Ongoing Appropriations.....	\$991	\$995	\$788
Emergency Watershed Protection.....	355	300	0
Funded from CCC.....	1,820	1,850	1,999
Total, NRCS Programs.....	\$3,166	\$3,145	\$2,787

The President's 2007 budget for NRCS continues to focus resources on ensuring that the ongoing conservation programs authorized in the Farm Bill are implemented efficiently. NRCS directs its financial and technical assistance programs to land users through the USDA Service Centers and

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through local conservation districts, which are units of State or local governments organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a Memorandum of Understanding with each conservation district, and these formal agreements provide a basis for the Department's working relationship with the district. In addition, the Department has begun to rely more heavily on technical assistance provided by third parties called technical service providers (TSP's). Authorized in the Farm Bill, these TSP's are non-USDA technical specialists who are certified to deliver conservation technical assistance and who help farmers and ranchers reach their conservation goals.

Conservation Operations (CO). The 2007 budget proposes \$745 million for CO, which includes \$634 million for conservation technical assistance (CTA) as well as \$111 million for three other CO activities including Soil Surveys, Snow Surveys and Plant Materials Centers. At this level, the agency's activities will continue to support locally led, cooperative conservation through the unique partnership that has been developed over the years with each conservation district and local stakeholders. This partnership provides the foundation on which the Department addresses many of the Nation's critical natural resource issues such as maintaining agricultural productivity and improving water quality. It also leverages additional investment from local governments, private groups and individual sources.

The CTA total reflects a decrease of \$62 million from the 2006 estimate. For 2007, the budget proposes to eliminate Congressional earmarks as well as the Grazing Lands Conservation Initiative (GLCI), another activity within CO. These earmarks have been steadily increasing over the years and have had the effect of eroding the Administration's discretion over where conservation dollars are best spent. In 2006, Congressional earmarks amounted to more than \$126 million within Conservation Operations. The budget proposes to redirect the funds to focus efforts on protecting the natural resource base and addressing other Administration priorities such as wetlands restoration and nutrient management planning. NRCS will also continue to address the most serious grazing land issues within the technical assistance provided to producers on private lands.

A review of the CTA program using the Program Assessment Rating Tool (PART) was conducted as part of the 2005 budget process. The review found that CTA was well managed, but had some shortfalls pertaining to strategic planning and accountability. As a result of this evaluation, the Department will consolidate all the CO activities, including CTA, into one Conservation Operations PART to be conducted as part of the 2008 budget process. This would bring together the execution components of CO and focus on the results achieved on the landscape. The Department has now developed long-term, outcome-based performance measures and efficiency measures for CO and new annual measures to better reflect the activities of the field-level technical assistance provided to producers.

Watershed and Flood Prevention Operations. Watershed Operations programs provide technical and financial assistance to local communities to plan, design, and construct flood protection, water supply, and water quality improvement projects. Virtually all PL-566 and PL-534 watershed program funds are now being earmarked by the Congress.

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The 2007 budget proposes to eliminate funding for these programs and to redirect these resources to other higher priority conservation programs. Funds are also not being requested for the Emergency Watershed Protection Program because these activities vary from year to year, and it is very difficult to predict what actual needs will be. Emergency assistance will be evaluated and addressed as disasters arise.

Watershed Surveys and Planning. NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. These plans then form the basis for installing needed improvements. The agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. With the proposed elimination of the watershed and flood prevention operations program, no funding is needed to plan for new PL-566 or PL-534 watershed projects. Therefore, the budget proposes to eliminate funding for the planning component of this watershed work.

Watershed Rehabilitation Program. One of the agency's strategic goals is to reduce risks from drought and flooding to protect community health and safety. A key tool in meeting this goal is providing financial and technical assistance to communities to implement high priority watershed rehabilitation projects. The budget proposes \$15.3 million to continue the work begun in prior years.

Resource Conservation and Development (RC&D). The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for RC&D. NRCS also helps coordinate available Federal, State, and local programs. A PART review was conducted on the RC&D program in 2005 which found that it is duplicative of other USDA and Federal resource conservation and rural development programs. The review also indicated that the RC&D Program does not prioritize and target funding based on need or performance. As a result, the 2007 budget proposes to reduce RC&D funding by about half to a level of \$26 million and to reduce the number of RC&D coordinators from the current 375 to about 150. All RC&D areas will continue to receive Federal coordinating assistance, however. Each coordinator will provide support to one or more RC&D areas.

Environmental Quality Incentives Program (EQIP). The purpose of EQIP is to provide assistance to landowners who face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. The 2007 budget proposes to maintain funding at \$1 billion, enabling nearly 55,000 producers to participate in the program, covering nearly 20 million acres of land. The program will continue to emphasize land management practices such as the application of comprehensive nutrient management plans.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration

NATURAL RESOURCES AND ENVIRONMENT

expenses. The program cap is 2,275,000 acres and the budget estimates that 250,000 acres will be enrolled in 2007. This reflects a funding increase of \$153 million and an enrollment increase of 100,000 acres above the levels estimated for 2006 which will enable total cumulative enrollment to reach 2,225,700 acres by the end of 2007. It will also enable WRP to be a principal supporter of the President's policy announced in April 2004 "to restore, protect and enhance three million acres of wetlands over five years."

Wildlife Habitat Incentives Program (WHIP). WHIP is a voluntary program that provides cost-sharing for landowners to apply an array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. In 2007, the program will be funded at \$55 million, an increase of \$12 million over the 2006 level. This will enable the program to assist landowners in managing a total of 200,000 acres in a way that protects and enhances wildlife habitat, an increase of 30,000 acres above the 2006 level. From this total, the 2007 budget proposes to target \$10 million to improve migratory fish habitats by removing obstructions from rivers, such as small private dams and water diversions.

Farm and Ranch Lands Protection Program (FRPP). Through FRPP, the Federal Government establishes partnerships with State, local or tribal government entities or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements. For 2007, the budget proposes a level of \$50 million for FRPP, a reduction of \$24 million below the 2006 estimate. In 2007, easements on about 120,000 acres of important farmland will be purchased through the FRPP.

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

Conservation Security Program (CSP). CSP is a voluntary program that provides financial and technical assistance on Tribal and private agricultural working lands to support ongoing conservation stewardship. The program provides payments to producers who maintain and enhance the condition of natural resources. The budget includes \$342 million for CSP in 2007, a 32 percent increase over the 2006 level. In 2005, the Department signed long-term CSP contracts with about 12,700 farmers and ranchers in 220 priority watersheds around the country. The program will be offered in 60 watersheds in 2006 with the number of watersheds eligible for enrollment in 2007 yet to be determined.

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Conservation Reserve Program (CRP). CRP is administered by the Farm Service Agency (FSA) and is described on page 30. NRCS provides technical support including land eligibility determinations, conservation planning and practice implementation.

Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Comprehensive nutrient management plans applied (number of plans)						
CTA	2,292	2,132	2,372	2,420	2,200	2,200
EQIP	956	948	1,055	2,032	2,500	2,700

Objective 6.2: Enhance Soil Quality to Maintain a Productive Cropland Base.

Key Performance Measures	2002	2003	2004	2005	2006	2007
Conservation plans written for cropland (millions of acres)						
CTA	5.2	6.3	7.4	8.5	11.0	10.0
Reduction in the acreage of cropland soils damaged by erosion (millions of acres)						
CTA	3.4	3.3	N/A	3.9	3.0	3.0
EQIP	1.0	1.0	N/A	1.5	1.5	1.6

Objective 6.3: Protect Forests and Grazing Lands.

Key Performance Measures	2002	2003	2004	2005	2006	2007
Conservation plans written for grazing lands (millions of acres)						
CTA	8.1	11.7	15.1	19.2	18.0	15.0
Grazing lands with conservation applied to protect the resource base and environment (millions of acres)						
CTA	9.0	9.9	9.7	13.2	9.0	8.0
EQIP	7.7	8.7	8.5	10.3	10.0	11.0

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Objective 6.4: Protect and Enhance Wildlife Habitat to Benefit Desired, At-Risk and Declining Species.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Wetlands created, restored or enhanced (acres)						
CTA	63,463	43,525	59,293	53,498	60,000	55,000
WRP	139,927	137,151	123,363	180,358	150,000	170,000

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FOREST SERVICE (FS)

Program Level			
(Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Discretionary Accounts:			
Forest and Rangeland Research.....	\$276	\$279	\$268
State and Private Forestry.....	293	279	244
Emergency Supplemental.....	59	30	0
National Forest System:			
Land Management Planning.....	63	58	56
Recreation, Heritage and Wilderness.....	257	261	251
Wildlife and Fisheries Habitat Management.....	135	133	124
Grazing Management.....	48	48	40
Inventory and Monitoring.....	167	168	154
Forest Products.....	273	280	310
Vegetation and Watershed Management.....	190	181	188
Minerals and Geology Management.....	56	85	81
Land Ownership Management.....	92	92	84
Law Enforcement Operations.....	86	88	110
Valles Caldera National Preserve.....	4	5	1
Centennial Service Challenge.....	10	4	0
Emergency Supplemental.....	12	20	0
Total, NFS.....	1,393	1,423	1,398
Wildland Fire Management:			
Preparedness.....	676	666	656
Suppression.....	649	690	746
Hazardous Fuels Reduction.....	263	282	292
Other Fire Operations.....	115	115	74
Emergency Fire Funding and Repayments.....	425	0	0
Total, WFM.....	2,128	1,753	1,768
Capital Improvement and Maintenance.....	515	435	383
Emergency Supplemental.....	85	7	0
Land Acquisition.....	62	43	26
Other Accounts.....	9	8	9
Subtotal, Discretionary Accounts.....	\$4,240	\$4,201	\$4,097
Subtotal, Emergency Supplemental Funding.....	582	57	0
Total, Discretionary Accounts.....	4,821	4,258	4,097

NATURAL RESOURCES AND ENVIRONMENT

Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Mandatory Programs:			
Permanent Appropriations.....	571	670	632
Working Capital Fund.....	0	0	0
Trust Funds.....	145	266	203
Total, Mandatory Accounts.....	716	936	835
Total, Forest Service Program Level.....	\$5,538	\$5,194	\$4,932
RECAP:			
Ongoing Appropriations.....	\$4,956	\$5,137	\$4,932
Emergency Supplemental.....	157	57	0
Emergency Fire Funding and Repayments.....	425	0	0
Total, Forest Service Program Level.....	\$5,538	\$5,194	\$4,932

The Forest Service (FS), with over 36,000 staff years in 2007, is the largest employer in USDA. For 2007, the total request for FS discretionary activities is \$4.1 billion. The work of the FS supports Strategic Goal 6: Protect and enhance the Nation's natural resource base and environment. Brief discussions of the major FS program areas follow.

Forest and Rangeland Research. For 2007, \$268 million is proposed for Forest and Rangeland Research. FS maintains one of the world's largest forest research organizations. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all of the Nation's forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the National Forest System (NFS). The \$11 million decrease from 2006 reflects improvements in research programs to include expanded collaborative and coalition building efforts, a focus on extramural research and aligning research projects along strategic program areas.

State and Private Forestry. For 2007, total funding for State and Private Forestry programs is proposed at \$244 million. FS makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on non-industrial private forest lands. Cooperative Fire programs provide technical and financial support for State wildfire fighting organizations. The Forest Legacy Program helps conserve environmentally important forests threatened by conversion to non-forest uses, through the acquisition of land or interests in land through States. The budget requests an increase of \$5 million in Forest Legacy funding for the increased protection of the most threatened private forestlands from development. In cooperation with States, the Forest Stewardship Program assists forest landowners with planning and implementation of sustainable forest management. The \$35 million decrease from 2006 reflects reductions in Forest Health Management and Cooperative Fire Protection programs and the elimination of Economic Action Programs and Forest Resource Information and Analysis funding. The reductions and elimination reflect the

NATURAL RESOURCES AND ENVIRONMENT

need to fund higher priority activities as well as address program duplication and provide for more efficient program implementation.

National Forest System (NFS). For 2007, total funding for NFS is proposed at \$1.4 billion. FS manages over 193 million acres of public land in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the NFS, are managed for multiple uses on a sustained-yield basis to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. National forests produce diverse benefits for the American people ranging from outdoor recreation, wildlife, fish and watershed protection, to timber, forage and minerals. The budget includes an increase of \$66 million for the Northwest Forest Plan, including a \$41 million increase for forest products. This reflects full funding of the Northwest Forest Plan and allows for the offer of 800 million board feet of timber under the plan. The budget also includes an additional \$7 million above the 2006 level for vegetation and watershed management in support of invasive species treatment goals.

NATURAL RESOURCES AND ENVIRONMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

Healthy Forests Initiative

(Dollars in Millions)

	2005 Actual	2006 Estimate	2007 Budget
Forest Service:			
Research.....	\$19	\$24	\$28
State & Private Forestry:			
Forest Health Management.....	30	27	14
State Fire Assistance.....	14	31	23
National Forest System:			
Forest Products.....	55	68	76
Vegetation & Watershed.....	57	76	79
Wildlife & Fish.....	17	18	17
Stewardship Contracting <u>a/</u>	33	53	65
Wildland Fire Management:			
Hazardous Fuels <u>b/</u>	262	282	292
Supplemental for Southern California.....	30	0	0
National Fire Plan R&D.....	14	13	13
Joint Fire Sciences.....	4	6	3
Total, Forest Service.....	\$535	\$598	\$610
Acres treated for Hazardous Fuels Reduction (000):			
Haz Fuels Funds.....			
Acres Treated Inside Wildland-Urban Interface.....	1,194	1,383	1,539
Acres Treated Outside Wildland-Urban Interface.....	470	417	411
Accomplish With Other Funds <u>c/</u> <u>d/</u>	1,058	1,275	1,275
Total, Forest Service.....	2,722	3,075	3,225

a/ Accomplishments from large Stewardship Contracts (>100,000 acres) are reported in the year in which task orders are issued for the work, rather than the entire scope of the contract.

b/ 2004 and 2005 hazardous fuels figures include supplementals for Southern California fuels treatment.

c/ Forest Service 2006 and 2007 targets for Hazardous Fuels Reduction accomplished with other funds include acres treated as a secondary benefit to other land management activities, and estimated acres treated through: Wildland Fire Use events, Hazard Mitigation Grants awarded under the State Fire Assistance Program, and activities of the Southern Nevada Public Lands Management Act.

d/ The decision in the Earth Island Institute case, which excluded projects from Categorical Exclusions, affected an estimated 723 Forest Service projects, reducing accomplishments by over one million acres over what would have been treated in 2005 and 2006.

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Healthy Forests Initiative. In August 2002, the President announced the Healthy Forests Initiative, a joint effort of the USDA and the Department of Interior designed to reduce the risk of catastrophic fire and improve the health of our Nation's forests by expanding local involvement and reducing unnecessary delays on forest health projects. The 2007 budget continues implementation of the Healthy Forests Initiative to reflect greater use of streamlined forest planning that will result in improved forest and rangeland management, healthier landscapes and reduced risk of catastrophic fire. The 2007 budget maintains funding for priority activities to fight wildfires, reduce the risk of fire, and assist communities.

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

Improving Operational Efficiency. FS has improved its management and performance in recent years through implementation of the President's Management Agenda. Through competitive sourcing studies and administrative reforms, FS is consolidating upwards of 1,400 information technology, financial management, and human resources jobs from around the United States and locating most of them in a single services center located in Albuquerque, New Mexico.

The budget continues reforms for FS that improve its accountability and focus on measurable results in the management of the national forests. These reforms will:

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

Capital Improvement and Maintenance (CIM). The 2007 budget requests \$383 million for CIM, a reduction of \$52 million from 2006. FS currently owns approximately 20,000 administrative and research buildings. The budget reflects the utilization of new authorities that permit the use of proceeds from the sales of excess facilities to replace other deficient facilities or perform needed rehabilitation work on existing facilities. It also includes incentives to optimize utilization, reduce costs, and improve facility conditions by reducing deferred maintenance by at least 25 percent by 2010.

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A Program Assessment Rating Tool (PART) evaluation was conducted on the Recreation and Energy Programs and a reassessment was conducted on the Land Acquisition Program during the 2007 budget process. The Recreation Program received a rating of “Moderately Effective.” The assessment found that the program purpose is clear and long-term performance measures are adequate. The improvement plan includes linking the agency strategic plan with Recreation program performance goals and improving the management decision framework. The Energy Program received a rating of “Adequate.” The improvement plan includes refining performance measures and reducing the application backlog. Reassessment of the Land Acquisition Program resulted in a rating of “Adequate.” The new improvement plan includes establishing national priorities for the allocation of funds, linking the agency strategic plan with Land Acquisition goals, and establishing new efficiency measures.

MARKETING AND REGULATORY PROGRAMS

MISSION AND RELATIONSHIP TO STRATEGIC GOALS

The mission of Marketing and Regulatory Programs (MRP) is to facilitate and expand the domestic and international marketing of U.S. agricultural products, to help protect the agricultural sector from plant and animal health threats, and to ensure humane care and treatment of certain animals. These programs provide the basic infrastructure to improve agricultural market competitiveness for the overall benefit of both consumers and producers of American agriculture. MRP supports three USDA Strategic Goals: Strategic Goal 1: Enhance International Competitiveness of American Agriculture; Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies; and Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply. By enhancing protection of the Nation's agriculture, USDA will also help enhance the competitiveness of the agricultural sector. In particular, USDA has a target of allowing zero significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals.

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

MARKETING AND REGULATORY PROGRAMS

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI):			
Appropriated (discretionary).....	\$25	\$27	\$26
User Fees (mandatory) <u>a/</u>	131	137	139
Total, Agricultural Quarantine Inspection.....	156	164	165
Fruit Fly Exclusion and Detection.....	58	59	74
Trade Issues Resolution and Management.....	12	12	17
All Other Pest and Disease Exclusion.....	67	57	64
Total, Pest and Disease Exclusion.....	293	292	320
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Surveillance.....	137	146	156
Animal and Plant Health Regulatory			
Enforcement.....	9	10	12
Emergency Management System.....	11	14	23
High Pathogen Avian Influenza <u>b/</u>	0	72	57
Pest Detection.....	27	27	46
Select Agents.....	0	3	5
Biosurveillance.....	1	2	3
Wildlife Disease Monitoring and Surveillance.....	0	0	2
Total, Plant and Animal Health Monitoring.....	185	274	304
Pest and Disease Management:			
Boll Weevil.....	47	39	0
Brucellosis Eradication.....	10	10	9
Cotton Pests.....	0	0	16
Chronic Wasting Disease.....	19	19	15
Emerging Plant Pests.....	101	99	127
Low Pathogen Avian Influenza.....	23	14	17
Johne's Disease.....	19	13	3
Scrapie.....	18	18	19
Tuberculosis.....	15	15	17
Wildlife Services Operations.....	72	77	75
All Other Pest and Disease Management.....	37	39	46
Total, Pest and Disease Management.....	361	343	344

MARKETING AND REGULATORY PROGRAMS

Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Animal Care.....	17	18	20
Biotechnology Regulatory Services.....	9	10	13
Veterinary Biologics and Diagnostics.....	35	38	48
Other Scientific and Technical Services.....	30	30	33
Physical/Operational Security.....	0	1	5
All Other.....	9	10	5
Total, APHIS Salaries and Expenses.....	939	1,016	1,092
Emergency Funding (CCC).....	169	0	0
Trust Funds.....	15	14	14
Buildings and Facilities.....	5	5	6
Total, APHIS Program Level.....	1,128	1,035	1,112
Existing User Fees.....	-131	-137	-139
Emergency Funding (CCC).....	-169	0	0
Trust Funds.....	-15	-14	-14
Total, APHIS Appropriations.....	\$813	\$884	\$959 ^{c/}

^{a/} Total collections are \$339 million in 2005, \$348 million in 2006 and \$353 million in 2007. Of the total, \$208 million, \$211 million and \$214 million are transferred to the Department of Homeland Security in 2005, 2006 and 2007 respectively.

^{b/} Emergency Supplemental Appropriations pursuant to P.L. 109-148 (\$72 million).

^{c/} Includes \$8 million to be derived from proposed new user fees.

APHIS helps achieve two USDA strategic goals: Enhance protection and safety of the Nation's agriculture and food supply; and enhance international competitiveness of American agriculture. The major areas of activity are as follows:

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

MARKETING AND REGULATORY PROGRAMS

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

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

The 2007 budget proposes a program level of over \$1.1 billion for salaries and expenses, an increase of \$77 million above the 2006 level. Notable increases stem from proposals to further enhance the security of the agriculture sector from plant and animal health threats. A brief description of key initiatives follows.

APHIS plays a critical role in protecting the Nation from deliberate or unintentional introduction of agricultural health threats, and the budget request for APHIS includes a \$62 million increase for Food and Agriculture Defense efforts. These include: enhanced international information gathering about potential threats abroad; greater plant pest detection and safeguarding; increased national wildlife and animal health surveillance; improved ability to respond to a plant or animal disease outbreak; and vaccines and supplies for the National Veterinary Stockpile.

Other increases relate to efforts to deal with emerging plant pests, notably emerald ash borer, and for fruit fly exclusion. The budget assumes cost-sharing on the part of cooperators for specific pest and disease efforts. The budget requests an increase of \$5 million to better deal with sanitary and phytosanitary trade barriers. A \$3 million increase is requested to further enhance the Department's ability to deal with issues arising from emerging technologies employing genetically modified organisms. Physical and operational security efforts would also be bolstered.

In December 2005, Congress appropriated emergency supplemental funds to APHIS to deal with pandemic influenza. The 2007 budget requests about \$57 million to continue efforts such as international capacity building (e.g., providing in-country expertise overseas); domestic surveillance and diagnostics (including wildlife surveillance); and emergency preparedness and response.

Key measures of APHIS performance at the requested budget level are shown in the following table.

MARKETING AND REGULATORY PROGRAMS

Objective 4.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Number of significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals	0 Baseline	1	0	0	0	0
Number of emerging plant pest programs where an outbreak has not been contained within the quarantine area	N/A	4 Baseline	3	2	1	1

The major APHIS programs are:

Agricultural Quarantine Inspection (AQI). USDA ensures that passengers and cargoes traveling from Hawaii and Puerto Rico comply with regulations to protect the health of the agricultural sector on the Mainland. Such services previously provided by APHIS at the Canadian and Mexican borders and at ports of entry are now conducted by the Department of Homeland Security. USDA has the responsibility of promulgating regulations related to the entry of passengers and commodities into the United States. The 2007 budget proposes \$165 million for AQI activities compared with \$164 million in 2006.

Other programs attempt to exclude from the United States fruit flies, screwworm, and other animal pests and diseases. APHIS also resolves sanitary and phytosanitary disputes through international fora, and bilateral discussions. The pest and disease exclusion programs were evaluated under the Program Assessment Rating Tool and found to be effective.

Plant and Animal Health Monitoring and Surveillance. The budget requests \$304 million for plant and animal health monitoring and surveillance compared to \$274 million in 2006. This includes an increase of \$19 million for improved plant pest detection, including cooperative agricultural pest surveys, and an increase of about \$10 million to bolster animal health monitoring and surveillance, including support for the National Animal Health Laboratory Network. Additional funding would further increase the availability of specific animal vaccines and related products to respond to an outbreak. Wildlife disease monitoring and surveillance, anti-smuggling activities, and efforts to safeguard and track select biological agents would receive lesser increases. The plant and animal health monitoring and surveillance programs were reviewed using the Program Assessment Rating Tool and found to be effective.

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In June 2004, APHIS used Commodity Credit Corporation funds to initiate a one-time, enhanced surveillance effort to test as many high-risk cattle for bovine spongiform encephalopathy as possible. As of early January 2006, about 574,000 animals were sampled. In 2007, APHIS seeks \$17 million in appropriations to test about 40,000 animals, the same funding as appropriated in 2006.

Pest and Disease Management Programs. APHIS provides technical and financial support to help control or eradicate a variety of agricultural health threats. The 2007 budget requests \$344 million for pest and disease management efforts, approximately the same as in 2006. The budget proposes increased funding for efforts against emerging plant pests (emerald ash borer, citrus canker, and sudden oak death), an improved national plant emergency response infrastructure, and enhanced low pathogenic avian influenza and other efforts. Successes in boll weevil eradication efforts allow a reduction in that program, and funding is reduced for Johne's Disease in favor of other, higher priority program needs. Similarly, decreased funding is also proposed for brucellosis, chronic wasting disease, grasshopper, and other efforts. The Secretary retains authority to transfer funds from the CCC or other USDA accounts to combat any sudden, urgent and unforeseen pest and disease outbreaks. The request includes about \$10 million to establish a pilot competitive-bid program to award grants to private groups who can respond to invasive species with innovative methodologies. A review of emergency pest and disease management programs using PART was conducted as part of the 2007 budget process. The review found that the program is moderately effective.

Animal Care. The 2007 budget proposes slightly more than \$19 million for Animal Welfare Act activities and \$0.5 million for the Horse Protection Act. This represents an increase of about \$2 million over 2006 for activities to enforce the Animal Welfare Act. The budget proposes collection of about \$8 million for Animal Welfare through new user fees for inspections. A review of animal welfare programs using PART found that the program is adequate.

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

Buildings and Facilities. Funding of \$6 million for general repairs and maintenance of APHIS buildings is requested in 2007, compared to \$5 million in 2006. The increase will be used for critical repairs at APHIS facilities.

MARKETING AND REGULATORY PROGRAMS

AGRICULTURAL MARKETING SERVICE (AMS)

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Marketing Services:			
Market News.....	\$30	\$31	\$32
Egg Surveillance and Standardization.....	7	7	7
Market Protection and Promotion:			
Federal Seed Act.....	2	2	3
Country of Origin Labeling.....	0	1	1
Pesticide Data Program.....	15	15	15
Microbiological Data Program.....	6	6	0
Biotechnology.....	4	0	0
Organic Standards.....	2	2	3
Pesticide Recordkeeping.....	3	3	3
Food Protection.....	0	0	3
Web-based Supply Chain Management System.....	0	<u>a/</u>	10
Wholesale Market Development.....	3	4	4
Transportation Services.....	3	3	3
Total, Marketing Services.....	75	74	84 <u>b/</u>
Payments to States.....	4	4	1
Section 32 Funds:			
Funds for Strengthening Markets, Income, and Supply.....	444	951	422
Section 32 Administrative Funds:			
Marketing Agreements and Orders (MA&O).....	16	16	16 <u>c/</u>
Commodity Purchase Services.....	11	31	12
Total, Section 32 Administrative Funds.....	27	47	28
Total, Section 32 Funds.....	471	998	450

MARKETING AND REGULATORY PROGRAMS

Program Level (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
User Fees:			
Perishable Agricultural Commodities Act.....	7	7	7
Commodity Grading Services.....	177	189	188
Total, User Fee Funded Programs.....	184	196	195
Total, AMS Program Level.....	734	1,272	730
Existing User Fees.....	-184	-196	-195
Section 32 Funds.....	-471	-998	-450
Total, AMS Appropriations.....	\$79	\$78	\$85

a/ Funded within Section 32 at \$20 million.

b/ Includes \$2 million to be derived from proposed new user fees.

c/ Includes \$12 million to be derived from proposed new user fees.

The mission of AMS is to facilitate the marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. All AMS activities support the USDA's Strategic Goal 2, which is to enhance the competitiveness and sustainability of rural and farm economies. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology. This mission is carried out through the following wide range of programs:

- **Marketing Services.** AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information; surveillance of shell egg handling operations; development of commodity grade standards; protection of producers from unfair marketing practices; statistical sampling of commodities for pesticide residues and microbiological contamination; development of organic standards; research and technical assistance aimed at improving efficiency of food marketing and distribution; and pesticide recordkeeping.
- **Payments to States and Possessions.** Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers.
- **Section 32 Funds.** Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the preceding calendar year. These funds are used to encourage domestic consumption of non-price supported perishable

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commodities and re-establish farmers' purchasing power through a variety of activities, including: purchases of such commodities and removal of surplus commodities from the marketplace for distribution to Federal nutrition assistance programs such as the National School Lunch Program; diversion programs that bring production in line with demand; and disaster assistance for producers. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities and developing the specifications used for food procurement throughout the Federal government.

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

- **Perishable Agricultural Commodities Act (PACA).** This Act prohibits unfair and fraudulent practices in the marketing of perishable agricultural commodities by regulating shippers, distributors, and retailers. Full and prompt payment for fresh fruits and vegetables is a key objective of the program. The program is funded through annual licensing fees paid by those subject to the Act.
- **Commodity Grading Services.** AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

A review of Commodity Grading Services using PART was conducted as a component of the 2005 budget process. The review concluded that the accurate grading, certification, and audit services are beneficial in the marketing of agricultural products. However, the evaluation found that while most of the program costs are recovered through user fees, the costs associated with the development, review, and modification of grade standards are funded at taxpayer's expense. As a result of this recommendation, the 2007 budget includes a legislative proposal to allow AMS to recover and retain these costs through existing grading user fees. Also, AMS has developed improved annual and long-term performance measures as well as improved baselines and targets that demonstrate progress toward achieving the programs stated performance goals.

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

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For 2007, the AMS budget proposes a program level of \$758 million, of which \$203 million (27 percent) will be funded by existing user fees, \$470 million (62 percent) by Section 32 funds and \$85 million (11 percent) by appropriations, including \$2 million to be derived from proposed new user fees. The 2007 budget includes the following programmatic changes:

- An increase of \$0.5 million for the Federal Seed Act Program to assume seed testing in those States that have withdrawn from the program and to work with seed producers and States to improve the accuracy of seed sampling and testing programs.
- A decrease of about \$6.3 million for the termination of the Microbiological Data Program (MDP). The PART review of the MDP program was revised during the 2007 budget process to indicate that although AMS shared MDP data with other Federal agencies, such as the Food and Drug Administration, it is difficult to determine to what extent the data is used to support risk assessments. Furthermore, consistent with a Congressional directive, sample origin data is not collected. This limits the use of the data in epidemiological investigations aimed at determining the source of outbreaks of foodborne illness. In response to these findings and the need to limit Federal spending, the program is proposed for termination in 2007.
- An increase of about \$1 million to ensure that the National Organic Program can meet the needs of the rapidly growing organic industry. This increase will support: rulemaking needed to address a court order that found three elements of the national organic standards regulations inconsistent with statutory authority; renewal of substances on the National List of Approved and Prohibited Substances that are set to expire on October 21, 2007; and increased compliance actions, including training sessions for certifying agents.
- An increase of \$2.8 million to promote the protection of commodities provided to the National School Lunch Program (NSLP) and other Federal nutrition assistance programs by incorporating food security attributes into purchase specifications, conducting vulnerability assessments needed to develop industry guidance on how to protect products purchased for distribution through NSLP, and development of model food security plans for products of importance to NSLP.
- Funding of \$10 million within Marketing Services for the Web-based Supply Chain Management System (WBSCM) to improve information technology systems used to manage and control commodity orders, purchases, and delivery. In 2006, \$20 million was included for WBSCM under Commodity Purchase Services in Section 32.
- Implementation of new user fees for the development of commodity grade standards with an associated grading program. Users of grading services are direct beneficiaries of commodity standards and, therefore, should be charged for the development of commodity grades associated with the grading and inspection program. In order to implement this recommendation, legislation will be proposed to authorize the recovery of these costs.
- Funding of \$1 million for the Payments to States Program. In 2007, the budget proposes to eliminate a \$3 million Congressional earmark.

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- A shift of \$12 million from Section 32 funding to reflect the collection of new user fees to recover the Federal costs for administration of Marketing Agreements and Orders through assessments. Since Federal operations directly support local activities, the budget proposes to recover Federal costs for oversight of marketing agreements and orders through increased assessments to those producers and handlers who benefit. The local market administrator or committee will be billed for their portion of Federal administrative costs.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Program Level			
(Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Salaries and Expenses:			
Grain Inspection Activities.....	\$17	\$18	\$20
Packers and Stockyards Programs.....	20	20	22
Total, Salaries and Expenses.....	37	38	42
Inspection and Weighing User Fees.....	37	42	42
Total, GIPSA Program Level.....	74	80	84
Existing User Fees.....	-37	-42	-42
Total, GIPSA Appropriations.....	\$37	\$38	\$42 ^{a/}

^{a/} Includes \$20 million to be derived from proposed new user fees.

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

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

MARKETING AND REGULATORY PROGRAMS

A review of the Federal grain inspection activities using the Program Assessment Rating Tool was conducted as part of the 2007 budget process. The program was found to be moderately effective.

For 2007, the budget proposes a program level for salaries and expenses of about \$84 million, of which \$42 million is from inspection and weighing user fees. Of the appropriations request of \$42 million, about \$20 million is devoted to the grain inspection activities including standardization, compliance, and methods development activities and \$22 million to the Packers and Stockyards Programs. The budget includes a proposal for new user fees for Grain Standardization and the Packers and Stockyards Programs.

The 2007 budget includes the following program changes:

- An increase of almost \$3 million to continue the agency's IT modernization efforts, of which \$1.4 million is one-time funding. The agency's eGov initiatives would facilitate the electronic transfer of information to and from stakeholders, and allow more efficient utilization by GIPSA of information such as program reviews and evaluations, agricultural product standards, inspection data, field test equipment reporting.
- An increase of \$0.4 million to support U.S. grain trade to Asia by increased GIPSA presence to resolve issues that arise over U.S. grain shipments.
- A reduction of \$0.5 million in earmarked funds for the Iowa, Missouri, and Illinois Corn Growers Associations.

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MISSION AND RELATIONSHIP TO STRATEGIC GOALS

The Research, Education, and Economics (REE) mission area provides Federal leadership for the discovery, application, and dissemination of information and technologies spanning the biological, physical, and social sciences through agricultural research, education, and extension activities and economic and statistical analysis. The 2007 REE budget supports all six of the Department's goals in the USDA Strategic Plan.

REE will focus resources on two key objectives, including Strategic Objective 4.2: reduce the number and severity of agricultural pest and disease outbreaks and Strategic Objective 5.2: promote healthier eating habits and lifestyles. To address objective 4.2, REE will expand its ongoing efforts in the development of diagnostics and basic and applied research, as well as fund projects through the National Research Initiative on high priority animal diseases such as avian influenza and foot-and-mouth disease. In response to the January 2005 Department of Homeland Security report, "A Comprehensive Strategy to Combat Agro-terrorism," REE will increase its efforts to provide diagnostic detection tools that can be more widely used in field situations, increase its understanding of disease epidemiology, and provide more effective, rapidly deployable countermeasures in the forms of vaccines and antivirals. REE will use its expertise to develop effective tools to detect and prevent future threats from transmissible spongiform encephalopathies. Additionally, REE will conduct research and fund extension work on emerging rust diseases of grain and soybeans to minimize or prevent the establishment of these pathogens in the United States. To address USDA Strategic Objective 5.2, REE will address the efficacy of the healthful eating and physical activity patterns set forth in the *Dietary Guidelines* in preventing obesity in the U.S. population. Particular attention will be focused on preventing obesity in children. REE conducts research that helps understand food consumption patterns of Americans, including those of different ages, ethnicities, regions, and income levels. In addition to benefiting most Americans, the research results will aid USDA's food assistance programs and the U.S. economy, which is burdened with the direct and indirect costs of obesity.

REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house research agency in USDA in the area of natural and biological sciences. ARS has eight key objectives that support four of the USDA strategic goals. Examples from each of the four strategic goals include: (Goal 2) provide science-based knowledge and technologies to generate new or improved high quality value-added products and processes to expand domestic and foreign markets for agricultural commodities; (Goal 4) provide science-based knowledge on the safe production, storage, processing and handling of plant and animal products; (Goal 5) improve the nutritional value of the U.S. food supply; and (Goal 6) provide science-based knowledge and information to improve the management of forests, rangelands, and pastures.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner with land grant and non-land grant colleges and universities in carrying out extramural research, higher education, and extension activities. CSREES has sixteen key objectives which support all six USDA strategic goals. An example from each of the six

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strategic goals includes: (Goal 1) provide information and education to support international economic development and reduce trade barriers; (Goal 2) contribute science-based information, analysis, and education to promote the efficiency of domestic agricultural production and marketing systems; (Goal 3) provide science-based technology, products and information to facilitate informed decision-making affecting the quality of life in rural areas; (Goal 4) reduce the incidence of foodborne illnesses and contaminants through science-based knowledge and education; (Goal 5) promote healthier food choices and lifestyles through research and education; and (Goal 6) provide science-based knowledge and education to improve the management of forests and rangelands.

- The Economic Research Service (ERS) is the principal intramural economic and social science research agency in USDA. ERS' key objective is the successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate concerning economic and policy issues related to agriculture, food, natural resources and rural America. This key objective supports all six USDA strategic goals.
- The National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector. NASS has five key objectives that support four of the USDA strategic goals. An example from each of the four strategic goals includes: (Goal 2) provide agricultural markets with unbiased data to operate efficiently with fair and equitable price discovery; (Goal 3) provide statistically sound information for economic and business decision-making at the local level in rural communities; (Goal 4) provide chemical usage statistics to enable informed decisions using science-based risk analysis; and (Goal 6) provide statistical data for improved management of soil, air and water.

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AGRICULTURAL RESEARCH SERVICE (ARS)

Program Level			
(Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Research and Information:			
Product Quality/Value Added.....	\$98	\$98	\$94
Livestock Production.....	68	68	67
Crop Production.....	159	163	153
Food Safety.....	95	96	85
Livestock Protection.....	62	64	66
Emergency Supplemental.....	0	7	0
Crop Protection.....	163	162	155
Human Nutrition.....	80	81	85
Environmental Stewardship.....	172	174	172
National Agricultural Library.....	22	21	25
Repair and Maintenance of Facilities.....	18	18	18
Collaborative Research Program.....	6	0	0
Homeland Security <u>a/</u>	28	33	81
Subtotal, Ongoing Programs.....	971	985	1,001
Earmarked Projects.....	137	146	0
Total, Research and Information.....	1,108	1,131	1,001
Buildings and Facilities.....	186	130	8
Emergency Supplemental.....	0	9	0
Total, Buildings and Facilities.....	186	139	8
Trust Funds.....	15	18	18
Total, ARS.....	\$1,309	\$1,288	\$1,027
RECAP:			
Ongoing Appropriations.....	\$1,309	\$1,272	\$1,027
Emergency Supplemental.....	0	16	0
Total, ARS.....	\$1,309	\$1,288	\$1,027

a/ Research activities carried out in support of Homeland Security are included in the Food Safety, Livestock Protection and Crop Protection program areas.

ARS conducts research to develop new scientific knowledge, transfers technology to the private sector to solve technical agricultural problems of broad scope and high national priority, and provides access to scientific data. The agency houses the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resource sciences.

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ARS has over 100 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility.

The 2007 budget recommends approximately \$1 billion for ARS research and information. Increases totaling \$57.7 million are proposed to fund critical research priorities. These increases are offset by the elimination of \$146 million in funding for Congressional earmarks and about \$50 million in project terminations. Additionally, approximately \$49 million in formally unrequested projects have been redirected to high priority Administration initiatives. Highlights of funding to be used to support high priority nationwide programs in the following areas include:

- **New Products/Product Quality/Value Added.** ARS research enhances the economic viability and competitiveness of U.S. agriculture by maintaining the quality of harvested agricultural commodities or enhancing their marketability; by expanding domestic and global market opportunities through the development of value-added food and non-food products and processes; by reducing the Nation's dependence on foreign oil and improving the environment through the development of alternate energy sources; and by increasing the use of agricultural crops as feedstocks for biofuels. The 2007 budget includes \$3.6 million through increases and project redirections for research related to the President's National Energy Policy and Administration initiatives on biofuels. Requested funds would enhance a program to efficiently convert crops and crop residues to high-value biobased products and biofuels.
- **Livestock Production.** ARS conducts research that develops biotechnological methods to use animal germplasm and associated genetic and genomic repositories and databases to ensure an abundant and safe food supply of animal products. Research also provides the knowledge to assess farm animal well-being, reduce animal stress, increase animal health and improve the international competitiveness and sustainability of U.S. aquaculture. With major efforts underway to sequence the bovine and porcine genomes, development of rapid and efficient methods to characterize, identify, and manipulate the useful properties of genes is essential. The 2007 budget includes \$6.1 million through increases and project redirections for animal genomics and the preservation of animal germplasm.
- **Crop Production.** ARS safeguards and utilizes plant, microbial, and insect germplasm, associated genetic and genomic databases, and bioinformatic tools to ensure an abundant, safe, and inexpensive supply of food, feed, fiber, ornamentals, and industrial products. The 2007 budget provides \$5.2 million through increases and project redirections for plant genomics and the preservation of plant genetic resources to enhance the quality and safety of the U.S. supply of food, fiber, feed, machines, biofuels, industrial products and ornamentals.
- **Food Safety.** ARS research provides the means to ensure that the food supply is safe for consumers and that food and feed meet foreign and domestic regulatory requirements. Research also focuses on the reduction of the hazards of both introduced and naturally occurring toxicants in foods and feed, including pathogenic bacteria, viruses, parasites, chemical contaminants, mycotoxins produced by fungi growing on plants, and naturally occurring toxins produced by plants. The 2007 budget includes an increase of \$13.8 million

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through increases and project redirections for food safety research including the development of surveillance and epidemiology programs, detection and processing intervention systems, and chemical, biological, and heavy metal contaminant identification methodologies. ARS will continue to work with other USDA and Federal agencies to implement a comprehensive Food and Agriculture Defense Initiative.

- **Livestock Protection.** ARS produces the knowledge and technology to reduce economic losses from infectious, genetic, and metabolic diseases of livestock and poultry and to eliminate the losses to animal production and products caused by arthropod diseases and arthropod borne trauma. This research also reduces the risk to humans of arthropod borne zoonotic diseases and enhances the safety of animal products. The 2007 budget includes a \$6.1 million increase for livestock protection research on two of the most menacing animal diseases: avian influenza and foot-and-mouth disease. ARS will continue to research disease epidemiology (persistence of infection, spread of virus, routes of transmission), and develop diagnostic detection tools, vaccine and antivirals. The budget also seeks an increase of \$9.8 million to study BSE and chronic wasting disease. This research will study the variations associated with disease susceptibility, genetic factors that control host-pathogen interactions and disease outcome, and develop countermeasures to control and eradicate transmissible spongiform encephalopathy agents. Additionally, the budget includes \$9.9 million through project redirections for controlling emerging diseases and invasive species through the development of vaccines as well as other intervention strategies. The budget includes a \$2.5 million increase for research to assist APHIS in better responding to emerging livestock diseases such as classical swine fever and Rift Valley fever, as well as an increase of \$1.2 million to provide the agency with the capacity to rapidly respond to emergency research needs affecting livestock.
- **Crop Protection.** ARS provides the knowledge to reduce losses caused by plant diseases by defining practices that are effective and affordable and that maintain environmental quality. Research also provides the technology to manage pest populations below economic damage thresholds by the integration of environmentally compatible strategies that are based on an increased understanding of the pest's biology and ecology. The 2007 budget includes a proposed increase of \$3.9 million to combat emerging rust diseases of grain and soybeans. Research will focus on identifying and incorporating diverse sources of genetic resistance into new grain and soybean varieties and germplasm. These funds will also be used to develop predictive and diagnostic technology as well as management strategies for rust diseases. The budget also provides an increase of \$4.2 million for the National Plant Disease Recovery System which will ensure disease resistant varieties are continuously developed and made available to producers in the event of a natural or intentional catastrophic disease or pest outbreak. Additionally, the budget includes \$10.9 million through increases and project redirections for controlling emerging diseases and invasive species through the development of rapid diagnostic technologies and integrated disease management strategies. The budget includes a \$2.5 million increase for research to assist APHIS in better responding to emerging plant diseases such as Sudden Oak Death, *Ralstonia*, and diseases of citrus and tree fruits, as well as an increase of \$1.2 million to provide the agency with the capacity to rapidly respond to emergency research needs affecting crops.

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- **Human Nutrition.** Six ARS centers conduct basic and applied research to identify and understand how nutrients and other bioactive food components affect the health of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. The ultimate goal of this food-based agricultural research is to identify foods and diets, coupled with genetics and physical activity, which will sustain and promote health throughout life. The 2007 budget includes an increase of \$4.7 million to undertake health and obesity prevention research that will address the efficacy of the healthful eating and physical activity patterns set forth in the *Dietary Guidelines* in preventing obesity in the U.S. population. Particular attention will be focused on preventing obesity in children. The budget also redirects \$6.6 million to research that will focus on understanding the dietary patterns that contribute to obesity in low socioeconomic and minority populations. These funds will also be used to conduct research that addresses the obesity epidemic and promotes a healthier lifestyle. In addition to benefiting most Americans, the research results will aid USDA's food assistance programs, and the U.S. economy, which is burdened with the direct and indirect costs of obesity.
- **Environmental Stewardship.** This broad area of research emphasizes the development of technology and scientific knowledge that will allow producers to manage, conserve, and protect the Nation's soil, water, and air resources while optimizing agricultural productivity. The 2007 budget proposes a \$3.2 million increase to conduct interdisciplinary research leading to production technologies and practices for sustaining and enhancing production and carbon sequestration by agricultural systems, expand the existing ARS network of sites conducting measurements of greenhouse gases, and provide leadership to Federal agencies in producing two reports required by the Administration's Climate Change Science Program. The budget also seeks a \$2 million increase to develop technology and management systems to reduce agriculture's vulnerability to drought and improve water quality. The budget will redirect \$1.5 million to research which will develop systems to reduce gaseous and particulate matter emissions from animal feeding operations.
- **National Agricultural Library.** The National Agricultural Library (NAL), one of four national libraries in the United States, provides access to scientific agricultural data. NAL provides agricultural information electronically and is expanding its efforts to catalog, manage, and disseminate agriculture-related data through the Internet. The \$4 million increase proposed for NAL will offset dramatic cost increases in the materials necessary for restoring the national collection of agricultural information, as well as continuing the development of information technology to manage and deliver information efficiently.
- **Buildings and Facilities.** The 2007 budget seeks \$8.4 million to fund the design and site preparation of the Classical Chinese Garden at the U.S. National Arboretum. The Classical Chinese Garden is a joint project between the governments of the U.S. and China and will be the finest example of a classical Chinese garden in the U.S. At the same time, it will be used to support the Arboretum's research programs in the development of new and improved ornamental and floral plants.

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The ARS programs related to Protection and Safety of Agricultural Food Supply underwent a PART assessment for 2007. The program received a rating of “Moderately Effective” with high scores for program purpose and design, strategic planning, and management.

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

**Program Level
(Dollars in Millions)**

Program	2005 Actual	2006 Estimate	2007 Budget
Research and Education.....	\$655	\$672	\$566
Extension Activities.....	446	451	431
Integrated Activities.....	55	55	19
Native American Endowment Fund and Interest.....	14	15	15
Outreach for Socially Disadvantaged Farmers.....	6	6	7
Subtotal, Programs.....	1,176	1,199	1,038
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	3	3	3
Total, CSREES.....	<u>\$1,184</u>	<u>\$1,207</u>	<u>\$1,046</u>

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

Program	2005 Actual	2006 Estimate	2007 Budget
Formula Grants:			
Smith-Lever 3 (b&c) Formula.....	\$276	\$273	\$273
Hatch Act.....	179	177	177
1890 Research and Extension.....	69	71	72
McIntire-Stennis Cooperative Forestry.....	22	22	22
Animal Health.....	5	5	0
Total, Formula Grants.....	551	548	544
National Research Initiative Competitive Grants (NRI).....	180	181	248
Selected Integrated Activities:			
Water Quality.....	13	13	0
Food Safety.....	15	15	0
Rural Development Centers.....	1	1	1
International Science and Education Grants.....	1	1	1
Critical Issues.....	1	1	2
Pest Control/Management Activities.....	29	29	26
Sustainable Agriculture Research and Extension.....	16	16	13
Higher Education Programs.....	35	35	36
Native American Endowment Fund and Interest.....	14	15	15
Federally-Recognized Tribes Extension Program.....	2	2	3
1890 Facilities.....	17	17	17
Extension Services at 1994 Institutions.....	3	3	3
Expanded Food and Nutrition Education Program (EFNEP).....	58	62	62
Federal Administration.....	14	15	17
Food and Agriculture Defense Initiative:			
Regional Diagnostic Network.....	9	10	12
Higher Education Agrosecurity.....	0	0	5
Other Research, Extension and Integrated Programs.....	30	31	26
Emergency Supplemental.....	0	2	0
Outreach for Socially Disadvantaged Farmers.....	6	6	7
Subtotal, Ongoing Programs.....	995	1,003	1,038
Earmarked Projects and Grants.....	181	196	0
Subtotal, Programs.....	1,176	1,199	1,038
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	3	3	3
Total, CSREES.....	\$1,184	\$1,207	\$1,046

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

The 2007 budget requests over \$1 billion for CSREES. Increases totaling \$87 million are proposed. These increases are offset by the elimination of approximately \$196 million in Congressional earmarks. Highlights of the proposals follow:

- **Formula Grants.** The 2007 budget which funds the Hatch Act and McIntire-Stennis programs at about the 2006 level would increase funding for competitive grants. The proposal will modify the Hatch formula program by expanding the multi-State research programs to approximately 55.6 percent from the current base of about 25 percent. A portion of these funds, 35 percent, will be redirected to nationally, competitively awarded, multi-State/multi-institutional projects in the first year with the remaining multi-State funds being phased into competitive grants from formula funding over a four year period as existing multi-State projects are completed. This new approach will sustain the matching requirement and the use of Federal funds to leverage non-Federal resources. Additionally, the proposal will modify the McIntire-Stennis formula program by creating a multi-State research program supported by about 59 percent of the total funding. All McIntire-Stennis multi-State funds will be distributed through competitively awarded grants in 2007.
- **National Research Initiative (NRI).** The NRI is the Nation's premier competitive, peer-reviewed research program for fundamental and applied sciences in agriculture. The 2007 budget proposes \$247.5 million for the NRI, an increase of \$66.3 million above 2006. The increase will fund initiatives in agricultural genomics, emerging issues in food and agricultural security, the ecology and economics of biological invasions, plant biotechnology and water security.

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

- **Food and Agriculture Defense Initiative.** The 2007 budget proposes \$5 million for a Higher Education Agrosecurity Program as a component of the Food and Agriculture Defense Initiative. The funds will provide capacity building grants to universities for interdisciplinary degree programs targeted toward supplying educational and professional

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development for food defense personnel. This program will help secure the Nation's agriculture and food supply by focusing on educational activities that address biosecurity issues.

- Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers.**
 The Department encourages greater participation of African American farmers, tribal groups, Hispanic and other minority groups in the full range of commodity, loan, grant, and education programs offered to eligible individuals and community groups. The 2007 budget includes about \$7 million to provide grants to educational institutions and community-based organizations to benefit these groups. The \$1 million increase in funding will increase the number of socially disadvantaged minority farmers and ranchers who are knowledgeable and able to participate in USDA farm programs.

The CSREES programs related to Protection and Safety of the Agricultural Food Supply and the Natural Resource Base and Environment underwent a PART review during the formulation of the 2007 budget. The programs received ratings of "Moderately Effective" with high scores for program purpose and design, strategic planning, and program management. The PART findings did not identify any significant policy or performance measurement issues.

Objective 4.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Expand the ability to detect plant diseases to protect the Nation from disease outbreaks	N/A	N/A	3	3	1	1
Expand the ability to detect animal diseases to protect the Nation from disease outbreaks	N/A	N/A	6	2	1	1

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ECONOMIC RESEARCH SERVICE (ERS)

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Economic Research Service.....	\$74	\$75	\$83

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

The Economic Research Service’s entire program underwent a PART review during the formulation of the 2007 budget. The overall program rating was “Effective.” The review concluded that ERS ensures the quality of its research through internal and external peer reviews, that customer satisfaction with ERS products has been at or above targets, and that ERS is monitoring the timeliness of its research through tracking the correlation between its activities and coverage in media and the level of public interest as demonstrated through website visits. The PART review recommended that ERS: 1) continue to track those measures that have only baseline or partial data to ensure performance is improving or remaining on target; and 2) determine the impact of research on decisions by surveying users.

The ERS budget reflects a net increase of approximately \$8.0 million, including funds for pay costs and the following major program initiatives:

Agricultural and Rural Development Information System (\$5.0 million): This initiative will implement a comprehensive data collection and research program to monitor the changing economic health and well-being of farm and non-farm households in rural areas. How farm and non-farm rural households share, compete for, or build common rural community resources is key to understanding how farmers and rural Americans adjust to changing economic circumstances or policy scenarios over time. This initiative will provide \$3.0 million to begin an integrated set of surveys to collect multiple-year, longitudinal information on characteristics and economic well-being of rural households in areas that represent specific rural development challenges. An additional \$1.75 million will be provided to add a longitudinal component to USDA’s Agricultural Resource Management Survey (ARMS) to collect information on farms and farm households in the same economic areas and county groupings as for rural non-farm households. The remaining \$0.25 million will be spent to strengthen the data quality and information dissemination. The information generated under this initiative will support ongoing programs administered by the Rural Development mission area.

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Consumer Data and Information System (\$1.6 million). This initiative continues the development of a comprehensive food data system, partially funded in 2006. Additional funding will be used to obtain food-away-from-home data. The new data will complement existing at-home consumption and expenditure data to help identify, understand and track changes in food supply and consumption patterns and to explore the relationship between consumers' knowledge and attitudes and their consumption. The Consumer Data and Information System will provide USDA with current food prices, sales volumes, food purchases, information on consumer characteristics and purchasing behavior and the ability to survey consumer reactions, knowledge, attitudes, and awareness on a host of issues. These data will support the development and targeting of USDA policies and programs to help improve the diets and nutrition of all consumers, particularly low-income consumers. About \$0.35 million of the increase would be reallocated from the one-time increase for a study of the sheep industry. Funding for that purpose is not needed in 2007.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Program Level			
(Dollars in Millions)			
Program	2005	2006	2007
	Actual	Estimate	Budget
Agricultural Estimates.....	\$106	\$110	\$116
Census of Agriculture.....	22	29	37
Total, NASS.....	\$128	\$139	\$153

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

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

The budget reflects a net increase of \$14 million, which includes funding for agricultural estimates, Census of Agriculture, and pay costs. The increases are partially offset by reductions in agricultural estimates and small area estimates and by reductions in lower priority surveys.

Agricultural Estimates Restoration and Modernization (\$3.9 million). This initiative will continue NASS' efforts to restore quality and modernization of the basic USDA agricultural estimates program that supports the U.S. agricultural market system. This increase will fund efforts to continue improving the quality of many data series, including principal economic indicators used by the Council of Economic Advisors, data to review performance of programs enacted under the 2002 Farm Bill, support analysis for development of the upcoming 2007 Farm

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Bill, and data underlying the insurance safety net administered through the USDA for agricultural producers.

2007 Census of Agriculture (\$7.3 million). The Census of Agriculture provides comprehensive data on the agricultural economy with national, State, and county level details. The census data are relied upon to measure trends and new developments in the agricultural sector. This increase supports the normal increase in activity levels due to the cyclical nature of the 5-year Census program. Funding will be used to collect data to measure coverage of the census mailing list, printing and assembly of the census mail packages, and to prepare for data collection activities to occur in 2008.

Objective 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Timeliness of data releases	99.8%	99.8%	99.4%	99.8%	100%	100%

DEPARTMENTAL ACTIVITIES

DEPARTMENTAL OFFICES AND CENTRALIZED MANAGEMENT ACTIVITIES

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Departmental Offices:			
Office of the Secretary.....	\$11	\$13	\$14
Emergency Supplemental.....	0	11	0
Departmental Administration Staff Offices.....	23	23	28
Office of the Chief Financial Officer.....	6	6	20
Office of the Chief Information Officer.....	17	16	17
Office of the General Counsel.....	36	39	41
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	12	11	11
National Appeals Division.....	14	15	15
Office of Budget and Program Analysis.....	8	8	9
Homeland Security Staff.....	1	1	1
Total, Department Offices.....	137	152	166
Centrally Financed Activities:			
Funding to Address Trade Barrier Issues.....	2	2	2
Provincial Reconstruction Teams.....	0	0	5
Foreign Service Performance Pay.....	0	0	1
Agriculture Buildings and Facilities.....	163	184	210
Hazardous Materials Management.....	16	12	12
Common Computing Environment.....	125	109	109
Working Capital Fund.....	14	0	0
Emergency Supplemental.....	0	35	0
Trust Funds/Other.....	1	1	2
Total, Centralized Activities.....	321	343	341
Total, Departmental Offices and Centralized Activities....	\$458	\$495	\$507
RECAP:			
Ongoing Appropriations.....	\$458	\$449	\$507
Emergency Supplemental.....	0	46	0
Total, Departmental Offices and Centralized Activities....	\$458	\$495	\$507

The Departmental Offices and Centralized Management Activities provide leadership, coordination and support for all administrative and policy functions of the Department. These offices and activities are vital to USDA's success in providing effective customer service and efficient program delivery. The 2007 budget proposes funding to ensure that these offices

DEPARTMENTAL ACTIVITIES

maintain the staffing levels needed to provide management leadership, oversight and coordination.

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

The **Office of the Secretary (OSEC)**, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This involves providing policy direction for all areas of the Department and maintaining liaisons with the Executive Office of the President, members of Congress and the public on all matters pertaining to Departmental policy. Liaison with members of Congress, the White House and Tribal organizations is coordinated through the Office of the Assistant Secretary for Congressional Relations, which also provides overall direction and coordination in the development and implementation of policies and procedures applicable to the Department's intra- and inter-governmental relations. The 2007 budget requests \$14 million for OSEC. An increase of \$5 million is requested for Provincial Reconstruction Teams (PRTs) expenses. The PRTs are providing policy guidance, technical assistance and related support to reconstruction efforts underway in rural areas of Afghanistan.

Departmental Administration (DA) Staff Offices provide overall direction, leadership and coordination for the Department's management of human resources, ethics, property, procurement, emergency preparedness and physical security, hazardous materials management, facilities management, small and disadvantaged business utilization programs and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, the Judicial Officer, and the Board of Contract Appeals. The 2007 budget requests \$28.3 million for DA offices, including increases of \$2.6 million to support Continuity of Operations (COOP) and Personnel and Document Security requirements and \$2.3 million to support transition to a pay-for-performance personnel system.

The request for **Agriculture Buildings and Facilities** for 2007 is \$209.8 million, including an additional \$9.6 million for increases in rent and security costs associated with rental space. The budget also includes an increase of \$14.1 million for renovation projects.

The **Hazardous Materials Management (HMM) Program** provides for the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. The program is funded through a central appropriation and agency funds. The 2007 budget requests \$12 million for HMM, about the same as the 2006 level.

The **Office of the Chief Financial Officer (OCFO)** provides overall direction and leadership in the development of financial management policies and systems and produces the Department's consolidated financial statements and strategic plan. It also oversees the provision of administrative accounting, payroll and related systems for USDA and other agencies through operation of the National Finance Center (NFC). The 2007 budget requests \$19.9 million for

DEPARTMENTAL ACTIVITIES

OCFO, including an increase of \$14 million to begin work on a replacement of USDA's core financial management system.

The **Office of the Chief Information Officer (OCIO)** provides policy guidance, leadership and coordination for the Department's information management, technology investment and cyber security activities in support of USDA program delivery. The 2007 budget requests \$16.9 million for OCIO, including an additional \$0.64 million over the 2006 level to cover pay cost increases.

In addition, OCIO is responsible for the management of the **Common Computing Environment (CCE)** for the Service Center agencies. Starting in November 2004, OCIO has managed a new organization named Information Technology Services which consolidates the information technology support functions of the Service Center agencies under one office to ensure appropriate support and coordination. Agency specific application development, data content management, application support and some specific security functions remain within individual Service Center agencies. Nearly 800 information technology staff have been transferred to OCIO for this IT support work from the three Service Center agencies. The 2007 budget requests \$108.9 million for CCE, including \$24.7 million for the continued replacement of outdated infrastructure technology, \$68.8 million for FSA, \$12.9 million for NRCS, \$1.7 million for RD, and \$0.8 million for e-Government initiatives, to maintain the Service Center agencies' level of performance. This funding also allows for the continued incorporation of Geographic Information Systems data into the Department's agricultural digital mapping projects.

Legal oversight, counsel, and support for the Department's programs are provided by the **Office of the General Counsel (OGC)**. The 2007 budget requests \$40.6 million for OGC, including an increase of \$0.38 million for 5 additional staff years to meet increasing responsibilities.

The Department's **Office of Communications (OC)** provides leadership and coordination for the development of communications strategies for the Department and plays a critical role in disseminating information about USDA's programs to the general public. The 2007 budget requests \$9.7 million for OC, about the same as the 2006 level.

The **Office of the Chief Economist (OCE)** advises the Secretary and Department officials on the economic implications of Department policies, programs and proposed legislation; and serves as the focal point for the Nation's agricultural economic intelligence, analysis and review related to domestic and international food and agriculture markets. OCE also provides advice and analysis for biofuels, new uses of agricultural products and global climate change. The 2007 budget requests \$11.2 million for OCE, including an increase of \$0.3 million to cover pay costs and \$0.5 million and one staff year to support USDA's participation in the international Methane to Markets Partnership.

DEPARTMENTAL ACTIVITIES

Objective 2.1: Expand Domestic Market Opportunities.

Key Performance Measure	2002	2003	2004	2005	2006	2007
Number of items designated as biobased for Federal procurement	N/A	N/A	N/A	N/A	16 items	46 items

The **National Appeals Division (NAD)** conducts evidentiary administrative appeal hearings and reviews arising from program operations of the Rural Development mission area, Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service. The 2007 budget requests \$14.8 million for NAD, about the same as the 2006 level.

The **Office of Budget and Program Analysis (OBPA)** provides analyses and information to the Secretary and other senior level policy officials to support informed decision-making regarding the Department's programs and policies, and budget, legislative, and regulatory actions. The 2007 budget requests \$8.5 million for OBPA, about the same as the 2006 level.

The **Homeland Security Staff (HSS)** was created with emergency supplemental funding in 2002 for the purpose of establishing a central oversight and assistance capability within USDA for its many homeland security activities. The 2007 budget requests \$1.1 million for HSS, including increases of \$0.19 million for pay costs and a Radiological Emergency Coordinator.

OFFICE OF CIVIL RIGHTS

OFFICE OF CIVIL RIGHTS

**Program Level
(Dollars in Millions)**

Program	2005 Actual	2006 Estimate	2007 Budget
Office of Civil Rights.....	\$20	\$20	\$23

The **Office of Civil Rights (OCR)** provides policy guidance, leadership and outreach, coordination, training and complaint prevention and processing for the Department and mission area agencies. OCR’s mission is to facilitate the fair and equitable treatment of USDA customers and employees while ensuring the delivery and enforcement of civil rights programs and activities. Through its efforts, OCR strives to: 1) reduce and prevent Equal Employment Opportunity (EEO) and program complaints; 2) process EEO and program complaints in a timely, efficient and cost effective manner; 3) foster a positive civil rights climate at USDA; 4) offer alternative dispute resolution services; and 5) provide effective outreach programs to ensure equal and timely access to USDA programs and services to all customers. The 2007 budget requests \$22.7 million for OCR, which is \$2.7 million above 2006. This increase includes \$0.35 million in additional funds to support mandatory compliance monitoring activities and \$1.79 million to complete the civil rights complaints tracking information system used by OCR and all the agencies within USDA. The remainder of the increase will support pay cost increases.

OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL

Program Level (Dollars in Millions)			
Program	2005 Actual	2006 Estimate	2007 Budget
Office of Inspector General.....	\$77	\$79	\$82

The **Office of Inspector General (OIG)** conducts and supervises audits to prevent and detect fraud and to improve the effectiveness of USDA programs, and as the law enforcement arm of USDA, investigates significant criminal activity involving the Department's programs and personnel. The 2007 budget requests \$82 million for OIG, an increase of \$3 million over 2006. The increase includes \$2.3 million for pay costs and \$0.76 million to cover increases for the Emergency Response Program.

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Budget Authority

(Dollars in Millions)

AGENCY	2005 Actual	2006 Estimate	2007 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,220	\$1,315	\$1,024
Commodity Credit Corporation Programs.....	24,005	18,841	19,819
Risk Management Agency.....	2,312	3,365	4,212
Foreign Agricultural Service.....	326	340	350
P.L. 480.....	936	561	825
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	824	718	601
Salaries and Expenses.....	147	163	171
Rural Utilities Service.....	-555	-725	-744
Rural Housing Service.....	255	293	143
Rural Business - Cooperative Service.....	71	-97	-20
Rural Empowerment Zones/Enterprise Communities.....	12	11	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	52,527	58,934	57,018
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	3,151	3,060	2,707
Forest Service.....	5,791	5,004	4,933
FOOD SAFETY			
Food Safety and Inspection Service.....	820	832	866
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,309	1,288	1,027
Cooperative State Research, Education, and Extension Service.....	1,174	1,195	1,034
Economic Research Service.....	74	75	83
National Agricultural Statistics Service.....	128	139	153
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	1,128	1,035	1,112
Agricultural Marketing Service.....	217	221	230
Section 32 Funds.....	748	1,177	1,215
Grain Inspection, Packers and Stockyards Administration.....	37	38	42
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	13	26	22
Common Computing Environment.....	125	109	109
Office of Civil Rights.....	20	20	23
Departmental Administration.....	23	23	28
Agriculture Buildings and Facilities.....	163	184	210
Hazardous Waste Management.....	16	12	12
Office of the Chief Financial Officer.....	6	6	20
Office of the Chief Information Officer.....	17	16	17
Office of the General Counsel.....	36	39	41
Office of Inspector General.....	77	79	82
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	14	13	13
National Appeals Division.....	14	15	15
Office of Budget and Program Analysis.....	8	8	9
Homeland Security Support Staff.....	1	1	1
Working Capital Fund.....	14	35	0
Gifts and Bequests.....	1	1	1
Subtotal.....	97,214	98,379	97,414
Offsetting Receipts.....	-2,215	-2,101	-974
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$94,999	\$96,278	\$96,440

APPENDIX

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

AGENCY	2005 Actual	2006 Estimate	2007 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,557	\$1,684	\$1,494
Commodity Credit Corporation Programs.....	4	9	-90
Risk Management Agency.....	70	76	81
Foreign Agricultural Service.....	236	246	256
P.L. 480.....	1,356	1,182	1,221
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	754	718	601
Salaries and Expenses.....	147	163	171
Rural Utilities Service.....	42	121	35
Rural Housing Service.....	1,385	1,528	1,288
Rural Business - Cooperative Service.....	72	76	-59
Rural Empowerment Zones/Enterprise Communities.....	12	11	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	5,578	5,526	5,477
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	1,338	1,286	351
Forest Service.....	4,820	4,259	4,096
FOOD SAFETY			
Food Safety and Inspection Service.....	817	829	863
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,294	1,270	1,009
Cooperative State Research, Education, and Extension Service.....	1,169	1,187	1,026
Economic Research Service.....	74	75	83
National Agricultural Statistics Service.....	128	139	153
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	982	884	959
Agricultural Marketing Service.....	85	86	85
Grain Inspection, Packers and Stockyards Administration.....	37	38	42
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	13	26	22
Common Computing Environment.....	125	109	109
Office of Civil Rights.....	20	20	23
Departmental Administration.....	23	23	28
Agriculture Buildings and Facilities.....	163	184	210
Hazardous Waste Management.....	16	12	12
Office of the Chief Financial Officer.....	6	6	20
Office of the Chief Information Officer.....	17	16	17
Office of the General Counsel.....	36	39	41
Office of Inspector General.....	77	79	82
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	12	11	11
National Appeals Division.....	14	15	15
Office of Budget and Program Analysis.....	8	8	9
Homeland Security Staff.....	1	1	1
Working Capital Fund.....	14	35	0
Subtotal.....	22,511	21,986	19,752
Offsetting Receipts.....	-51	-79	-35
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$22,460	\$21,907	\$19,717

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Outlays

(Dollars in Millions)

AGENCY	2005 Actual	2006 Estimate	2007 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,061	\$1,245	\$1,215
Commodity Credit Corporation Programs.....	20,186	21,260	19,050
Risk Management Agency.....	2,950	3,294	3,677
Foreign Agricultural Service.....	184	340	349
P.L. 480.....	998	708	799
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	923	800	811
Salaries and Expenses.....	140	168	168
Rural Utilities Service.....	-1,536	384	-775
Rural Housing Service.....	389	445	589
Rural Business - Cooperative Service.....	14	84	165
Rural Empowerment Zones/Enterprise Communities.....	14	15	11
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	49,828	53,658	53,710
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	1,092	3,068	2,682
Forest Service.....	5,039	5,385	5,123
FOOD SAFETY			
Food Safety and Inspection Service.....	811	839	870
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,268	1,270	1,141
Cooperative State Research, Education, and Extension Service.....	1,113	1,102	1,014
Economic Research Service.....	74	76	82
National Agricultural Statistics Service.....	127	139	151
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	1,130	1,117	1,112
Agricultural Marketing Service.....	217	204	237
Section 32 Funds.....	852	1,463	914
Grain Inspection, Packers and Stockyards Administration.....	38	37	45
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	26	27	23
Fund for Rural America.....	4	1	0
Common Computing Environment.....	128	173	109
Office of Civil Rights.....	16	20	23
Departmental Administration.....	14	23	27
Agriculture Buildings and Facilities.....	150	234	210
Hazardous Waste Management.....	12	15	13
Office of the Chief Financial Officer.....	4	6	19
Office of the Chief Information Officer.....	8	18	17
Office of the General Counsel.....	36	40	41
Office of Inspector General.....	76	79	85
Office of Communications.....	8	9	10
Executive Operations:			
Office of the Chief Economist.....	13	13	13
National Appeals Division.....	14	15	15
Office of Budget and Program Analysis.....	8	8	9
Homeland Security Staff.....	1	1	2
Working Capital Fund.....	68	29	0
Gifts and Bequests.....	1	1	1
Subtotal.....	87,499	97,813	93,757
Offsetting Receipts.....	-2,215	-2,101	-974
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$85,284	\$95,712	\$92,783

APPENDIX

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

AGENCY	2005 Actual	2006 Estimate	2007 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,459	\$1,598	\$1,685
Commodity Credit Corporation Programs.....	4	9	-90
Risk Management Agency.....	67	74	80
Foreign Agricultural Service.....	220	246	255
P.L. 480.....	1,688	1,386	1,175
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	781	757	793
Salaries and Expenses.....	140	168	168
Rural Utilities Service.....	122	148	101
Rural Housing Service.....	1,589	1,680	1,734
Rural Business - Cooperative Service.....	72	76	75
Rural Empowerment Zones/Enterprise Communities.....	14	15	11
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	5,321	5,554	5,482
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	1,068	1,466	898
Forest Service.....	4,350	4,517	4,247
FOOD SAFETY			
Food Safety and Inspection Service.....	808	836	867
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,249	1,251	1,119
Cooperative State Research, Education, and Extension Service.....	1,067	1,078	1,007
Economic Research Service.....	74	76	82
National Agricultural Statistics Service.....	127	139	151
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	993	934	959
Agricultural Marketing Service.....	75	69	92
Grain Inspection, Packers and Stockyards Administration.....	37	37	45
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	26	27	23
Common Computing Environment.....	128	173	109
Office of Civil Rights.....	16	20	23
Departmental Administration.....	14	23	27
Agriculture Buildings and Facilities.....	150	234	210
Hazardous Waste Management.....	12	15	13
Office of the Chief Financial Officer.....	4	6	19
Office of the Chief Information Officer.....	8	18	17
Office of the General Counsel.....	36	40	41
Office of Inspector General.....	76	79	85
Office of Communications.....	8	9	10
Executive Operations:			
Office of the Chief Economist.....	11	11	11
National Appeals Division.....	14	15	15
Office of Budget and Program Analysis.....	8	8	9
Homeland Security Staff.....	1	1	2
Working Capital Fund.....	68	29	0
Subtotal.....	21,905	22,822	21,550
Offsetting Receipts.....	-51	-79	-35
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$21,854	\$22,743	\$21,515

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Staff Years

Agency	2005	2006 Enacted	2007 Estimate
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	5,577	5,318	5,253
Risk Management Agency.....	502	553	568
Foreign Agricultural Service.....	988	974	974
Total, FFAS.....	7,067	6,845	6,795
RURAL DEVELOPMENT			
Rural Development.....	6,580	6,872	6,872
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	1,451	1,430	1,465
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	12,332	12,506	10,967
Forest Service.....	36,631	36,485	36,411
Total, NRE.....	48,963	48,991	47,378
FOOD SAFETY			
Food Safety and Inspection Service.....	9,464	9,514	9,514
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	8,804	8,810	8,810
Cooperative State Research, Education & Extension Service.....	426	440	440
Economic Research Service.....	427	439	440
National Agricultural Statistics Service.....	1,123	1,123	1,139
Total, REE.....	10,780	10,812	10,829
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	7,078	7,008	7,616
Agricultural Marketing Service.....	3,281	2,911	2,912
Grain Inspection, Packers & Stockyards Administration.....	675	675	675
Total, MRP.....	11,034	10,594	11,203
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	76	87	87
Office of the Chief Economist.....	55	68	68
National Appeals Division.....	108	108	108
Homeland Security Staff.....	6	7	7
Office of Budget and Program Analysis.....	59	60	60
Office of the General Counsel.....	320	330	335
Office of the Inspector General.....	579	639	660
Office of the Chief Information Officer.....	836	1,104	1,104
Office of the Chief Financial Officer.....	1,228	1,484	1,484
Departmental Administration.....	507	599	590
Office of Civil Rights.....	154	154	154
Office of Communications.....	91	109	109
Total, Staff Offices.....	4,019	4,749	4,766
Subtotal, USDA.....	99,358	99,807	98,822
Thrift Savings Plan.....	284	284	284
Total, USDA Federal Staffing.....	99,642	100,091	99,106
FSA, Non-Federal Staffing.....	10,259	9,449	9,425
Total, USDA Staffing.....	109,901	109,540	108,531

APPENDIX

Strategic Goal 1 Enhance International Competitiveness of American Agriculture (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 1.1: Expand and Maintain International Export Opportunities:			
Foreign Agricultural Service.....	\$2,936	\$3,587	\$3,587
Animal and Plant Health Inspection Service.....	18	18	22
Grain Inspection, Packers and Stockyards Administration.....	8	8	10
Cooperative State Research, Education and Extension Service.	41	42	32
Economic Research Service.....	10	11	11
Total, Objective 1.1.....	3,013	3,666	3,662
Objective 1.2: Support International Economic Development and Trade Capacity Building:			
Foreign Agricultural Service.....	2,411	1,746	1,654
Cooperative State Research, Education and Extension Service.	6	6	6
Economic Research Service.....	2	2	2
Total, Objective 1.2.....	2,419	1,754	1,662
Objective 1.3: Improved Sanitary and Phytosanitary (SPS) System to Facilitate Agricultural Trade:			
Foreign Agricultural Service.....	28	28	28
Natural Resources Conservation Service.....	14	12	12
Economic Research Service.....	1	1	1
Total, Objective 1.3.....	43	41	41
Total, Strategic Goal 1.....	\$5,475	\$5,461	\$5,365

APPENDIX

Strategic Goal 2
Enhance the Competitiveness and Sustainability of Rural and Farm Economies
(Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 2.1: Expand Domestic Market Opportunities:			
Farm Service Agency.....	\$1,706	\$1,120	\$659
Agricultural Marketing Service.....	550	1,076	535
Grain Inspection, Packers and Stockyards Administration.....	66	72	74
Agricultural Research Service.....	128	124	101
Cooperative State Research, Education and Extension Service.	78	79	62
Economic Research Service.....	7	7	7
Total, Objective 2.1.....	2,535	2,478	1,438
Objective 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems:			
Agricultural Research Service.....	343	338	236
Cooperative State Research, Education and Extension Service.	256	261	206
Economic Research Service.....	17	17	19
National Agricultural Statistics Service.....	93	97	103
Total, Objective 2.2.....	709	713	564
Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers:			
Farm Service Agency.....	32,844	33,523	30,751
Risk Management Agency.....	3,014	4,048	4,243
Cooperative State Research, Education and Extension Service.	46	47	48
Economic Research Service.....	2	2	2
National Agricultural Statistics Service.....	7	7	7
Total, Objective 2.3.....	35,913	37,627	35,051
Total, Strategic Goal 2.....	\$39,157	\$40,818	\$37,053

APPENDIX

Strategic Goal 3
Support Increased Economic Opportunities and Improved
Quality of Life in Rural America
(Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 3.1: Expand Economic Opportunities By Using USDA Financial Resources to Leverage Private Sector Resources and Create Opportunities for Growth:			
Rural Community Advancement Program.....	\$877	\$1,129	\$1,161
Rural Business - Cooperative Service.....	140	298	148
Cooperative State Research, Education and Extension Service.	92	96	64
Economic Research Service.....	3	3	4
National Agricultural Statistics Service.....	22	28	37
Total, Objective 3.1.....	1,134	1,554	1,414
Objective 3.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities:			
Rural Community Advancement Program.....	2,932	2,635	2,436
Rural Utilities Service.....	5,139	6,685	4,910
Rural Housing Service.....	5,189	7,355	5,752
Cooperative State Research, Education and Extension Service.	103	103	111
Economic Research Service.....	2	2	4
Total, Objective 3.2.....	13,366	16,780	13,212
Total, Strategic Goal 3.....	\$14,499	\$18,334	\$14,626

APPENDIX

Strategic Goal 4
Enhance Protection and Safety of the Nation's Agriculture and Food Supply
(Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 4.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.:			
Food Safety and Inspection Service.....	\$928	\$952	\$987
Agricultural Research Service.....	127	123	116
Cooperative State Research, Education and Extension Service.	64	65	46
Economic Research Service.....	3	3	3
Total, Objective 4.1.....	1,121	1,143	1,152
Objective 4.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks:			
Animal and Plant Health Inspection Service.....	1,110	1,017	1,090
Agricultural Research Service.....	337	339	300
Cooperative State Research, Education and Extension Service.	170	173	161
Economic Research Service.....	3	3	3
National Agricultural Statistics Service.....	3	3	3
Total, Objective 4.2.....	1,623	1,535	1,557
Total, Strategic Goal 4.....	\$2,745	\$2,678	\$2,709

APPENDIX

Strategic Goal 5 Improve the Nation's Nutrition and Health (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 5.1: Ensure Access to Nutritious Food:			
Food and Nutrition Service.....	50,587	53,411	53,995
Agricultural Research Service.....	104	100	91
Cooperative State Research, Education and Extension Service.	40	41	51
Economic Research Service.....	3	3	3
Total, Objective 5.1.....	50,734	53,555	54,140
Objective 5.2: Promote Healthier Eating Habits and Lifestyles:			
Food and Nutrition Service.....	229	242	248
Cooperative State Research, Education and Extension Service.	100	103	98
Economic Research Service.....	6	7	8
Total, Objective 5.2.....	335	352	354
Objective 5.3: Improve Nutrition Assistance Program Management and Customer Service:			
Food and Nutrition Service.....	220	209	201
Economic Research Service.....	7	7	7
Total, Objective 5.3.....	227	216	208
Total, Strategic Goal 5.....	\$51,296	\$54,123	\$54,702

APPENDIX

Strategic Goal 6 Protect and Enhance the Nation's Natural Resource Base and Environment (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water:			
Natural Resources Conservation Service.....	\$1,687	\$1,629	\$1,147
Forest Service.....	805	1,052	940
Agricultural Research Service.....	90	88	61
Cooperative State Research, Education and Extension Service.	43	44	48
Economic Research Service.....	3	3	3
Total, Objective 6.1.....	2,628	2,816	2,200
Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland:			
Farm Service Agency.....	1,991	2,154	2,481
Natural Resources Conservation Service.....	562	587	600
Agricultural Research Service.....	90	88	61
Cooperative State Research, Education and Extension Service.	37	38	34
Economic Research Service.....	3	3	3
National Agricultural Statistics Service.....	4	4	4
Total, Objective 6.2.....	2,688	2,874	3,183
Objective 6.3: Protect Forests and Grazing Lands:			
Natural Resources Conservation Service.....	511	539	481
Forest Service.....	4,599	4,009	3,868
Agricultural Research Service.....	90	88	61
Cooperative State Research, Education and Extension Service.	66	67	49
Total, Objective 6.3.....	5,266	4,703	4,459
Objective 6.4: Protect and Enhance Wildlife Habitat to Benefit Desired, At-Risk and Declining Species:			
Natural Resources Conservation Service.....	392	378	547
Forest Service.....	135	133	124
Cooperative State Research, Education and Extension Service.	42	42	31
Economic Research Service.....	1	1	1
Total, Objective 6.4.....	569	554	702
Total, Strategic Goal 6.....	\$11,151	\$10,947	\$10,545

APPENDIX

Management Activities (Dollars in Millions)

Program	2005 Actual	2006 Estimate	2007 Budget
Departmental Activities.....	\$555	\$594	\$612

APPENDIX

User Fee Proposals
(Dollars in Millions)

Agency and Program	2007 Budget Authority
Food Safety	
Food Safety and Inspection Service:	
Salaries and Expenses	\$105
<ul style="list-style-type: none"> ● This proposal would provide the authority to recover through user fees the cost of providing inspection services beyond a single primary approved shift. This proposal would not affect current user fees for overtime and holiday inspection services. 	
Marketing and Regulatory Programs	
Animal and Plant Health Inspection Service:	
Salaries and Expenses	8
<ul style="list-style-type: none"> ● This proposal would provide the authority to collect and retain fees for animal welfare activities. 	
Agricultural Marketing Service:	
Marketing Services	14
<ul style="list-style-type: none"> ● This proposal would provide the authority to recover costs associated with the development of commodity grade standards (-\$2 million). ● This proposal would provide the authority to recover costs for Federal administration of marketing agreements and orders (-\$12 million). 	
Grain Inspection, Packers and Stockyards Administration:	
Salaries and Expenses	20
<ul style="list-style-type: none"> ● This proposal would establish a fee for grain standardization and a Packers and Stockyards license fee. 	
Farm and Foreign Agricultural Services	
Farm Service Agency:	
Salaries and Expenses	35
<ul style="list-style-type: none"> ● This proposal would provide the authority to collect fees to cover administrative expenses for site visits, contract preparation and related expenses for loan deficiency payments and for conservation reserve contracts including re-enrolled and extended contracts. 	
Total, Fee Related Proposed Legislation	- 182

APPENDIX

Proposed Legislation
(Dollars in Millions)

Agency and Program	2007 Budget Authority
Farm and Foreign Agricultural Services	
Farm Service Agency:	
CCC Farm Programs.....	- \$1,081
<ul style="list-style-type: none">● Proposed legislation would reduce farm program spending by \$7.7 billion over ten years.	
Risk Management Agency:	
Crop Insurance Program.....	0
<ul style="list-style-type: none">● Proposed legislation would compel producers participating in farm commodity programs to purchase crop insurance and would offer a mix of cost savings initiatives. The proposal would save \$140 million annually, beginning in 2008.● Proposed legislation would authorize implementation of a participation fee which would be paid by the private sector insurance companies participating in the crop insurance program. The fee would be used to offset administrative costs for information technology modernization and maintenance necessary to operate the program. The participation fee would be capped at \$15 million, annually. Initially, the fee would supplement the existing discretionary appropriation; however, beginning in 2010 the fee would replace appropriated funds.	
Food, Nutrition, and Consumer Services	
Food and Nutrition Service:	
Food Stamp Program.....	-23
<ul style="list-style-type: none">● Proposed legislation would eliminate automatic eligibility for certain Temporary Assistance for Needy Families (TANF) participants. (-\$71 million)● Proposed legislation would exclude retirement savings from the asset test when determining food stamp benefits. (\$48 million)● Proposed legislation would authorize State agencies to access the National Database for New Hires to match information with program applications and reports.	

APPENDIX

WIC Program 0

- The proposal requires States to provide a match equal to 20 percent of its formula calculated nutrition services and administrative (NSA) grant. This cost containment initiative would decrease the Federal cost to support NSA grants. The proposal would save \$265 million, beginning in 2008.

Natural Resources and Environment

Forest Service:

Payments to States (Secure Rural Schools and Community Self-Determination Act) 0

- Proposed legislation would provide a 5-year extension of payments to States that are targeted, capped, adjusted downward, and eventually phased out. Payments would be offset through the sale of parcels already identified in existing national forest plans as suitable for conveyance, because they are isolated or inefficient to manage.

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

- Proposed legislation would provide a 10-year extension of the authority to implement a pilot program authorizing the assessment, collection, and expenditure of administrative fees collected from applicants for, and holders of, special use authorizations; to cover costs to process those applications and/or monitor the compliance with those authorizations.