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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2000

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HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

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HENRY E. MOORE, JOHN J. ZIOLKOWSKI, MARTIN P. DELGADO, and JOANNE L. ORNDORFF, *Staff Assistants*

PART 3

CONSERVATION PROGRAMS AND MARKETING AND REGULATORY PROGRAMS

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Marketing and Regulatory Programs 359
Animal and Plant Health Inspection Service
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U.S. GOVERNMENT PRINTING OFFICE

56-251 WASHINGTON : 1999

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-058434-5

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2000

WEDNESDAY, FEBRUARY 24, 1999.

NATURAL RESOURCES AND THE ENVIRONMENT

WITNESSES

JAMES R. LYONS, UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT
PEARLIE S. REED, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE
DANNY R. SELLS, ASSOCIATE CHIEF, NATURAL RESOURCES CONSERVATION SERVICE
ANNE M. DUBEY, DIRECTOR, BUDGET PLANNING AND ANALYSIS DIVISION, NATURAL RESOURCES CONSERVATION SERVICE
DENNIS KAPLAN, OFFICE OF BUDGET AND POLICY ANALYSIS, DEPARTMENT OF AGRICULTURE

Mr. SKEEN. Good afternoon. Today we have with us the Natural Resources Conservation Service, as led by Chief Pearlie Reed and Mr. Jim Lyons, the Under Secretary for Natural Resources and the Environment.

This subcommittee appreciates the work that NRCS accomplishes in preserving and maintaining the health of our Nation's soil, and you are under a lot of pressure by a budget request that seeks significant funding increases and adds new programs, while at the same time proposes significant staffing decreases.

We have read your prepared statement. So we would ask that you include possibly the highlights. Your written statements will be appreciated and will be printed in full for the record. I would like for you now to go ahead and introduce your panel.

OPENING REMARKS BY UNDERSECRETARY LYONS

Mr. LYONS. Thank you very much, Mr. Chairman. It is a pleasure to be here today.

Mr. SKEEN. It is a pleasure having you. Sorry we were holding you up.

Mr. LYONS. Not a problem at all.

I want to thank you for this opportunity to be here, and I want to apologize in advance for a cold that is beating me in this battle, but we will do the best we can today.

We have with us today, of course, Pearlie Reed, Chief of NRCS; Danny Sells, Associate Chief, Anne Dubey, who heads up our budg-

et shop, and Dennis Kaplan from the Office of Budget and Program Analysis in USDA. It is a pleasure for all of us to be here today.

One other thing I want to do, Mr. Chairman, before I get started, I wanted to send regards from an old colleague and mutual friend, Jack Ward Thomas, who I saw last week. He wanted me to say "hello" to you as a fellow Aggie.

Let me start, Mr. Chairman, by saying that, first off, I have been up here now six years making these presentations to——

Mr. SKEEN. Has it been that long?

Mr. LYONS. It has been that long, Mr. Chairman.

But I dare say that a great deal has changed in that period of time. I think one of the things I am most proud of during my tenure in office, having worked first with Paul Johnson and now with Pearlie Reed, is the outstanding work that NRCS has done to advance the conservation mission of USDA; and, also, I think, to distinguish itself as the central Federal agency for conservation on America's private lands. The private land conservation challenge is a tremendous one, and I think NRCS, in partnership with conservation districts, does an outstanding job in promoting good land stewardship across the American landscape. I am very proud of the work they do.

Farmers, ranchers, and communities across the Nation can turn to NRCS and receive assistance on a wide spectrum of conservation efforts, encompassing things like nutrient and pesticide management, wetlands conservation, watershed planning, flood prevention, water quality improvement, developing and maintaining wildlife habitat, and, of course, soil conservation, the "bread and butter" of the agency.

To meet that demand, NRCS delivers a wide variety of financial and technical resources to its customers. But I want to emphasize, Mr. Chairman, of course, the core of NRCS has been, and continues to be, its people, who are outstanding and doing a tremendous job in working in partnership with landowners across the Nation. It is the NRCS delivery system in the field that makes all this work happen, and I can you tell you, from many meetings with colleagues in other departments and agencies, that it is the envy of those Federal agencies. It is the field conservationists who have earned the trust of farmers and ranchers across the Nation through the sound advice and technical assistance they provide.

What I would like to do is just take a moment and provide a little more detail on how the NRCS field delivery system provides conservation technical assistance to meet the agency's mission. As I noted, more than 70 percent of the land in the contiguous United States is privately owned, including virtually all of the Nation's farm and rangelands. NRCS is the only Federal agency whose major purpose is to provide conservation technical assistance to private landowners across the country. The agency's focus is on helping landowners and users achieve natural resource and environmental goals while maintaining productive and profitable operations—operations that, of course, are vital to rural communities across the Nation, as you know very well from New Mexico.

Conservation Operations is the foundation for most of the agency's activities. Conservation Operations represents a longstanding and historical partnership of interests, all working together in a

concerted way toward a sustainable, productive Nation. Within that Conservation Operations budget, there are certainly activities and functions that I want to highlight.

Conservation technical assistance, of course, is the cornerstone for most agency activities, and our Fiscal Year 2000 budget request is $585 million, a small increase of only $37 million for technical assistance. Conservationists on the ground are under increasing demand for their services, as they tackle new responsibilities while retaining the commitment to the community for providing basic assistance to landowners.

Throughout the Nation, NRCS conservationists facilitate and enable local action. Technical assistance funding ensures the presence of these individuals and promotes voluntary conservation activities.

With respect to workload, one area of particular concern is the issue of water quality problems associated with animal feeding operations. I believe you are aware, Mr. Chairman, that in September 1998, as called for in the administration's Clean Water Action Plan, USDA, working with the Environmental Protection Agency, jointly released for public comment a draft Animal Feeding Operation—AFO—strategy that establishes national performance expectations for all animal feeding operation owners and operators. The strategy presents a series of actions that USDA and EPA will take to minimize water quality and public health impacts of the nearly 450,000 AFO's in the United States.

The Fiscal Year 2000 budget proposes to increase conservation technical assistance available to AFO operators by $20 million, and we all recognize that is not going to quite do the job, but it is an investment we begin to make as we try to refine and complete the AFO strategy—a strategy, I would emphasize, which is focused really on voluntary approaches to dealing with water quality problems, as opposed to the stick approach that EPA has used so often. I think we have made a great deal of progress in demonstrating that a voluntary approach is the way to get the job done, and we want to be able to demonstrate that as we move forward.

Additional support for the Clean Water Action Plan in the budget includes $20 million for competitive partnership grants that will be used to strengthen the leadership of locally-based organizations, such as conservation districts and watershed councils, to enable them to provide coordination of locally-initiated conservation efforts. Finally, a further increase of $3 million would be used by NRCS for additional monitoring to help target resources and document baseline conditions and performance.

Another issue of concern is the issue of global climate change. We want to learn more about global climate change, and the conservation technical assistance increase includes $12 million for soil studies and inventories to provide baseline soil data to assess the impacts of Federal programs on soil carbon stocks. There is also $3 million proposed to fund demonstration and pilot projects to test various carbon sequestration methods.

The increases are partially offset, though, by a decrease of $31 million for a transfer of base funding to the proposed Support Services Bureau, which will essentially fund the administrative support services common to county-based agencies. As you are aware, Mr. Chairman, from meetings that we all had with the Secretary, we

are doing our best to come up with the most cost-efficient and effective approach to providing administrative services for our field-based agencies, and that involves NRCS, FSA, and the Rural Development Agencies. Earlier this month, Secretary Glickman gave us direction to move forward with implementation of this strategy, and this is an investment in that central support service.

Some other activities encompassed by conservation technical assistance include continuing work on highly-erodible land conservation. Although the 1985 Farm Bill provided basic direction for conservation compliance, it is important to remember that that work continues. Our experience has shown that approximately 20 percent of producers will change their conservation systems each year, requiring NRCS technical assistance.

In the area of wetland determinations and certifications, NRCS is involved in determining areas subject to Swampbuster and response to requests from farmers who plan activities that may adversely impact wetland. NRCS certifies wetland determinations only upon request, when clients propose to alter the hydrology within a wetland. In Fiscal Years 1997 and 1998, landowners requested about 40,000 such certifications, and we expect that number to increase annually.

I also want to mention the Grazing Lands Conservation Initiative briefly. You and I have talked about this many times. It is a very successful program that is really grassroots-driven, and has helped NRCS better define the resource needs and benefits generated when grazing lands are improved. In Fiscal Year 1999, NRCS was able to continue to support grazing lands conservation coordinators in each State, and we think it is critical to continue that investment.

I will briefly mention, also, in a timely way, since Ms. Kaptur is with us, the work we are doing in the urban conservation arena, another area that we have focused on as work has increased in the urban and suburban areas. Natural resources don't recognize urban and suburban boundaries, as you know, Mr. Chairman, and to ignore their interaction within a watershed wouldn't do either justice. The watershed approach to resource conservation has been widely acclaimed and highly successful, and I am proud to say that we have taken the lead in working across the landscape in rural, suburban, and urban areas to begin to examine ways in which we can rehabilitate the health of watersheds and address all those factors that contribute to the decline of water resources.

We continue our work in areas such as soil surveys and plant material centers. And I would make one note, Mr. Chairman, since the Forest Service is the other agency I deal with. We expect a pretty severe fire season this year, and the plant material centers have been instrumental in providing information and guidance and seedstock to help regenerate areas that are severely impacted by fire. I hesitate to say this, but we expect the fire season to start in the Southwest any day now.

Other appropriated discretionary accounts in our budget are the Watershed Surveys and Planning, Watershed and Flood Prevention Operations, and a new program, Debt for Nature, for which we are going to seek authorization this year. The budget includes $5 million to implement this program. Really what this program is in-

tended to do is provide technical and financial assistance to USDA borrowers with cashflow problems who also have lands that require conservation treatment. In exchange for debt forgiveness on their lands, program participants, on a voluntary basis, could agree to enroll environmentally-sensitive lands into the conservation easements. This was a recommendation that came directly out of USDA's Civil Rights Action Team report regarding establishment of a Small Farm Commission, which was chaired by a former colleague of yours, Harold Volkmer. He did an excellent job.

We continue our support to the RC&D's, the Resource, Conservation, and Development organizations, which, of course, have done a tremendous job as well.

NRCS also administers, on behalf of the Commodity Credit Corporation, several cost-share programs, including those set forth in the 1996 farm bill. We also provide technical assistance to individuals and groups participating in the CRP program, which, of course, is administered by the Farm Service Agency.

The Environmental Quality Incentives Program, or EQIP, provides a single voluntary program of flexible technical, financial, and educational assistance to farmers and ranchers who face serious threats to soil, water, and related natural resources on their agricultural lands. Assistance is provided in a manner that maximizes environmental benefits per dollar expended while assisting producers with issues such as local environmental laws or community-identified environmental needs.

In Fiscal Year 1999, we received $174 million in the EQIP program, just under the $200 million that was authorized. We had requested $300 million, and, again, have included in our budget a request to increase the authorization to provide $300 million for this extremely valuable program. The program has been extremely successful. We received nearly 55 thousand applications in Fiscal Year 1998 for the program, and we expect the demand to grow considerably for use of this program.

I should also mention the Wildlife Habitat Incentive Program, authored by your colleague, Senator Cochran, provides for implementing wildlife habitat practices to develop upland wildlife habitat, wetland wildlife habitat and work dealing with threatened and endangered species. This program, too, has been extremely successful, and we are going to seek additional funds for the program in Fiscal Year 2000.

Finally, I want to mention the Farmland Protection Program. On Sunday, Secretary Glickman and I had a chance to visit with the Natural Resources Committee of the National Governors Association to address issues associated with livability and protection of open space. To be quite candid, Mr. Chairman, I was amazed at the bipartisan interest and support in securing funds to provide for the protection of open space and to reduce the impacts of urban encroachment on prime agricultural land. Speaking for the governors, Governor Christine Todd Whitman from New Jersey, in whose State taxpayers recently passed a billion dollar initiative to provide $100 million a year to provide for farmland and forestland protection, governors from Oregon, Washington, Wyoming, and other States, all spoke to the important need to invest in farmland protection at the Governor's conference.

The Fiscal Year 2000 budget that we have submitted includes a total of $77.5 million for farmland protection in two components: $50 million in the new discretionary fund that would come out of the Land and Water Conservation Fund, part of what we are calling our Lands Legacy Initiative, and $27.5 million in CCC funding under proposed legislation that we will submit to the committee.

We also administer, of course, the WRP program, the Wetland Reserve Program, which has been extremely successful. In Fiscal Year 2000, we are going to propose to enroll almost 200,000 acres and essentially reach the 975,000-acre cap that was called for in the program. Technical assistance funding needed for the larger enrollment effort would be about $18 million this Fiscal Year.

Let me close, Mr. Chairman, by pointing out something that I know you recognize, but I want to highlight as well. Through the 1985, 1990, and 1996 Farm Bills, working in partnership with the Congress, I think we have developed a tremendous toolkit for conservation—tools or programs that can be extremely useful in achieving individual landowner or community or national conservation goals. They run the gamut from land retirement programs, like CRP and WRP, to the technical assistance we provide through conservation technical assistance or the work of RC&D's, to cost-share programs, like those we administer through EQIP and WHIP.

We have the tools we need to get the job done, Mr. Chairman, but I think the key to conservation is partnership, and the key to partnership is having people on the ground to be able to work with landowners and communities and other agencies and entities to get the job done.

I started out by saying the key to success of NRCS has been its people. I think it is critical that we have the people to do the job and using these tools to apply conservation on the landscape. I want to share with you my concern that we have a tendency to invest in programs as a Nation, but are less willing or less anxious to invest in people, who are really the key to delivering and implementing those programs. There are some gaps in our budget, that I am sure the Chief can help you understand, that may limit our ability to put people on the ground, to put in place those conservation tools.

I think it is critical that we make that investment. Mr. Chairman, as you know from your history and your professional experience, that knowledge and expertise is critical to helping landowners understand how to achieve their long-term conservation goals. We need to have the people out there to get that job done, as well as the program dollars to put those conservation practices in place.

So we look forward to working with you as always in trying to put together a budget that achieves those long-term conservation goals, but I would implore you that this year we take a hard look at what it is going to take to invest in the people who are going to apply those tools and work in partnership with landowners and conservation districts and others across the Nation to ensure that we have put in place the kind of conservation legacy of which we are all proud.

Thank you.

Mr. SKEEN. Thank you.
Mr. Reed.

OPENING REMARKS BY MR. REED

Mr. REED. Thank you, Mr. Chairman. As you indicated earlier, you have my statement, but I do have a few comments I would like to make.

Mr. SKEEN. Well, we will just take them right on straightaway from you.

Mr. REED. Thank you.

Mr. SKEEN. We appreciate it.

Mr. REED. Mr. Chairman, members of the committee, thank you for the opportunity to appear before you today. I am pleased to be here representing the men and women of the NRCS and our conservation partners. Our people in the field, working with farmers and ranchers, are the NRCS. Our employees, including conservation district employees, are some of the most capable and dedicated employees you will find anywhere.

Mr. Chairman, I do have one major concern, and that concern is we, the NRCS, are being asked to do too much. In addition to the basic soil and water conservation work on cropland, rangeland, pastureland, the policymakers in this country are putting more on our plate; namely, the massive livestock waste issue, global climate change, and a host of emerging water quality problems. Simply put, we are being overcommitted.

The reason so much is being asked of the NRCS is because so much is being asked of our farmers and ranchers here in America, and we, the NRCS, have a reputation of getting the job done. But I would like to assure you that we will, whatever we are asked to do, we will, in the most efficient and effective way possible, do all that we can do.

Again, thank you for the opportunity to be here with you today.

[The prepared statements and biographies of James R. Lyons and Pearlie S. Reed and biography of Danny D. Sells follow:]

FOR RELEASE ONLY BY THE
HOUSE COMMITTEE ON
APPROPRIATIONS

Statement of James R. Lyons
Under Secretary for Natural Resources and Environment
Before the House Appropriations Subcommittee on Agriculture,
Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman, Members of the Committee. It is my pleasure to outline for you the fiscal year 2000 budget request for the Department of Agriculture's Natural Resources Conservation Service (NRCS). Over the past six years I have had the honor to appear before this Subcommittee during each appropriations cycle to present the budget for NRCS. In reviewing the budget requests for the agency in those years, it is quite startling to see how the agency has changed and emerged as a leader in Federal conservation activities. Through passage of the federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Bill), and implementation of the Department of Agriculture Reorganization Act of 1994, NRCS has stepped up not only to advance the conservation mission of USDA, but also to become the central Federal agency for conservation on America's private lands.

Farmers, ranchers, and communities across the nation can turn to NRCS and receive assistance on a wide spectrum of conservation, encompassing nutrient and pesticide management, wetlands conservation, watershed planning, flood prevention, water quality improvement, development/maintenance of wildlife habitat, and, of course, soil conservation. To meet that demand, NRCS delivers a wide variety of financial and technical resources to its customers, through programs as diverse as the Wetlands Reserve Program, Wildlife Habitat Incentives Program, and the Farmland Protection Program.

But regardless of the programs that NRCS delivers and the responsibilities with which the agency has been entrusted, the core of NRCS has been and continues to be its *people*. It is the NRCS delivery system in the field that makes all of the work happen. It is the field conservationists who combine knowledge of the latest technology and science, with experience in farming and ranching operations to sensibly apply good conservation management practices. It is the field conservationists who have earned the trust of farmers and ranchers across the nation through that sound advice and assistance.

I want to take a moment to outline in more detail, how the NRCS field delivery system provides the conservation technical assistance necessary to meet the agency's mission.

NATURAL RESOURCES CONSERVATION SERVICE TECHNICAL ASSISTANCE

NRCS provides natural resources conservation assistance primarily on private lands. More than 70 percent of the land in the contiguous United States is privately owned, including virtually all of the Nation's agricultural lands. It is on the private lands where millions of individual decisions are made by farmers and ranchers, that the ultimate success of our natural resource efforts will be determined. NRCS is the only Federal agency whose major purpose is to provide conservation technical assistance to private landusers across the country. The agency's focus is on helping landowners and users achieve natural resource and environmental goals while maintaining productive and profitable operations and economically viable rural communities. NRCS has had significant success, and the field structure is designed to continue that success in the future. These are a few of its many assets:

• *People.* NRCS has a nationwide network of professional staff at the local level that provide conservation technical assistance to owners and users of privately-owned land. NRCS field staff areas of expertise cover a broad spectrum of natural resource issues. Over forty percent of the agency's science and technology occupations are engineers, over 25 percent are soil scientists, and nearly 10 percent are schooled in rangeland sciences. Other disciplines encompass biology, agronomy, cartography, physics, and forestry. NRCS field staff live and work in the areas that they serve, and have invaluable knowledge of the soil resources, watersheds, climate, and wildlife in the area. But even more importantly, our field staff know their customers. They interact with them everyday and understand the farming operations, agricultural trends, and resource constraints of the people they serve.

• *Technical skills.* NRCS natural resource specialists are trained to deliver technological support to groups and individuals quickly, efficiently, and consistently nationwide. Through a national framework, including science and technology consortiums as well as NRCS Institutes, field staff are trained to apply science-based assistance with a great degree of sensitivity to local conditions. NRCS field staff working in partnership with the local conservation districts are used as a primary source of help by local people -- and often by people administering programs for other Federal, State, and local agencies.

• *Technical excellence.* NRCS specifications for soil and water conservation practices are considered invaluable throughout government and private industry. In addition, the agency is the leader in soil classification and soil mapping. NRCS soil surveys and GIS-based data are utilized daily not only by NRCS staff, but other Federal agencies, local governments, and academia. Soil surveys are used daily to make decisions as small as what type of plants to place in a backyard garden, to how best to engineer highways and bridges.

• *Natural resource planning experience.* NRCS has vast experience in broad-scale planning in watersheds and other areas and site-specific planning on farms and ranches to address natural resource concerns. Effective natural resource planning in the future will require this type of planning process to develop effective solutions that meet the needs for a sustainable land and its people. NRCS serves as a catalyst by providing coordination to bring local people together with skilled technical people to develop and implement meaningful solutions. These planning efforts are provided through the Watershed Survey and Planning Program, the Resource Conservation and Development (RC&D) Program, and Coordinated Resource planning provided through Conservation Operations.

• *Diversity.* I would like to underscore the contributions that NRCS is making toward ensuring equitable service and opportunity for all customers and employees of USDA. NRCS has had a good record of ensuring diversity and opportunity in the past, however, I believe we can do better. Throughout various program and technical assistance activities, NRCS will work hard to provide the necessary outreach and assistance to ensure that our customers have easy access to services. In response to the Civil Rights Action Team report, the Secretary has undertaken many steps to improve the Department's activities and policies in this area. I am confident that NRCS will continue to seek proactive ways to better serve minority and low-income customers. One of the hallmarks of the conservation assistance is that it is available to anyone, anywhere. That includes areas that are not typically designated as high workload areas based upon farm program participation, population, or other demographic factors. By offering basic and universal conservation assistance on a national basis, NRCS offers minority and limited resource farmers a needed helping hand. A legacy of conservation on private lands must be built with the participation of everyone.

• *Partnerships and volunteerism.* Since its creation, NRCS has operated through voluntary cooperative arrangements with individuals, the private sector, and Federal, State, and local governments. The value of NRCS technical assistance is recognized by local and State partners; equally, we recognize the invaluable contribution of volunteers, who contribute immeasurably to conservation efforts. Americans have freely and generously given of their time to the volunteer arm of NRCS, known as the Earth Team. In fact, in FY 1998 some 17,287 NRCS Earth Team volunteers donated 674,299 hours to conservation efforts. As calculated by the Points of Light Foundation, this equates to an additional $9,200,000 in direct assistance to private landowners for natural resource protection, an increase of nearly 11 percent from FY 1997. The return on the investment for NRCS is enormous. We estimate that for every dollar spent on the Earth Team, we receive $48 dollars in service benefits.

• *Local people as decision-makers.* When NRCS provides conservation and program assistance, the agency works under mutual agreements with some 3,000 conservation districts that are established under state law. About 17,000 local conservation district supervisors provide the agency with invaluable guidance. The NRCS cooperative team structure is an established and practical example of how Federal programs can be managed with local guidance at the local level. It is crucial to remember that the agency's approach is a voluntary one. Our professionals provide options for problem-solving -- developed in conjunction with customers, but it is the customers who make the final decisions.

• *Leverage.* State and local governments contribute substantially, with both people and dollars complementing NRCS technical assistance. Without NRCS technical assistance, which greatly enhances the value of State and local efforts, these funds almost certainly would not have been spent on natural resource protection. In a sense, this

cooperation constitutes a two-way leveraging: State and local programs and NRCS benefit from each other's involvement.

We are asking a lot from our field delivery system. And as we look at how the agency has evolved to assist in so many areas of conservation, it has accomplished more despite decreasing numbers of employees nationwide. To a great degree, we have taken every step possible to ensure that reductions would not come at the expense of field services. As a result, the agency still maintains over 75% of its staff in the field. However, those staff are under increased demand for their time and expertise. Chief Pearlie Reed is working to minimize administrative functions, so that field staff can dedicate their time where it is needed most -- on farms and ranches across the countryside. But as workload increases and our customers demand more services, we need to provide additional staff resources to help the agency meet that demand. Having said that, I will describe our programs and plans for FY 2000.

The following table shows the major items in this year's budget request:

(Dollars in Thousands)

Appropriation (In thousands of dollars)	FY 1998	FY 1999	FY 2000
CONSERVATION OPERATIONS	633,231	641,243	680,679
WATERSHED SURVEYS AND PLANNING	11,190	10,368	11,732
WATERSHED AND FLOOD PREVENTION OPERATIONS	181,036	99,443	83,423
DEBT FOR NATURE	0	0	5,000
RESOURCE CONSERVATION & DEVELOPMENT	34,377	35,000	35,265
FARMLAND PROTECTION PROGRAM	0	0	50,000
CCC Funding			
WETLANDS RESERVE PROGRAM (WRP) a	193,597	127,870	207,065
WILDLIFE HABITAT INCENTIVES (WHIP)	30,000	20,000	10,000
ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)	200,000	174,000	300,000
FARMLAND PROTECTION PROGRAM (FPP)	18,000	0	27,500

a Does not include technical assistance costs funded from unobligated WRP appropriation balances; FY 1998 - $18.7 million; FY 1999 - $ 4 million; FY 2000 - $ 2 million.

CONSERVATION OPERATIONS is the foundation for most of the agency's activities. Conservation Operations represents a long-standing and historical partnership of interests all working in a concerted effort toward a sustainable and productive nation. The following programs and initiatives are funded through Conservation Operations:

• *CONSERVATION TECHNICAL ASSISTANCE* is the cornerstone for most agency activities. The FY 1998 appropriations were $541,361,000; and the FY 1999 comparable appropriation is $547,905,000. The FY 2000 budget request is $585,000,000 or a $37 million net increase.

The proposed funding levels represent support to the functions and activities that are vital to meeting the mission of conserving, improving, and sustaining our natural resources for the future. Conservationists on the ground are under increasing demand for their services, as they tackle new programmatic responsibilities while retaining a commitment to the community for providing basic assistance to landowners in need. It is our goal to ensure NRCS staff support to grassroots watershed partnerships and the development of conservation plans for communities. Throughout the nation, NRCS conservationists facilitate and enable local action. Technical assistance funding ensures the presence of these individuals and promotes voluntary conservation.

We have also responded to requests of this Subcommittee and others for additional data on our accomplishments and workload within Conservation Operations. I am pleased that NRCS has begun to implement accountability systems to capture the total cost of workload in various areas. Also, we are creating a sound system for measuring performance and quantifying the degree to which we are meeting our stated goals.

With respect to workload, one area of particular concern is the issue of water quality problems associated with animal feeding operations (AFO's). In September , 1998, as called for in the Administration's Clean Water Action Plan (CWAP), USDA and the Environmental Protection Agency (EPA) jointly released for public comment a draft AFO Strategy that establishes national performance expectations for all AFO owners and operators. The strategy presents a series of actions that USDA and EPA will take to minimize the water quality and public health impacts of the nearly 450,000 AFO's in the United States. Thousands of producers will likely request nutrient management assistance. In order to help them develop effective nutrient management plans that protect our Nation's water resource, the FY 2000 budget proposes to increase the amount of conservation technical assistance available to AFO operations by $20 million.

Recognizing that NRCS can never fully meet this workload, the proposed funding level for Conservation Operations also represents a continued cooperative effort between NRCS and its conservation partners including Conservation Districts, Resource Conservation and Development Councils, and other non-profit and community action groups. The relationship between NRCS and its partners represents a catalyst that empowers local people to become involved in conservation activity. In addition, the funds that are appropriated by Congress are leveraged and matched by the hard work and resources of the thousands of partners and volunteers in virtually every aspect of NRCS operations. Additional support for the CWAP in the budget request includes $20 million for Competitive Partnership that will be used to strengthen the leadership of locally-based organizations such as conservation districts or watershed councils, to enable them to provide coordination of locally-initiated conservation efforts. Finally, a further increase of $3 million will be used by NRCS for additional monitoring to help target resources and document baseline conditions and performance.

Another area of increasing concern is the issue of Global Climate Change. As the Administration and Congress work toward international protocols concerning greenhouse gas emission, farmers and ranchers can play a key beneficial role. Preliminary research indicates that sound conservation practices, such as wetland protection, conservation tillage, conservation buffers, as well as planting biomass covers have the potential to dramatically reduce greenhouse gas levels. We want to learn more about this, and the proposed Conservation Technical Assistance increase includes $12 million for soil studies and inventories to provide accurate baseline soil carbon data and to assess the impacts of Federal programs on soil carbon stocks. Also, $ 3 million is proposed to fund demonstration and pilot projects to test various carbon sequestration and greenhouse gas mitigation strategies and monitoring mechanisms.

These increases are partially offset by a decrease of $31 million for a transfer of base funding to the proposed Support Services Bureau, which will centrally fund the administrative support services common to the county-based agencies. The FY 2000 Budget requests $74 million for the Support Services Bureau's information technology and Common Computing Environment functions. In FY 1999, $31 million for similar activities was appropriated to NRCS. In addition, $16 million will be made available from CCC, and transfer authority is requested to merge the agencies' central administrative costs into this common account. Estimates of the amounts to be transferred from FSA, NRCS, and RD for administrative services are not yet available.

Some other activities that are encompassed by Conservation Technical Assistance Include the following:

Highly Erodible Land Conservation (HELC). The 1996 Farm Bill provided amendments that have made HELC compliance requirements more farmer friendly and have provided USDA with additional options in assisting producers with compliance status, reduced the burden of complying with the HELC provisions and have provided USDA with additional tools to use in working with producers. However, all producers who receive USDA program benefits must fully apply a conservation plan or use an approved conservation system on highly erodible land. Therefore, NRCS continually assists producers in developing plans for land that they acquire and in making changes in their current plans so that their practices may reflect changes in cropping systems, weather conditions, new technology, and economic incentives. Our experience has shown that approximately 20 percent of producers will change their conservation systems each year.

Wetland determinations and certifications. The 1996 Farm Bill changed Swampbuster to give farmers greater flexibility in complying with wetland conservation requirements by providing more options for mitigation and wetland conversions. NRCS determines areas subject to Swampbuster and responds to requests from farmers who plan activities that may adversely impact wetlands. NRCS certifies wetland determinations only upon request when clients propose a project to alter the hydrology within wetlands. Responding only on a request basis was provided for in the 1996 Farm Bill and ensures that requests from clients are serviced in a timely manner and that certifications are conducted where absolutely necessary. Certified determinations stay in effect as long as the land is used for agricultural purposes or until the owner or operator requests a review after natural events change the topography or hydrology of an area. Certified wetland determinations are conducted by NRCS on agricultural lands and non-agricultural lands for USDA program

participants. Generally, these NRCS certified wetland determinations are also valid under Section 404 of the Clean Water Act. In FY 1997 and FY 1998, landowners requested about 40,000 certified wetland determinations annually and these requests are expected to increase.

Aside from wetland determinations, changes initiated by the 1996 Farm Bill have increased the activities of NRCS in wetland mitigation. NRCS provides assistance to landowners who wish to enhance functions of existing wetlands, restore former wetlands, and create new wetlands to replace wetland functions lost from planned conversions or alterations. These options, while creating increased opportunity and flexibility for landowners, require a great deal of work by NRCS field staff, who assess the functions of individual wetlands and provide the customer with technical assistance in every phase of the mitigation process. Other changes by the 1996 Farm Bill requires development of categorized minimal effect exemptions and also revises the concept of abandonment. When done under an approved conservation plan, landowners with farmed wetlands and farmed wetland pastures may allow an area to revert to wetland status and convert it back at a future date without violating Swampbuster. Thus far, interest and participation in these wetland activities has been widespread among landowners. While NRCS welcomes the opportunity to provide additional assistance to these landowners, these provisions have resulted in a marked workload increase for NRCS.

Grazing Land Conservation Initiative (GLCI). This grassroots-driven initiative has helped NRCS better define the resource needs and benefits generated when grazing lands are improved. NRCS has been requested to continue technical assistance to livestock producers on private grazing lands. Grazing lands include rangelands, pasture, hayland, and grazed forestlands.

Natural Resources Inventory (NRI) analysis of range vegetation shows that over 15 percent of non-Federal rangelands are in poor condition; over 44 percent are in fair condition; 34 percent in good condition; and only 6 percent in excellent condition. The NRI indicates that 75 percent --nearly 299 million acres -- of non-Federal rangelands need conservation treatment. Properly managed grazing land represents a renewable resource for producing food and fiber. Vegetative cover on well-managed grazing lands contributes to: 1) increased water quality and quantity; 2) improved wildlife habitat; 3) reduced soil erosion and sedimentation; and 4) improved riparian areas.

In FY 1999, NRCS was able to continue support for a Grazing Land Conservation Coordinator position in each of the fifty states. This position helps us to provide multi-resource technical assistance to support grazing lands conservation and water quality improvement on rangelands and begin the process of rebuilding the agency's expertise in rangeland conservation, a capability demanded by our customers.

Urban Conservation. Another area of attention has been the work of NRCS in urban and suburban conservation. Natural resources do not recognize the boundary between urban and rural areas and to ignore their interaction within a watershed would not do justice to either. The watershed approach to resource conservation has been widely acclaimed and highly successful. However, when we begin to examine and work to rehabilitate the health of a watershed we must include all contributing factors that may be present, including community and residential elements. The efforts of NRCS are aimed to improve water quality and protect our natural resources while maintaining and enhancing production. The demand for assistance with issues such as water quality and soil erosion prevention are matters that effect everyone, and workable solutions must include the participation of everyone. NRCS has had great success in utilizing the science and technology that it has gained in its 60 year history to all types of resources in many

settings. Likewise, the expertise in soil and water quality that the agency has gained is well suited and easily applied to help communities realize their goals for ecosystem health. We will continue to work together as neighbors to achieve actual goals.

• *Snow survey and water supply forecasts* provide western states and Alaska with vital information on summer water supplies. The FY 1998 appropriation was $5,835,000, the FY 1999 appropriation was $5,990,000; and the FY 2000 request is $6,124,000. NRCS field staffs provide necessary leadership, standardization of procedures, and automation to a partnership of Federal, State, and local personnel to collect snow-pack data from more than 1,200 remote high mountain sites. After compiling and analyzing the data, NRCS is able to provide snowpack estimates and water yield on a monthly basis throughout the snow melting period. The knowledge gained through this effort supports critical decisions on billions of dollars of agricultural production, municipal water supply, hydroelectric and industrial water supply, flood control, and water flow requirements for fish and wildlife. This modest program contributes substantially to the economic and environmental well-being of a very large part of the country.

• *Soil Surveys* provide the public with local information on the uses and capabilities of their soil resources. The FY 1998 appropriation was $76,409,000; the FY 1999 appropriation is $78,323,000; and the FY 2000 request is $80,565,000. Soil surveys are based on scientific analysis and classification of soils and are used to determine land capabilities and conservation treatment needs. The published soil survey for a county or designated area includes maps and interpretations with explanatory information that is the foundation of resource policy, planning and decision-making for Federal, State, county, and local community programs. Homeowners and landowners also use soil survey information when making decisions. Soil surveys are conducted cooperatively with

other Federal agencies, land grant universities, State agencies, and local units of government, many of whom contribute funds and staff.

Soils information has been gathered over many years and is primarily contained in published soil survey manuscripts and maps. There is a need for digital soils data for use in geographic information systems (GIS). NRCS has the leadership role for coordinating the development, maintenance, and distribution of a modernized digital soils data base. Geographically referenced digitized soil survey data, along with orthophotography will provide the accurate reference base needed for computer-assisted conservation, natural resource planning, and for geographic referenced data sharing. In addition, digitizing the soil surveys provides efficiency when updating and maintaining the soil survey data.

• *Plant Material Centers* assemble and test plant propagation and the usefulness of plant species for biomass production, carbon sequestration, erosion reduction, wetland restoration, water quality improvement, stream bank and riparian area protection, coastal dune stabilization, and to meet other special conservation treatment needs. The Plant Materials Centers also focus on the important role of native species in ecosystem functions. The FY 1998 appropriation was $8,825,000; the FY 1999 appropriation is $9,025,000; and the FY 2000 budget request is $9,238,000. Plant materials represent inexpensive, long-term conservation solutions to many environmental and natural resource problems and their maintenance costs are usually low. Many landowners and managers willingly use plant materials, if available, to meet their conservation needs.

The work at the 26 centers is carried out cooperatively with State and other Federal agencies, commercial businesses, and seed and nursery associations. Plant Materials Centers play an important research and development roles since most commercial nurseries will not develop new plant materials due to limited markets, but will grow and market the

stock once a dependable plant has been developed. After species are proven, they are released to the private sector for commercial production.

Following are the other appropriated discretionary accounts in the NRCS Budget:

WATERSHED SURVEYS AND PLANNING. NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding 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 works of improvement. 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 sound solutions. For FY 2000, this activity is proposed to be funded at $11.7 million.

WATERSHED AND FLOOD PREVENTION OPERATIONS is the first and only national program that helps local organizations plan and install watershed-based projects on private lands. It provides site-specific technical expertise and locally based watershed planning and financial assistance for plan implementation. The Watershed Program provides a process to solve local natural resource problems and avoid excessive regulation. FY 1998 funding for PL-534 and PL-566 was $101,036,000; the FY 1999 funding level is $99,443,000; and the FY 2000 request is $83,423,000. The authorized purposes of watershed projects include watershed protection, flood prevention, water quality improvements, soil erosion reduction, irrigation water management, sedimentation control, fish and wildlife habitat enhancement, wetland creation and restoration, and public recreation. The program empowers local people as decision-makers, builds partnerships and requires local and State funding contributions and ownership.

The funding request for FY 2000 also includes $1 million to educate the public about the condition of the aging infrastructure installed under our watershed programs. NRCS has assisted project sponsors to install over 15,000 individual measures since 1944. An integral part of many of these projects was structures for flood and water control, municipal and industrial water supply, and recreation. Since their installation, conditions surrounding the structures have changed due to an increase in population, residences built below the structures, upstream land use changes, and changed Federal and State dam safety regulations. By FY 2000, approximately 2,000 of the aging structures could require significant restoration.

DEBT FOR NATURE. The FY 2000 budget includes $5 million as proposed legislation to help implement the Debt for Nature program. Debt for Nature provides technical and financial assistance to USDA borrowers with cash flow problems, who also have lands that require conservation treatment. In exchange for debt forgiveness on their lands, program participants agree to enroll environmentally sensitive lands into conservation easement. USDA's Civil Rights Action Team recommended that the program be implemented. The USDA farm loan program has a significant number of limited resource borrowers who have a high debt load and tight cash flow situation. The Debt for Nature program is a win-win, in that it offers direct financial assistance to borrowers, and also provides the public with protection of valuable natural resources. The program will work to mitigate the adverse economic implications of the ailing farm economy in many communities. The proposal will also directly facilitate the reduction of soil erosion, the implementation of the conservation buffer initiative, and the conservation of diminished and other important fish and wildlife habitat.

RESOURCE CONSERVATION AND DEVELOPMENT (RC&D) is a program initiated and directed at the local level by volunteers. The FY 1998 appropriation was $34,377,000; the FY 1999 appropriation is $35,000,000; and the FY 1999 budget request is $35,265,000. This increase of $265,000 represent pay cost increases.

Each RC&D area encompasses multiple communities, various units of government, municipalities, and grassroots organizations. The RC&Ds represent a creative approach for helping citizens address multi-jurisdictional natural resource and community development issues. NRCS provides coordination to the program which serves as a catalyst for these civic oriented groups to share knowledge and resources, and it leverages public and private funds to solve common problems -- including economic development -- in a given area. Assistance is obtained from the private sector, corporations, foundations, and all levels of government. Historically, every dollar of NRCS technical and financial assistance for this program and applied directly to local projects, has been matched by about $13 from other sources. By fostering local ownership and self sustenance for conservation and rural development projects, we believe that RC&D will contribute greatly to the legacy of locally-led action. The FY 2000 request of $35,265,000 will allow NRCS to continue to support the 315 RC&D areas currently authorized.

COMMODITY CREDIT CORPORATION PROGRAMS

NRCS also administers, on behalf of the Commodity Credit Corporation (CCC), several cost-share programs, including those set forth in the 1996 Farm Bill and also provides technical assistance to individuals and groups participating in the Conservation Reserve Program, which is administered by the Farm Service Agency. The conservation programs provided by the 1996 Farm Bill, which NRCS administers on behalf of CCC, are the Environmental Quality Incentives Program (EQIP), the Farmland Protection

Program (FPP), and Conservation Farm Option (CFO), and the Wetlands Reserve Program (WRP). In addition, NRCS administers the Wildlife Habitat Incentives Program (WHIP), which was funded by a transfer from CCC to NRCS. The 1996 Farm Bill also amended the Food Security Act of 1985, to the continued implementation of which NRCS administers on behalf of CCC.

The ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP) provides in a single, voluntary program flexible technical, financial, and educational assistance to farmers and ranchers who face serious threats to soil, water, and related natural resources on agricultural land and other land, including grazing lands, wetlands, forest land, and wildlife habitat. Assistance is provided in a manner that maximizes environmental benefits per dollar expended, while assisting producers with issues such as local environmental laws or community identified environmental needs.

Funds of the CCC are used to fund the assistance provided under EQIP. For fiscal year 1999, $174 million was available to implement the EQIP. The program is primarily available in priority conservation areas throughout the Nation. The priority areas consist of watersheds, regions, or areas of special environmental sensitivity or having significant soil, water, or related natural resource concerns that have been recommended through a locally-led conservation process. For Fiscal Year 1998, nearly 75 percent of the EQIP financial assistance funding was provided within priority areas. Over 1,300 priority areas were approved by the State Conservationists and about 655 of these were funded. Funds are made available to the States based upon the quality of the priority area proposal, local initiatives, and the environmental needs of the affected areas.

The program has been very successful. We received nearly 55,000 applications in FY1998. After NRCS ranked the applications based on criteria developed at the local and

state level, FSA county committees approved over 19,800 long-term contracts with farmers and ranchers. The EQIP financial assistance on these contracts will exceed $156 million.

The FY 2000 proposal seeks an increase in EQIP funding to $300 million. Based on the fact that requests for assistance far exceed available funding, there is a need to continue to prioritize and focus our efforts so that we meet our Congressional mandate to maximize environmental benefits per dollar expended. We expect that in FY 2000, continued interest in animal nutrient management and the release of the joint USDA/EPA AFO strategy will spur an increase in EQIP participation by owners and operators of animal feeding operations. The nutrient management focus of the program will help meet national objectives of water quality, while involving farmers and ranchers in voluntary and cooperative solutions.

The WILDLIFE HABITAT INCENTIVES PROGRAM (WHIP) provides for implementing wildlife habitat practices to develop upland wildlife habitat, wetland wildlife habitat, threatened and endangered species habitat and aquatic habitat. WHIP provides a significant opportunity to restore native habitat, help landowners understand how to best meet their own needs while supporting wildlife habitat development, and to develop new partnerships with State wildlife agencies, nongovernmental agencies and others.

WHIP is a solely voluntary program, whose projects encompass a wide array of wildlife practices. Projects performed under the program include advancing the following measures: upland wildlife habitat, wetland wildlife habitat, threatened and endangered species habitat, fishery habitat and other approved activities.

State NRCS offices have made an enormous effort to develop partnerships and outreach methods with government and private organizations to develop a program that targets specific state concerns. We estimate that approximately 1 million acres will be enrolled in the program in 1999, at a cost of $20 million. In order for WHIP to continue to be a successful national program, it needs to remain available for all those interested in incorporating wildlife into the overall management of their farm or ranch operations. The FY 2000 budget request includes legislation to authorize continued funding of WHIP at $10 million. $8.1 million would be for the implementation WHIP practices and $1.9 million for technical assistance, certification, and status reviews on enrolled acres. Funds for technical assistance are critical for the continued implementation of program activities.

The FARMLAND PROTECTION PROGRAM (FPP) protects prime or unique farmland, lands of State or local importance, and other productive soils from conversion to nonagricultural uses. It provides matching funds to leverage funds from States, Tribes, or local government entities that have farmland protection programs. The FPP establishes partnerships with State, Tribes, and local government entities to acquire conservation easements or other interests in land. It protects strategic farmland from urbanization. It ensures that the valuable farmlands are preserved for future generations and also helps maintain a healthy environment and sustainable rural economy. The program was originally funded in the 1996 Farm Bill at a level of $35 million. To date, those funds have been exhausted, and local interest in the program has been overwhelming. In the State of Union Address, the President referenced the issue of urban sprawl and the troubling trend of conversion of agricultural lands for development. The FY 2000 budget proposes a total of $ 77.5 million for the Farmland Protection Program in two components: $50 million in new discretionary funding from the land and Water Conservation Fund to support the President's Lands Legacy Initiative and $ 27.5 million in CCC funding under proposed legislation.

WETLANDS RESERVE PROGRAM (WRP) is a voluntary incentive program to assist owners of eligible lands to restore and protect wetlands and necessary adjacent upland areas. WRP preserves, protects, and restores valuable wetlands mainly on marginal agricultural lands where historic wetlands functions and values have been either totally depleted or substantially diminished. Wetland restoration of such marginal lands provides landowners with a financial alternative to continued attempts to produce agricultural products on such high risk lands. Program delivery is designated to maximize wetland wildlife benefits, to provide for water quality and flood storage benefits, and to provide for general aesthetic and open space needs. Approximately 70 percent the WRP project sites are within areas that are frequently subjected to flooding and the flood storage being provided will lessen the severity of future flood events. The WRP is making a substantial contribution to the restoration of the nation's migratory bird habitats, especially for waterfowl.

Cumulative acreage enrollment through FY 1999 is expected to reach 775,000 acres. For FY 2000 we propose to enroll almost 200,000 acres and essentially reach the 975,000 acre legislated cap for the program. Technical assistance funding needed for the larger enrollment effort in FY 2000 will be $18,300,000.

From inception of the program in 1992 through 1998, interest in WRP has been exceptional, providing approximately 665,447 acres enrolled in the program through the end of FY 1998, and enabling the achievement of the long-standing goal to reach the presently authorized acreage cap of 975,000 acres by the end of FY 2000. Historically, there have been more than five fold as many acres offered than the program could enroll. Beginning with the FY 1998 sign-up, landowners are provided with the continuous opportunity to seek enrollment in the program. States periodically rank all unfunded offers and seek allocation of funding for the highest ranked offers. By following this process, the maximum opportunity for landowner participation is provided and the WRP is assured of having the best possible list of ranked offers available for funding during the year.

In response to the 1996 Farm Bill, the enrollment is separated into three components (i.e., permanent easements, 30-year easements, and cost-share agreements). Pursuant to the 1999 Appropriations Act, enrollment is now being balanced to respond to the level of landowner interest in each of these three components. The authorized level of enrollment for 1999 is 120,000 acres. Thus far approximately 22,000 acres have been enrolled. The level of landowner interest in the three components is presently 77 percent permanent easement, 18 percent 30-year easement, and 5 percent cost-share agreement. While we project that the backlog of unfunded acreage being offered in FY 1999 will be 7 times greater than the actual acres enrolled in 1999.

Under the continuous sign-up process the backlog list for each of the program components will continue to be updated. Once the FY 1999 enrollment process is completed, these lists will be available for immediate use in selection of the 2000 enrollment.

Conclusion

NRCS offers landowners a great deal of options and can provide programs and resources that are tailored to an individual customers needs. And the assistance is interactive. We expect to gain a full understanding of the needs and goals of our customers and provide planning and programs that a farmer and rancher can realistically implement. This is what has made NRCS an attractive vehicle for offering so many different kinds of assistance. It is also why when we look toward emerging issues such as nutrient management and greenhouse gasses, that NRCS is an obvious choice to lead the way. However, these policy and financial commitments become moot unless the Department of Agriculture and NRCS, its lead conservation agency, have sufficient resources to deliver the technical assistance that farmers and ranchers time and again say they need to take advantage of the conservation opportunities now confronting them. Our partners in State and local governments and the private sector, responding to widespread public support for environmental protection efforts, have increased their financial commitments to conservation on private land in recent years. At the same time, they look to the Federal government for a continuing commitment to technical assistance for private land and private landowners, not the diminishing commitment in real dollars that has been the trend over the past two decades. It is this technical assistance that, when coupled with the contributions of our many public and private-sector partners, will allow us to realize the full promise of

the 1996 farm bill and to look beyond. Given the needed resources in this appropriation request, we can support the field conservationists of NRCS to make it happen.

That concludes my statement. I am looking forward to working with you in the months ahead to review the proposal and work together to maximize service to our customers and help them be good stewards of the land. I will take any questions that members of the committee might have.

FOR RELEASE ONLY BY
THE HOUSE COMMITTEE
ON APPROPRIATIONS

Statement of Pearlie S. Reed
Chief, Natural Resources Conservation Service
U.S. Department of Agriculture
before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman, thank you for the opportunity to appear before you today. For twenty-nine years I have served with the Soil Conservation Service and the Natural Resources Conservation Service. During the course of those years, I have had the opportunity to work with and meet many outstanding conservationists -- people who care greatly for the land and for the farmers and ranchers that they serve. That is why I am here today. I want to represent the conservationists who go to work everyday to try and help our farms become more productive, to assist our communities be stronger and more sustainable, and to also protect and improve our land, water, and other valuable natural resources.

Our people in the field are what NRCS is all about. They are some of the most capable and dedicated employees you will find anywhere in the government. However, these employees need our assistance, if they are going to be successful at what they do. They need us to help them spend time out on farms and ranches with the farmers, rather than performing administrative tasks in the office. They need us to provide the technical and financial resources that they can use to help farmers; they need us to tell their story,

so that folks here in Washington will understand our successes -- but more importantly, what their needs are.

I want to begin with the topic of accountability. It is something that members of this Subcommittee have expressed very strongly to us. We got the message. As a result, during the course of FY'98 we put several new accountability measures in place. One aspect is the Total Cost and Accountability System (TCAS). It measures, on a daily basis, the number of hours that employees spend on various functions, including conservation planning, watershed work, or assistance in Farm Bill program implementation. A second aspect of our accountability system is the Performance and Results and Management System (PRMS). This system focuses on measuring the results of our work and capturing accomplishments. Although PRMS is just coming on-line, we believe it will be a useful tool in meeting the objectives of the Government Performance and Results Act (GPRA).

A third component is the Workload Analysis. At the state and field office levels, data were collected about the expertise of our employees in geographic areas of the country, how programs were utilized to achieve objectives, and what our future projected workload would be. The Workload Analysis aids NRCS strategic planning, in that we can set targets and match objectives to realistic resources and staffing. Initial results suggest that we need more help in the field to assist with program implementation and meet the needs of farmers. As Chief, I have taken many steps to minimize administrative tasks,

and help conservationists spend time in the field. My "workload reduction team" has recommended and implemented many steps, such as eliminating unneeded forms and reports, that cost valuable staff time. For example, in Yolo County, California, commonly requested soil survey data is now available on the Internet and has reduced requests to the office; in New Mexico, many forms have been automated and streamlined, reducing staff workload; and in Texas, elimination of the Field Office Computing System (FOCS) has made more time available for field staff to meet with customers. We are pleased with the results of workload reduction, but regardless of the steps we take here in the leadership, we need sufficient resources to apply toward meeting the incoming workload.

We know the workload is great. For nearly 30 years, I have seen the people of NRCS eagerly and consistently go above and beyond the call of duty. We see every citizen who walks in an NRCS office as our customer. Some have criticized NRCS for this. I believe it is something to be proud of. NRCS staff are part of the communities they serve and the most impressive achievements of our agency, are where our field conservationist help people to help themselves. It is through the relationship that our field staff develop with individual farmers, or through the role they play in helping communities, that they have developed trust and a reputation for providing quality advice time and time again. Some call it "locally-led" or a "bottom-up" approach, but our work really comes down to "interactive assistance". NRCS staff interact with customers: we want to know what the farmer's objectives are; we gain an understanding for how the

operation is run; and we work with them to apply conservation practices that will achieve their goals. We also strive to achieve national goals of clean water, erosion control, nutrient management, among many others. We do all of this based upon sound science and utilization of the best technology available. It is an interactive process and it may take weeks, months or even years to put all of the pieces together and it is also very difficult to quantify.

Demands for NRCS' services continue to grow at an accelerating pace. In recent years, the need and demand for Conservation Technical Assistance (CTA) has increased as resource problems have been identified, including those associated with nonpoint source pollution, misapplication of fertilizers and pesticides, and land use changes. NRCS has responded by developing new technology and conservation standards to address emerging challenges such as nutrient management, wetland destruction, global climate change, the aging watershed infrastructure, and soil erosion. While this has increased public and local awareness of natural resource concerns, it has also broadened the agency's customer base to include a growing list of customers. We estimate that the operators of livestock operations will require over 350,000 nutrient management plans in the coming decade for the estimated 450,000 AFOs addressed by the Clean Water Action Plan. In addition, almost 11,000 small watershed dams constructed under the authority of P.L. 534, and P.L. 566 will reach the end of their design life in this coming decade. These watershed structures represent the safety, economic viability, and economic sustenance of thousands of communities. In defense terms, we often speak of "military readiness".

What I would ask us all to do today, is think about the "readiness" of our conservation delivery system.

The people of NRCS have always given 100 percent of their abilities and will continue to do so. The 1985 Farm Bill asked them to concentrate more efforts on highly erodible lands, and they met that responsibility. The 1990 Farm Bill asked them to work harder for America's wetlands, and they also met that responsibility. The 1996 Farm Bill asked them to work harder for wildlife habitat, farmland protection, animal agriculture and a host of other activities. They are working hard to meet that responsibility, but they need our help.

I want to suggest, in closing, that the reason that so much is being asked of NRCS is that so much is being asked of our nation's farmers and ranchers. Everyday, they put their boots on and go out to bring us the lowest cost, safest, and most abundant food supply on this planet. At the same time, we ask them to be the caretakers of our water, guardians of our air, and the stewards of the soil. It is up to us to give them a hand.

USDA Biographical Sketch

Jim Lyons
Under Secretary of Agriculture for Natural Resources and Environment



James R. Lyons was sworn in as assistant secretary of agriculture for natural resources and environment on May 12, 1993. He was nominated by President Bill Clinton on March 9 and confirmed by the Senate on May 11. His primary responsibilities are to direct the policies and supervise the activities and programs of the U.S. Department of Agriculture's Forest Service and the Natural Resources Conservation Service (formerly the Soil Conservation Service).

On October 20, 1994 as a part of the USDA reorganization, Lyons' position was elevated to that of under secretary for natural resources and environment.

The Forest Service administers programs for applying sound conservation and utilization practices to the national forests and national grasslands, for promoting these practices on all forest lands and for carrying out extensive forest and range research. The Natural Resources Conservation Service has the responsibility for developing and carrying out a national conservation program in cooperation with landowners, community planning agencies and regional resource groups, and with other federal, state and local government agencies.

Before being appointed to his present position, James Lyons served from 1987- 1993 as a staff assistant with the House Committee on Agriculture, where he was responsible for the policy and legislative activities of the committee affecting forestry and natural resources, conservation, environmental issues, pesticides, and food safety. Within that period, from 1989 through 1991, he was also the agricultural advisor to [then] Congressman Leon Panetta (D-Calif.). From March through December 1986 he was the staff director for the Subcommittee on Forests, Family Farms, and Energy, Committee on Agriculture. From April 1982 through March 1986 he served as director of Resource Policy for the Society of American Foresters in Bethesda, Md. He was a program analysts with the U.S. Fish and Wildlife Service, U.S. Department of the Interior, 1979-82.

He received a B.S. degree in forest and wildlife management with high honors from Cook College, Rutgers University, in 1977, and a Master of Forestry degree from Yale University in 1979.

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Pearlie S. Reed

Chief, Natural Resources Conservation Service
U.S. Department of Agriculture

Pearlie S. Reed was named chief of the Natural Resources Conservation Service by Agriculture Secretary Dan Glickman effective March 1, 1998. The NRCS works directly with private landowners to help them implement conservation measures, and with a broad array of state and local groups to sustain and enhance environmental quality.

In February 1997, Mr. Reed was named as acting assistant secretary for administration for USDA. In December 1996, he became team leader of the USDA's Civil Rights Action Team, which was created by the Secretary to do a thorough audit of USDA civil rights issues inside and outside the Department.

A 28-year USDA career employee, Mr. Reed is known for his strong leadership, clear vision, and keen understanding of how to integrate and implement massive change. For his leadership in conservation initiatives, Mr. Reed received the 1998 Professional Service Award from the National Association of Conservation Districts. In 1996, he received the Distinguished Presidential Rank Award—the highest award that can be bestowed upon a career Senior Executive Service member. That same year he received two USDA Honor Awards—as an individual and as a group leader—for his vision and leadership in developing implementing the most comprehensive reorganization in the 60-year history of the NRCS, formerly the Soil Conservation Service. The reinvention of NRCS has resulted in a more efficient and cost-effective agency with a strong commitment to customer service and conservation partnerships.

Mr. Reed was appointed on January 3, 1994, as associate chief of NRCS. From 1989 to 1994, he served as SCS state conservationist in California, where he was responsible for managing, leading, and directing a comprehensive soil, water, and resource conservation and development program for the state. He also led the USDA Drought Task Force in California. He received a USDA Honor Award in 1993 for his managerial commitment and leadership to equal opportunity and civil rights. He has also served as state conservationist in Maryland and as deputy state conservationist in Arkansas.

Mr. Reed served in the SCS national headquarters in Washington, D.C., from 1977 to 1981 in several positions, including financial manager, budget analyst, and administrative officer. In 1979, he served as administrative officer for the National Agricultural Lands Study.

He began his career with the SCS in 1968 as a student trainee at Walnut Ridge, Ark. Upon graduation, he went to Wisconsin as a soil conservationist. He later served as district conservationist in Sheboygan, and then as personnel officer and budget and accounting officer in the state office in Madison.

He is a native of Heth, Ark., and graduated with honors in 1970 from the University of Arkansas at Pine Bluff with a B.S. degree in animal husbandry and agricultural business. He received a Master of Public Administration degree, with honors, from American University in Washington, D.C., in 1980.

NEWS

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Release No. 7355

Biography



DANNY D. SELLS
ASSOCIATE CHIEF
NATURAL RESOURCES CONSERVATION SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Danny Sells was named as the associate chief of the Natural Resources Conservation Service, effective March 1, 1998. Mr. Sells joined the agency in 1993 as special assistant to the chief and has served concurrently as its director of legislative affairs since 1994.

The Natural Resources Conservation Service has federal leadership for the nation's voluntary natural resources conservation program on private lands.

Mr. Sells helped guide the 1993 reorganization effort of the agency in response to Vice President Al Gore's National Performance Review. These efforts served as a guide for the Departmental Reorganization Plan that resulted in legislation passed in 1994. He also provided guidance for the development of the conservation provisions in the Federal Agriculture Improvement and Reform Act of 1996 (Farm Bill). Additionally, he served as an advisor to the USDA Farm Bill teams and program managers in the implementation of this new farm legislation. From 1985 to 1993, Mr. Sells served as a field representative and advisor on agricultural issues to United States Senator Al Gore.

Mr. Sells and his wife Katherine have been Angus cattle and horse breeders for over 20 years. As a conservation leader he has served as a district supervisor on the Washington County, Tenn. Soil Conservation District and as a director of the Tennessee Association of Conservation Districts in the late 70's.

Mr. Sells, a native of Gray, Tenn. holds a B.A. degree in political science from the University of Tennessee in Knoxville.

#

February 1998

Mr. SKEEN. Thank you. I think what I will do is start with this questioning, and then I will go to Ms. Kaptur for her introductory statement. Go ahead and make that, Marcy. Go ahead.

Ms. KAPTUR. Thank you. Thank you, Mr. Chairman. I just wanted to welcome our witnesses today, and thank Mr. Lyons and Mr. Reed, and all of your associates from NRCS, for the fine work that you and your colleagues do, not just here in Washington, but all over the country. I will agree with Mr. Reed on that.

I have some questions, and I apologize for being about eight minutes late. I was involved in a meeting on, of all things, poultry waste management, with some of our fellow colleagues, and the problems we are having in the State of Maryland. So I apologize. I think NRCS may be the solution, at least part of the solution, to that.

So I do have some questions, Mr. Chairman. I will withhold those for the moment.

STAFF REDUCTIONS

Mr. SKEEN. Thank you, Ms. Kaptur.

Let me start with, Under Secretary Lyons, the President's budget proposes a significant funding increase for NRCS; yet, the staffing level has declined by a thousand people. How will this staffing reduction affect the current conservation programs? And, also, what types of personnel actions have to be considered to reduce the staff by a thousand people? Your program does not require them or——

Mr. LYONS. Well, let me take a shot at that, Mr. Chairman, and then I will yield to the Chief, who can, I think, offer more detail.

Mr. SKEEN. Well, I want to know what he is going to do with those thousand people he is losing?

Mr. LYONS. Well, I am concerned about the loss of those people. In large measure, that loss would be associated with the lack of reimbursements for programs we implement through the CCC. Part of the problem lies with a cap on the amount of reimbursement that can be provided from funds in the Commodity Credit Corporation, and that impacts our ability to do everything from provide technical assistance for the CRP program to other programs as well. I honestly believe we need to address that and work together to find a way in which to do so. It is an issue that we have to address, Mr. Chairman. If we don't, we face loss of FTE's, and FTE's translate to conservationists on the ground doing the job that we want them to do.

CONSERVATION PHILOSOPHY

Mr. SKEEN. Mr. Reed, OMB has laid out some pretty ambitious goals for your agency, but you are the Chief, and we recognize you as such. So we would like to hear from you on two matters. We want your comments on how well you believe the Federal Government is doing in meeting the mission on private lands conservation and your philosophy on conservation in general.

Mr. REED. With your permission, I would like to do the latter first.

Mr. SKEEN. You can take it any way you want to. We appreciate it.

Mr. REED. My philosophy as it relates to conservation is that soil and water conservation are as important to our country, in my opinion, as education, healthcare, and national defense. I think that every acre of land in this country and every bucket of water must be used wisely. I think it is good public policy in this country for us to ensure that we maintain our conservation infrastructure that we have out in the countryside with State conservation agencies and conservation districts, so that we have this basic safety net that is needed to provide the appropriate science and technology in the form of technical assistance to our Nation's farmers and ranchers and other land users.

As it relates to how well we are doing, I think we are doing exceptionally well, but we could do better. The men and women that we have out in the countryside I alluded to earlier are the most dedicated and capable people you will find any place. There is one thing, though, that really bothers me, and that is, our people, most of them out in the countryside, work uncompensated 10, 12, 16 hours a day, Saturdays, Sundays, holidays. When I tell some folks this, they tell me that you need to tell them to go home, and if they don't go home, you need to take the appropriate action. And my reply to that, is that you take action against folks who don't want to work, not against those that do.

So, again, getting back to my agency and our people being asked to do a lot, we don't mind it at all, but we want some help to get the job done.

Mr. SKEEN. Well, I understand. That is why I am very surprised that we are offering a thousand reduction in personnel. I come from the old school, too, that I think it is those people on the ground out there that are doing the Lord's work as far as the philosophy of what we can do to maintain our status as a world producer of food—because we take care of our soil and we take care of our water, and conservation is absolutely essential. So I am a little concerned about the loss of that thousand people, but I understand why you are doing it.

I will second your philosophy on conservation. It is the folks on the ground out there who take it as their life's work to make sure that we conserve our resources, particularly our water and land resources. That is the best base we have.

Thank you very much.

Ms. Kaptur.

LOSS OF ARABLE LANDS

Ms. KAPTUR. Yes, Mr. Chairman, I wanted to ask either Mr. Lyons or Mr. Reed, should the American people be concerned with the diminishment of arable lands in this country?

Mr. LYONS. I think to some degree we should be, Ms. Kaptur. I think a number of factors come into play, and one is the loss of prime farmlands because of growth. The other is because of poor management, because of the inability to invest in proper stewardship, the loss of our lands in portions of the Southwest and other parts of the country, where additional investments I think would pay off.

A large concern raised by the American Farmland Trust and others is the fact that prime farmland in and near urban areas is dis-

appearing at an alarming rate, which is going to result in increased costs associated with production, and I think could ultimately have a big impact on our capacity to meet the Nation's needs, as well as protect the quality of life that we have all come to associate with areas such as your district and Mr. Skeen's and others. We need to tackle that issue.

Ms. KAPTUR. How would you answer this: People might say, well, you know, we are really moving into an area; we will lose a third of those who produce pork in this country perhaps over the next year, if Congress doesn't act; we have lost much of our sheep production, lamb production, in this country; we have cattle people in trouble; our grain prices are at historic lows, but really we are moving into an age where we are going to industrialize agriculture, so all Ohio eggs will come out of one major producer now with over a million laying hens. We will just have a few companies producing chickens, poultry, for market, and we will aggregate into only a few feedlots the majority of meat that will be raised for consumption in this country, and we will basically shut down rural life as we known it. So why should we bother?

We won't see fish in the sea anymore. We will really have these fish farms that we build all over the country. We are now into an era of industrializing agriculture. So why should we care about arable lands? Why should we care about the fundamental resource base that provided the wealth that built this country in its first two centuries? How would you explain to the American people that arable lands are important, if they are?

Mr. REED. Mr. Secretary, let me take a shot at that. I am a student of history. If you take a look at what has happened to those civilizations that did not take care of the land, those civilizations no longer exist. What is being projected for the future may, in fact, come to pass. But, from my perspective, when I take a look at what is happening to the land, the fact that once we lose arable land, you can't replace it; if you take a look at the increases in population in this country, and you think about the issue of basic food security, I think at this point in time it would be unwise for us to speculate on whether or not we will need our good agricultural lands in the future.

Ms. KAPTUR. You don't think we can import all our food, Mr. Reed?

Mr. REED. I would not want to go to bed at night thinking about that as being a reality.

Ms. KAPTUR. It is happening.

Mr. LYONS. Ms. Kaptur, if I could just make one point—I think not only should there be concern about the loss of arable land, but there should be concern about the impact that has on our society. We began as an agrarian nation. Consolidation and efficiency is a double-edged sword. Consolidation in agriculture certainly has had a big impact on certain industries, and the Secretary, of course, launched a review of the impacts of consolidation on the meat packing industry and other industries, and I know he is personally concerned about that.

I share that concern, but I also would emphasize that the loss of small to medium-sized farms, family farms, across the American landscape can have a tremendous impact on America as a society

and in those rural communities that we have, I think, all come to enjoy, and some of us grew up in. It would be a tremendous loss to see American society change so dramatically, if we fail to invest in, or at least recognize ways in which we may, in fact, be accelerating the demise of small to medium-sized farms.

That is one reason that the Secretary called for the creation of the Small Farms Commission, which former Congressman Volkmer chaired. Many of the recommendations—in fact, most of the recommendations—that the Commission generated are being implemented under the guidance of Deputy Secretary Rominger. So we take this issue very seriously, and are very concerned not only about impacts on arable land, but impacts on the social fabric of this Nation.

BACKYARD CONSERVATION PROGRAM

Ms. KAPTUR. Mr. Reed, I wanted to ask you about the Backyard Conservation Program that NRCS launched. I was very happy to be a part of that last year. I am wondering what has happened as a result of that.

Mr. REED. Well, the Backyard Conservation Program has been a resounding success. We have had requests for the publication, as well as requests throughout the countryside for conservation education, assistance in areas in which we haven't had that kind of assistance before. We see an enormous increase in the awareness and importance of conservation, not only what the urban folks can do in their own backyards, but what is also being done out in rural America as it relates to conservation. So it has been a great educational tool, and I think it has done a lot to advance the importance of soil and water conservation in this country.

AGING WATERSHED STRUCTURES

Ms. KAPTUR. I notice in your testimony, Mr. Reed, you reference that 350,000 nutrient management plans will be required for operators of livestock operations, and 450,000 AFO's that will be required to be addressed by the Clean Water Action Plan. An additional 11,000 small watershed dams constructed under two authorities will reach the end of their design life. You made your comments to this committee a few moments ago about not having enough resources to do the job. Is this the area in which you feel that your local service people will be over stressed?

Mr. REED. Yes, absolutely. As it relates to the animal feeding operations issue, we are, as we speak, putting together some options for Mr. Lyons and Deputy Secretary Rominger that will lay out, based on our current estimates, what the workload is; what is the legitimate USDA/NRCS-type investment; what should the investment of the conservation partners be; what should the private sector do. Once we pull all that together, we will be in a much better position to talk about how we could break that workload down and deal with it.

But when you take a look at the basic work that we have agreed with others that are engaged with us on this, the workload is in itself massive for us, and we have some figures on that that we would be happy to follow up and provide for you on the record.

[The information follows:]

ANIMAL FEEDING OPERATIONS WORKLOAD

NRCS is developing an Animal Feeding Operation Implementation Plan and will have the plan completed by May 1999. Based on the October 1998 Partnership Workload Analysis, NRCS estimates that about 331,000 animal feeding operations with less than 1,000 animal units will need assistance in installing a waste storage system and adopting a nutrient management plan. The infrastructure investment needed to control water pollution from animal feeding operations is enormous and NRCS is committed to helping minimize the financial stress on family farmers. If all 331,000 animal feeding operations installed a waste storage system, the financial assistance costs could range as high as $13.6 billion over a ten-year implementation period. Even with this financial assistance, the producer costs could amount to as much as $4.5 billion. Depending on the role of state, local, and conservation district employees as well as the private sector in assisting farmers, NRCS could require an additional $2.5 billion dollars in funds to support technical assistance over a ten-year period. These figures may change as the 1997 Agricultural Census data becomes available and as new workload data is collected. In addition to the financial and technical assistance provided through NRCS, other agencies in USDA have important contributions to make in addressing the water quality problems related to animal feeding operations. Examples of contributions from other agencies include: producer education and research through the Cooperative State Research, Education, and Extension Service, research by the Agricultural Research Service, and loans administered by the Farm Services Agency.

Mr. REED. Regarding the issue centered around these 10,000 dams, up until about 1960, under the Public Law 534 and 566 programs, we built about 10,000 dams all across America, but concentrated in some States more so than others. The primary purpose was to control flooding. but also erosion control and municipal water supplies, the whole nine yards.

But the bottom line is that, prior to 1960, all the dams that we built were designed to function for 50 years, and they are becoming 50 years old. Now, since 1960, we have been designing and building dams to last 100 years. So we don't have a problem just yet with them, but what is happening is that these dams have done what they were designed to do, and now they are filling up with sediment. We are finding all kinds of stuff in this sediment—some of the old pesticides that we used in cotton back 20, 30, 40 years ago, and the list goes on and on and on.

But, more importantly than that, from my perspective, I see this as a potential major public health/public safety issue, because in the floodplain below a lot of these dams we have a lot of urban development. The roads and bridges were designed and built based on the hydrology in these watersheds with these structures fully functioning. We also have public water supplies, sewage treatment plants that are located beneath some of these structures. I believe that if we don't do what is needed to address the problem, then it is just a matter of time before we start to have some major, major safety/health problems out in the countryside.

About four weeks or so ago, Mr. Lyons and I met with the Secretary and Mr. Witt from FEMA, and this issue was raised there. We are following up with him and the appropriate others to make sure that we capture the problem and lay it on the table for the public policy folks to take a look at and help us decide what needs to be done.

ADDITIONAL ASSISTANCE

Ms. KAPTUR. My final question on this round: What is the relationship between those needs we have just discussed on that page

of your testimony and the $866 million appropriations request for this next Fiscal Year? Are you asking for additional assistance for that in this budget or is that exclusive of this request?

Mr. REED. It is exclusive of the budget, with the exception that there is a million dollars in the request, under Public Law 566, for educational assistance relative to the aging watershed infrastructure problem.

Ms. KAPTUR. All right. Thank you very much for that clarification.

Mr. Lyons, could you tell me, in your original administration budget request that went up to OMB, did you ask for $866 million for the year 2000?

Mr. LYONS. I believe we asked for a little bit more than that, Ms. Kaptur.

Ms. KAPTUR. How much did you ask for?

Mr. LYONS. I am sure someone has that number.

Mr. REED. Can we send it up to you?

Ms. KAPTUR. Just ballpark, was it——

Mr. REED. It was, for Conservation Operations, it was $287,000 more than what the budget shows—no, $287 million. [Laughter.]

Two hundred and eighty-seven million more than what the budget shows. That is for conservation technical assistance.

Ms. KAPTUR. All right.

Mr. REED. The only other one that I remember that comes to mind is, for the aging watershed infrastructure, based on what we knew back in July, when we made our initial Department estimates, we asked for $250 million to address the aging watershed infrastructure problem.

Ms. KAPTUR. All right. I thank you. Any additional budgetary information you wish to give us, I would appreciate, based on your original submission to OMB.

Mr. LYONS. We can provide you that table.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
Fiscal Year 2000 History Table
(Dollars in Thousands)

	Agency Estimate	Department Estimate	President's Budget
Discretionary Funds:			
Conservation Operations:			
Conservation Technical Assistance	$866,248	$680,007	$584,752
Soil Surveys	78,323	81,565	80,565
Snow Surveys	8,135	6,124	6,124
Operation of Plant Materials Centers	9,097	9,038	9,238
Total, Conservation Operations	969,049	776,734	680,679
Watershed Surveys and Planning	119,179	19,073	11,732
Watershed & Flood Prevention Operations:			
Flood Prevention Operations - PL-534	150,000	6,000	9,000
Emergency Watershed Operations	25,000	0	0
Watershed Operations - PL-566	254,506	116,975	74,423
Total, Watershed & Flood Prevention	429,506	122,975	83,423
Debt for Nature	19,455	19,455	5,000
Forestry Incentives Program	6,325	0	0
Resource Conservation and Development	58,726	35,265	35,265
Farmland Protection Program	n/a	n/a	50,000
Subtotal, NRCS Discretionary Funds	1,602,240	973,502	866,099
Mandatory Funds:			
Wetlands Reserve Program (CCC)	256,601	205,464	207,065
(Technical Assistance[1/])	(22,050)	(14,971)	(9,800)[2/]
Environmental Quality Incentives Program	500,000	300,000	300,000
(Technical Assistance[1/])	(107,000)	(63,000)	(57,000)
Conservation Farm Option	37,500	37,500	0
(Technical Assistance[1/])	(9,375)	(7,500)	(0)
Wildlife Habitat Incentives Program	50,000	20,000	10,000
(Technical Assistance[1/])	(12,500)	(5,000)	(2,500)
Farmland Protection Program	35,000	35,000	27,500
(Technical Assistance)	(2,000)	(2,000)	(1,650)
Subtotal, NRCS Mandatory Funds	879,101	597,964	544,565
NRCS, Total Funds	$2,481,341	$1,571,466	$1,410,664
Total Staff-Years (Ceiling)	16,811	12,273	11,194

[1/] Technical assistance is included in the program levels shown above.
[2/] Total technical assistance is estimated at $18.3 million. Of this amount, $2 million will be funded from appropriated carryover balances and $6.4 million is additional technical assistance above the Section 11 cap.

Ms. KAPTUR. Thank you. Thanks, Mr. Chairman.
Mr. SKEEN. Mrs. Emerson.

STAFF REDUCTIONS IN THE FIELD

Mrs. EMERSON. Thank you, Mr. Chairman.

Mr. Reed, first of all, let me say, I have very much respect for all of the NRCS personnel with whom I work and my staff works in my district in southern Missouri. So my hat is off to you. It is a special team of people that you all have.

But let me just ask for a clarification. When you and the chairman were discussing staffing reductions, and the figure 1,000 was mentioned, are those 1,000 people in the field or are they here in D.C.?

Mr. REED. In the field.

Mrs. EMERSON. Okay.

Mr. REED. Can I respond to that a little further?

Mrs. EMERSON. You may. Please.

Mr. REED. The reason it would be mostly in the field is that, as you know, since 1993, we have gone through substantial streamlining, downsizing. Mr. Lyons and Paul Johnson, and when I worked with the two of them before Mr. Johnson left, we put at the top of our priority list taking everything that we possibly could out of everything above the field first. We have done that, and we will continue to take whatever we possibly can above the field. But there is nothing left, and the only place where we can make cuts would be at the field level.

Mrs. EMERSON. This is probably an unfair question to ask, but has NRCS staff been reduced more proportionately than some of the other offices within the USDA?

Mr. REED. When you take a look at the importance of our work, yes. [Laughter.]

AFO STRATEGY

Mrs. EMERSON. That is a pretty good political answer. All right. Well, thank you. That was pretty good. We should run you for office. [Laughter.]

All right, Mr. Lyons, this question goes to you, please: You make a comment on page 9 of your testimony—hold on; I have to put my glasses back on here—that says, with regard to animal feeding operations, specifically, that you can never fully meet the workload, if you will, about providing technical assistance to producers as they try to comply with your animal feeding operation strategy. Now if you all can't commit to providing the necessary technical assistance, then how are our producers—how can we expect them to comply properly?

Mr. LYONS. Well, as you may be aware, the AFO strategy that we have developed, and floated for public comment, and discussed across the Nation, is primarily focused on and emphasizes voluntary approaches. We firmly believe that is the way to get the job done. I think producers would agree. They would rather have that option than the regulatory option.

But, as is often the case in Washington, good policy and the budget to implement it don't always go hand-in-hand. I think part of what we are asking here today is that you help work to recog-

nize and address what could be a deficit in terms of the resources needed to help these producers.

It really is a relatively small handful of the 450,000 producers who are of sufficient size that they may actually fall under the regulatory framework of EPA, at least in accordance with the strategy we have devised. I think many producers, particularly working together in common watersheds, can address these water quality concerns collectively in a way that will avoid their having to worry about Clean Water Act compliance issues. But we are going to need additional resources.

Mrs. EMERSON. So do you think maybe we ought to delay the rules until NRCS can supply the assistance necessary? Would you be supportive of that?

Mr. LYONS. No, I don't know that I would be supportive of that, Congresswoman, because I believe that we do have clean water concerns across the Nation that need to be addressed. I think we need to work together, the administration and the Congress, to generate the resources. We are looking at phasing this in over time. We know current resources are inadequate, and we believe we do need additional resources. But I think we have an obligation, and I have yet to meet a producer, with few exceptions, who doesn't want to help ensure that these good landowners are good land stewards and that they are able to meet those goals. That is why we have used the delivery mechanism we have, the voluntary approach, to get there.

ECONOMIC ANALYSIS OF AFO IMPACT

Mrs. EMERSON. Is there any kind of an economic analysis as to how the rules might impact producers economically?

Mr. LYONS. I don't know that I have that information in hand.

Mrs. EMERSON. If you have done one, then may I ask that you provide it?

Mr. LYONS. Sure, we can provide that for you.

[The information follows:]

ECONOMIC ANALYSIS OF AFO STRATEGY

Since the Unified National Strategy for Animal Feeding Operations (UNSAFO) is not regulatory in nature, it does not require an economic analysis. Nevertheless, the Strategy calls for EPA and USDA to collaborate on evaluating the overall costs and benefits of the Strategy. In addition, if EPA promulgates a rule expanding its authority under the Clean Water Act to regulate animal feeding operations, an economic analysis will have to be prepared by EPA because of laws and executive orders governing the need to assess the economic impact of regulations on the private sector.

On the voluntary side, NRCS is developing an Animal Feeding Operation Action Plan that complements the Strategy. A Draft Implementation Plan is scheduled to be completed in May 1999. Although no definitive economic analysis of the Implementation Plan has been made to date, preliminary national estimates of the financial and technical assistance needs have been made. Based on the October 1998 National Partnership Field Workload Analysis, NRCS estimates that about 331,000 animal feeding operations with less than 1,000 animal units will need assistance in installing a waste storage system and adopting a nutrient management plan. The infrastructure investment needed to control water pollution from animal feeding operations could be substantial and NRCS is committed to helping minimize the financial stress on family farmers. If all 331,000 animal feeding operations installed a waste storage system, the financial assistance costs could reach $13.6 billion over a ten-year implementation period. Even with this level of financial assistance, producer costs could amount to at least $4.5 billion. Depending on the role of state,

local, and conservation district employees as well as the private sector in assisting farmers, NRCS could require an additional $2.5 billion dollars in funds to support technical assistance over a 10 year period. These cost estimates may change as new data on AFO numbers and workload becomes available through the 1997 Agricultural Census and the 2000 National Partnership Field Workload Analysis. In addition to the financial and technical assistance provided through NRCS, other agencies in USDA could have important contributions to make in addressing the water quality problems related to animal feeding operations. Examples of contributions from other agencies include: producer education and research through the Cooperative State Research, Education, and Extension Service; research by the Agricultural Research Service; and loans administered by the Farm Service Agency.

AFO STRATEGY LISTENING SESSIONS

Mrs. EMERSON. Because I know there were some meetings held around the country, bringing the stakeholders in, have your folks actually gone out to ranches and farms and talked to people? It is just that I haven't gotten any specific feedback from my people that they have been approached or this issue has been discussed with them?

Mr. LYONS. Yes. In fact, we held a dozen listening sessions across the country and invited producers to come in and speak. I attended a number of those. My colleagues at EPA—Glenda Humiston here, who is my Deputy for Conservation, participated. I think we got a healthy helping of farm reality in the discussions we had.

I should point out that what we are issuing is a strategy. We are not issuing specific rules. EPA would be responsible for issuing any rules to comply with the Clean Water Action Plan. So I don't think there has been an economic or cost-benefit analysis on rules yet, but I will talk to my colleagues and make sure whatever information we have on potential economic impacts we provide you.

IMPACT OF GLOBAL CLIMATE CHANGE

Mrs. EMERSON. Well, that would be very helpful because oftentimes that is the last thing that is thought about when new rules and regulations are imposed on producers, small business people, et cetera.

Let me just move very quickly—I have a question with regard to global climate change, and specifically, I want to refer to a study that was recently completed by the Sparks Company, on behalf of the corngrowers, the Farm Bureau, and other producer organizations, that predicts about a 50 percent decline in farm income, doubling of production costs, et cetera, et cetera. In fact, Mr. Chairman, I would like to submit that study for the record, if I might.

[The information follows:]

The Kyoto Protocol

An Assault on an American Institution

The family farm is an American institution. More than any other industry, U.S. agriculture defines us as a people and as a Nation. In the past, American farmers have coped with drought and disease, falling prices, and shrinking profits. Now, the family farm faces a new threat – the Kyoto Protocol – that will bring unexpected hardship to many should it be enacted as official U.S. policy.

From the wheat farmers on the Great Plains to fruit and vegetable producers in California, Florida, and across the South, America's farmers produce the bounty that feeds the U.S. and the world.

Not only does agriculture play a key role in feeding the people of the world, it contributes significantly to the U.S. economy. Agriculture and related food distribution account for nearly $1 trillion in total sales or 13 percent of the total U.S. gross domestic product (GDP). Agriculture in the U.S. is a vital domestic industry, providing jobs to 23 million American workers or 17% of the total labor force. Exports of agricultural products also help to balance our trade with other nations, with nearly $54 billion in total sales abroad.

Recent technological investments have made the U.S. agriculture industry the most advanced in the world. However, farming remains an energy intensive industry. Diesel, gasoline, electricity, and other forms of energy are required to produce the crops and livestock that feed the world. As a result, the agricultural sector is extremely vulnerable to changes in energy costs.

In addition, U.S. agriculture has invested heavily to insure that it is competitive in foreign markets – the single most important area of growth for U.S. farms. Not only has the industry cut costs to compete, but the federal government has realigned policies to end price supports and other interventions that reduce competitiveness. Consequently, in 1998, agricultural exports could reach nearly $54 billion and contribute more than $18 billion to our balance of trade. If the Kyoto Protocol is implemented, U.S. agricultural exports could be reduced by $3.6 billion – a loss in the range of 6-7% of total exports.

The Kyoto Protocol

In December 1997, over 180 nations met in Kyoto, Japan, to finalize negotiations on a legally binding international treaty aimed at lowering greenhouse gas emissions. The new treaty – called the UN Kyoto Protocol – requires a handful of nations, including the United States, to reduce their greenhouse gas emissions to specific levels by the years 2008-2012. While each country accepted a different level of emission reductions, on average the agreement seeks to reduce total world greenhouse gas emissions to 5% below 1990 levels during this period.

For its part, the United States agreed to reduce its emissions to 7% below 1990 levels by this timeframe. Additional emission reductions will be required in the second budget period (2013-2018), and the level of reductions required in that timeframe will be the subject of future international negotiations.

Key aspects of the Protocol include:

- The agreement covers six gases (CO_2, methane, nitrous oxide, HFCs, PFCs, and SF_6).
- Countries with emerging economies such as China, India, Mexico, and South Korea, exempted themselves from the Protocol.
- The definition of sinks (objects that clean, or remove emissions, from the atmosphere) was limited to include only forestry activities. Agricultural crops and other vegetation are not considered sinks by the Kyoto Protocol.
- Enforcement measures of the Protocol by the United Nations were left undefined and will be the subject of future international negotiations.

Economic Costs of Kyoto

In defending the Kyoto Protocol, the Administration claims this change in national energy policy will not adversely impact the agriculture industry. In contrast, several studies conducted by leading economic forecasting firms and the Energy Information Administration (the federal government's own energy forecasting agency) provide starkly different predictions. Using analysis developed by Standard & Poor's Data Resource International (DRI), this study shows that implementation of the Kyoto Protocol will mean, by 2010:

- **Fewer small, family farms.** Higher energy costs, together with the reduced domestic and export demand could lead to a severe decline in agricultural investment, and a sharp increase in farm consolidations. The number of small farms likely would decline much more rapidly than under business-as-usual conditions.
- **Higher production costs.** Production costs could increase by up to $16.2 billion (8.8%) and would be difficult for agriculture to pass on to consumers. These higher production costs include a $13 billion increase in manufactured input (fuel, fertilizer, and chemicals) expenditures, a $1.6 billion increase in farm origin (feed, livestock, and seed) inputs, and a $1.9 billion increase in general operating expenses.

- **Lower demand for agricultural products.** Weaker demand for agricultural products results both from the 1.6% decline in GDP and 2.4% decrease in consumers' disposable income. U.S. farmers would be forced to compete with producers in developing countries who do not face emission constraints. These changes could reduce sales by $5 billion at the farm level.

- **Reduced farm income.** As a result of reduced agricultural revenues and increased production costs, net farm income could be reduced $21.5 billion from 1998 levels to $24 billion – more than a 50% decline.

- **Increased marketing costs.** Costs of processing, storing, transporting and handling commodities and food products would increase. The wider marketing spreads could boost consumers' food expenditures nearly $18 billion.

- **Higher food costs.** The increase in food marketing costs would be small for the average U.S. consumer who spends 11.9% of disposable income on food. However, 37% of U.S. households have less than $20,000 in after-tax income and spend from 21.2% to more than 100% of their after-tax income on food. In these families, infants and children would experience the greatest impact to their diets.

- **Higher food program costs.** For example, USDA spends more than $39 billion for six food assistance programs, including the Food Stamp and Child Nutrition Programs. For these programs alone, emission controls from the Protocol could add 500,000 persons to Food Stamp rolls and increase program costs up to 5% annually.

Conclusion

The Kyoto Protocol is a flawed treaty that will have a dramatically negative impact on the U.S. agriculture industry. The family farm, an American institution, will be put at risk for a treaty that exempts other competitor nations from the same types of energy restrictions and higher costs that American farmers will be forced to endure.

For More Information

American Farm Bureau Federation
(202) 484-3600

American Corn Growers Association
(202) 452-9422

National Cattlemen's Beef Association
(202) 347-0228

National Grange
(202) 628-3507

United Fresh Fruit & Vegetable Association
(703) 836-3410

Mrs. EMERSON. But, anyway, let me ask you—I think the Department has been asked on numerous occasions also about any kind of economic analysis that you all might have done with regard to climate change and how it would impact agriculture. Do you know if that has been done yet?

Mr. LYONS. I can't answer that. I will have to check with Keith Collins, who is our Chief Economist, and provide you whatever information.

Mrs. EMERSON. Okay. I would be very grateful if you could, in fact, do that.

[The information follows:]

ECONOMIC ANALYSIS FOR GLOBAL CLIMATE CHANGE

Global climate change has been a topic of growing concerns to USDA as well as many other Federal departments. The work you are asking about is being handled by the Global Climate Change program that is attached to the Office of the Chief Economist. We understand that the Economic Research Service is assisting in this effort. We would encourage the committee to contact the Global Climate Change program office for any specific information that is desired.

From a weather variability standpoint, the following is drawn from the March 2nd testimony presented by the Chief Economist to the Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development and Related Agencies:

"Weather and agricultural production. Last year's heavy rain and flooding in California and drier than normal conditions in the Southern Plans and South highlighted the role of weather in crop production and farm financial conditions. The current La Nina weather event is having a limited effect on U.S. agriculture, with the possible exception of the December freeze in California that severely reduced citrus production. La Nina is not expected to be a major factor affecting global or U.S. crop production this year. However, weather forecasting remains imprecise and the possibility remains that adverse weather could cause a major shortfall in world crop production and a strong increase in prices from current levels."

Mrs. EMERSON. That is all. Thank you very much, Mr. Chairman.

Mr. SKEEN. Five-and-a-half years waiting to ask this question—Mr. Farr.

Mr. FARR. Mr. Chairman, you knew my desire to be here at this moment. I have been in Congress five-and-a-half years, and I have been waiting for this moment. I have more questions than this book is thick [indicating]. [Laughter.]

But I am delighted to be here.

I wanted to share with the committee what hit me. I fly every week out of Dulles Airport to San Francisco Airport. I get on a United flight, and then the flight attendants tell us we are going to go 2,419 miles. I look out there and I see the great Mississippi Basin and the Great Plains and fly over the Rockies and the Grand Canyon and into the West, into the incredible resources of the Sierra Nevadas, Yosemite National Park, come through the great agricultural basin of the San Joaquin Valley into the coastal zone of California. It hit me, as I look out that window, that all of the discussions about land in the United States—our park system, our national forest system, nothing compares to the power that this committee has on land use in America.

This is really our land use committee. What we are talking about in this subject matter is proper management of the land, proper best management practices, and how we incorporate that into user practices, so that the soils don't erode; so that the water doesn't become polluted. I think it is a bigger picture than that. It is also about sustainable agriculture. You can't have just land preserved,

if you can't make a buck off what you are trying to do with the land.

But the way we make bucks off land in California, unfortunately, is just urban sprawl. We cover over our agricultural lands to build boxstores like the Costcos and Wal-Marts. The land that we have just killed grows products that are grown in America that we export abroad, and the stores that we build import products made somewhere else. So we are not only killing our land, productive land; we are killing our productive labor force with importing things that are made. So this committee and this issue about how we use our land is to me just the most important thing we can be dealing with in Congress.

My question essentially goes to the point, I started in politics as a county supervisor dealing with land use. Then I was in the State legislature, and I sat on a natural resources committee and carried a lot of education. I came to Congress, and not until I arrived here had I ever heard of the Natural Resources Conservation Service. I know you are doing all these things, but I don't know if a lot of people really who make the daily decisions know about them.

My question goes to, do you have any model ordinances that you have gotten adopted by counties and local governments regarding best-use practices?

ADOPTED ORDINANCES OF BEST-USE PRACTICES

Mr. REED. The answer to that is no, and the reason the answer is no is that we have worked with local units of government, and, basically, did most of the work as it relates to soil and water conservation, but we never took credit for it.

Mr. FARR. But the suggestion is—and I think it goes to all the questions here about, why should we be doing all this sort of heavy parrotting of the land without teaching the land users how to do it themselves? Why aren't we teaching local governments how to fish? I mean, how to care for the land themselves. I don't know why we need to buy out land that should not be farmed; it should be zoned that way. We don't allow people to build or tear down riparian corridors just because they privately own it. Local government says, no. Private ownership doesn't allow you to destroy valuable soils. Private ownership doesn't allow you to pollute. Just because you own the land, you can't dump toxics there.

So we, obviously, have this sense in America, and I think in the private sector that owns all this land that I am talking about, that it is cared for, but the policing of that has to be done at the local level. We can't do that from Washington.

Mr. REED. Mr. Farr, virtually all of the work of the NRCS is really working with the farmers and the ranchers and other decision-makers, providing them with the appropriate technical advice, counsel, and in some cases financial assistance, so that they can make the decisions out on the land. Virtually everything that we do is done in a voluntary mode in support of State and local governments.

FARMLAND PROTECTION EFFORTS

Mr. FARR. Why should we be giving aid to the farmer directly; why should we be giving aid to the local county government, if they

aren't incorporating within their management practice sort of a building code of best practices? Why don't we insist that they put land management plans in the law in order to get the benefit? There has got to be a carrot and a reward here.

Mr. REED. Most of the farmland protection programs, most of the land use zoning ordinances, laws, and regulations out in the countryside are based on the NRCS technical guide, technical rules, technical specifications that we have developed in a voluntary mode, and these local units of government adopt those as the basis for making those decisions.

Mr. FARR. I would hope you are right, Mr. Reed, because if you are, then we don't need to do all this stuff, because it would be done at the local level. Once we have been there, we never have to go back. It is going to be taken care of.

Let me just switch because, obviously, if we had done it all, we wouldn't need the Farmland Protection Program, and I was very pleased to hear Mr. Lyons talk about going to the Governors Conference and having that incredible reception. What was it like? They really want us to participate in it, don't they?

Mr. LYONS. There is tremendous enthusiasm for protecting open space and farmland protection. As you know from your own State, the Federal Farmland Protection Program which we administer is oversubscribed manyfold.

Mr. FARR. Can I ask you some questions about it? First of all, I want to commend the President for putting money in. At the same time, I want to wonder why it is such a measly amount. Seventy-seven point five million comes out to $1.5 million per State, and California, in my Salinas Valley, it is $20,000 an acre. So all the money we give to California buys sixty acres of land. That is not farmland protection.

Mr. LYONS. Well, I would certainly wish we could put more in the account, Congressman, but I would point out that that money leverages additional resources. Our goal is really to be able to partner with States that have put money into programs, with communities that have put money into programs, so as to amplify the benefit of that Federal investment. It is really seed money to make those things happen.

REQUESTS FOR FARMLAND PROTECTION

Mr. FARR. What are the requests you have in hand right now from the States asking for the farm? Do you know that?

Mr. LYONS. I am sure we do.

Mr. FARR. Do you know how much they are requesting?

Mr. LYONS. Do you have those numbers [speaking to his staff]?

Mr. FARR. Well, you can get those for me.

Mr. LYONS. We can provide those for the record, if that would help.

[The information follows:]

FARMLAND PROTECTION PROGRAM

Through fiscal year 1998, twenty states had requested $198.3 million to FPP funding. NRCS committed $33.4 million in Federal funds to 19 States for farmland protection efforts.

[Dollars in millions]

Fiscal year	FPP funds requested	Proposed acreage	FPP funds available	Acres expected
1996	$130.6	176,000	$14.3	76,756
1997	6.5	10,000	1.9	4,969
1998	61.2	99,000	17.2	45,658
Total	198.3	285,000	33.4	127,383

CONSERVATION RESERVE ENHANCEMENT PROGRAM

Mr. FARR. I hear the bells going off.

One is: How many States have approved conservation reserve enhancement programs?

Mr. LYONS. I believe it is a half dozen, six.

Mr. FARR. That is all?

Mr. LYONS. That is right.

Mr. FARR. How many acres have enrolled in these programs across the country?

Mr. LYONS. We are conferring.

Mr. FARR. Well, we are spending millions of dollars, and we have got six programs. Do you know how many——

Mr. LYONS. I don't know that I can tell you the acres. We will get that information for you, the acres that have enrolled through the CRP program.

[The information follows:]

CONSERVATION RESERVE ENHANCEMENT PROGRAM

Currently, seven states have approved Conservation Reserve Enhancement Programs (CREP). They are Maryland, Minnesota, Illinois, New York, Oregon, Washington, and, as of March 1, 1999, North Carolina. Secretary Glickman and Governor Hunt of North Carolina signed the North Carolina Memorandum of Agreement on March 1. Conservation Reserve Enhancement Programs are voluntary and must address environmental problems of Federal and or State significance caused by agricultural activities. States must request to enter into a Memorandum of Agreement, for a CREP proposal, with the U.S. Department of Agriculture to address these environmental problems.

To date, approximately 811 contracts, covering 13,494 acres have been enrolled in CREP programs across the country.

BUFFER STRIP INITIATIVE

Mr. FARR. Can you also give me how many acres have been enrolled nationwide in the Buffer Strip Initiative?

Mr. LYONS. Yes, we can provide that easily.

[The information follows:]

BUFFER STRIP INITIATIVE ENROLLMENTS

Approximately 930,000 acres of buffers—265,000 miles—have been enrolled nationwide in the Buffer Strip Intiative.

RELEASE OF AFO STRATEGY

Mr. FARR. And do you know when the animal feeding operation strategy will be released?

Mr. LYONS. We hope shortly. We have actually completed the work that we need to do, and we are working with EPA to resolve some remaining differences on the strategy, but we hope very shortly.

Mr. FARR. And have USDA and EPA done an estimate on the funds necessary to meet the current demand for the EQIP program as well as the expected increase in demand that may occur as a result of the Clean Water Action and the AFO strategy?

Mr. LYONS. I can provide you that information for the record. It is going to be substantially more than what I think we are requesting right now. The $100 million increase in EQIP certainly will help in terms of our efforts to address clean water strategy.

[The information follows:]

EQIP FUNDING NEEDS TO CARRY OUT CWAP

NRCS has done some preliminary estimates on the funds needed to meet the current demand for EQIP. We have identified the demand to be about 3 times the available EQIP funds since the beginning of the program. In FY 1997, there were over 57,000 applications from farmers and ranchers requesting $552 million in financial assistance; about $175 million of this demand was met by EQIP contracts. In FY 1998, about 55,000 applications were received for $490 million in financial assistance; about $154 million of this demand was met by EQIP contracts.

The demand comes from producers who are indicating they are prepared to invest some of their own funds, change some of their farming techniques and apply conservation practices to improve natural resource conditions on land they control. Not all of these producers would be considered as high priority; some may be ineligible. But on the whole, this gives a good perspective of the demand. As the program becomes better known, we expect the demand to increase.

Considering this demand, and without considering the impact of the Clean Water Action Plan and the Animal Feeding Operations Strategy, NRCS believes that an annual funding level of $400 million would be justified. To suggest higher at this time would be unrealistic considering the current capacity for NRCS to adequately implement the program with a greater workload. The Administration's $300 million budget request is a good first step to meet the demand while being able to implement the program in an exceptional manner with current staff resources.

Successful implementation of the Unified National Strategy for Animal Feeding Operations (AFOs) owners and operators could require the delivery of technical and financial assistance to more that 331,000 AFOs nationwide by the year 2009. Delivery of this technical and financial assistance through voluntary conservation programs; primarily EQIP, will need to be greatly accelerated to achieve this goal, especially considering that NRCS is only able to assist roughly 10,000 AFOs per year through on-going programs.

If our conservation partners and private sector vendors are not able or willing to substantially increase the technical and financial resources they can devote to the effort, USDA will need to increase annually by at least 3 times its technical assistance funding and by at least 10 times its financial assistance funding over the FY 2000 requested funding levels to meet the potential demand.

Mr. FARR. And will you also send me how much out of the EQIP program of USDA's resources are going to the Colorado River Salinity Control Program?

Mr. LYONS. We would be pleased to do that.

[The information follows:]

EQIP FUNDING OF THE COLORADO RIVER SALINITY CONTROL PROGRAM

The following EQIP funds were used in Colorado, Utah, and Wyoming to reduce the salinity in the Colorado River. The FY 1997 and 1998 funds were actually obligated, and the FY 1999 funds have been allocated for use in the basin.

Fiscal year	Financial assistance	Education assistance	Technical assistance	Total
1997 (obligated)	$2,812,000	$ 26,000	$315,000	$3,153,000
1998 (obligated)	2,808,000	113,000	685,000	3,606,000
1999 (allocated)	3,029,000	114,000	737,000	3,880,000

Mr. FARR. Thank you. Thank you, Mr. Chairman. I wish you would give me two days, because I love this.

Mr. SKEEN. Well, we will see if we can't work out something. [Laughter.]

We will suspend now and take this vote, and be right back. I think this is the last vote for today, hopefully.

[Recess.]

Mr. SKEEN. The committee will come to order.

Mr. Bonilla.

AMERICAN HERITAGE RIVERS INITIATIVE

Mr. BONILLA. Thank you, Chairman.

Good afternoon, everyone.

I am anxious to get into discussion about the shortage of manpower and the expansion of programs in just a second. But, first, I want to ask a question, Mr. Lyons, the request—for a report we included last year in our report language to ask for the activities of the USDA on the American Heritage Rivers Initiative, and the report did request that the AHRI report come in to the Committee by December of 1998. Do you know when we can expect to receive this report, Mr. Lyons?

Mr. LYONS. That report is currently in clearance, Congressman, and we expect to get it up to you shortly. We apologize for the delay.

Mr. BONILLA. So you think in a matter of weeks perhaps, 30 days, something like that?

Mr. LYONS. I certainly hope so. It shouldn't take very long.

Mr. BONILLA. I would appreciate that. I appreciate your attention to that.

Also, in light of that and in light of what we have heard here today, especially with Mr. Reed saying, appropriately so—I wrote down that his quote was, "Being asked to do much with too little." In light of the fact that there is a request for an additional $204,000 for the American Heritage Rivers Initiative in Fiscal Year 2000, I am concerned where this money might be coming from. In other words, is there a possibility that something that you are already working on that is very important is going to get shortchanged. Initially the administration stated that there would be no new funds for the AHRI program. So where is this money going to come from, and what program could get shortchanged?

Mr. LYONS. Well, I will take a shot at that, Congressman. The investments we have made in the American Heritage Rivers, which I believe come out of Conservation Operations, by and large, are, in my mind, minimal. The potential payoff is tremendous. We have only allocated a few FTE's to this effort.

The reason I think it is a wise investment is because I think it affords us an opportunity to coordinate water quality and watershed activities along designated rivers and really to amplify the benefit of working with other agencies and their resources to work with those communities to realize their conservation goals along those waterways.

One could argue that $200,000-or-so could be invested elsewhere, but I would tell you that I am a firm believer in working with communities who have a desire and seek the assistance that govern-

ment can provide them. I think that is an important and appropriate role. I think through American Heritage Rivers, we are going to learn a lot about how we can work with communities to encourage their collaboration with adjacent communities, with other agencies, and I think there is going to be tremendous payoff that we may use in other places.

Mr. BONILLA. So, again, could you tell me where that money would come from?

Mr. LYONS. I believe it comes out of the Conservation Operations account. The estimates I have before me, Congressman, were——

Mr. BONILLA. In other words, who is going to get shortchanged by this amount of money? I realize in the big scheme of things it is minuscule, but you are talking a couple of employees that you could have somewhere else.

Mr. LYONS. Well, I can't point to a specific place they are going to come from, but I think we are going to try to ensure that the impact on any program is going to be minimized. I think we can guarantee that.

Mr. BONILLA. As you know from last year—we had a talk about this as well at the hearing, and I was concerned about it. Let's take, for example, I cover 29 counties in south and west Texas, but I live in San Antonio. If any of you have been there, you know that we have developed a River Walk very nicely, a conservation program, environmental assessments, the whole nine yards. The community is very happy with it. It was done, believe it or not, without American Heritage Rivers Initiative involvement. There are countless other projects around the country that are environmentally sound. They have been done efficiently. They have been partnered with Federal Government programs and have worked very well.

Yes, I have had a problem with American Heritage Rivers Initiative because I see these things that have occurred already, and I don't understand, for the life of me, why we need another layer of bureaucracy that involves not just USDA, but 12 other Federal agencies. Just so you know where I am coming from on this.

Mr. LYONS. Well, let me respond, if I could, and just say I think the San Antonio situation is a good example of what other communities would like to mimic in terms of the investments they would like to make in their waterfronts. Unfortunately, many communities don't have the resources or wherewithal to attract the private investment, such as San Antonio did, that really, as you know, rejuvenated downtown and really has become a tourist attraction and brings a lot of resources into the community and a lot of tax dollars into local government.

I think we would like to use that example to try to help, with a minimal investment of Federal resources, other communities realize the goals that they seek. I think in the rivers that we have identified there is tremendous opportunity to do that, and, ultimately, hopefully, shift the financial responsibility over to the private sector. We are certainly looking for ways in which private dollars can amplify the minimal investment that we will make through Federal resources.

Mr. BONILLA. And a final note on that, and then we will move on. That was, in fact, the result of a great initiative by former Mayor Henry Cisneros with the business community, and it was

done very nicely. It is something that we hold in high regard, and we are very proud of back home, but it was, again, that local initiative. It is not a wealthy area at all, but it was just the initiative and the persistence of those who wanted to make it happen in the right way that prevailed in the end. That was even before American Heritage Rivers Initiative was even discussed.

REGIONAL OFFICES

I want to move on now to something else. The NRCS regional offices. Are the regional offices vitally needed to effectively deliver programs and accomplish the mission or NRCS in assisting landowners with their conservation needs? Again, this is tied into some of the frustrations that are being expressed here today about manpower.

On page 17–7 of this year's budget, the note states that it is one of the things that regional offices were intended to do, is to, quote, "reduce operating costs." How does the creation of an additional layer of bureaucracy, if you will, reduce operating costs and help you with your personnel problems?

Mr. REED. Mr. Bonilla, I am, as we speak, reevaluating our situation with regional offices, but I need to go back and tell you why we established those, going back four or five years ago, and the intent. The intent of the regional offices was, in fact, to help us be more efficient and effective, in addition to providing the appropriate focus that is needed at the regional level on issues, resource issues, that cross State boundaries.

But, initially, at these regional offices, what we did was we took the 56 or so business offices that we had in this country, where we had anywhere from 15 to 42 people, abolished all of those, established six of those with approximately 17 people, and that was an integral part of our streamlining plan for reducing the administrative support. We figured that we could do it out of 6 locations far more efficiently than we could out of 56. So that was one component of the regional offices.

Mr. BONILLA. What was your net reduction, then, on manpower?

Mr. REED. That was a part of our overall agencywide initiative to cut our administrative staff by 50 percent. We are about to reach, although we are going into the administrative convergence, which is another issue. But that was one.

The next thing that Chief Johnson, Jim, and I wanted to do was that, at that point in time, we had a lot of oversight reports and criticism coming from the Inspector General, coming from other places—and we can produce those reports for you—basically saying that we were not providing cross-State, regional kind of oversight in dealing with issues. Some of the Inspector General—IG—reports, as an example, showed that, when you crossed a river, one county to the next, they found a different set of standard specifications, those kinds of things, and that land on one side of a State line was being treated different in terms of wetlands kinds of issues. So we recognized the need to beef up our oversight and evaluation-type activities. So we ended up putting about four or five people in each of the regional offices to do that.

Then the other thing that we did there is that in each and every State we had a State administrative officer; we had a deputy and/

or an assistant State conservationist; we had three or four program managers. We felt at the time—and we still feel this way—that those functions we did not have to have in each and every State. Again, that was a part of our efforts to try to cut the total number of folks we were investing in that kind of work by approximately 50 percent. So those folks ended up in the regional office. That, coupled with a regional conservationist, is what the regional offices were about.

I can tell you that right now some of the functions that are at the regional offices are functions that we are going to have to carry out irrespective of where it is carried at. I think as USDA deals with the administrative convergence issue, then we have to decide what we can or what is appropriate for us to do in addressing the regional office issue.

Mr. BONILLA. Thank you, Mr. Reed. Mr. Lyons.

Mr. LYONS. If I could just point out, just to set the record straight in terms of how our staffing levels play out, under the 1999 budget, we currently have 139 individuals in regional offices, which compares to 9,274 in the field and other areas. So we have a very small staff that is helping try to coordinate and improve the efficiencies Pearlie addressed of work by addressing these issues at the regional level.

I also want to note, in part responding to a question that Mrs. Emerson raised earlier, NRCS has cut its total number of employees by about 18.8 percent since 1993. The Washington office was reduced by 40 percent. So we have made an extra effort to try to make sure we kept people on the ground and took disproportionate number of cuts in the Washington staff, so as to make sure we had people on the ground who could do the job and try to minimize the administrative overhead that exists.

EPA BUDGET REQUEST FOR AFO

Mr. BONILLA. I have a different area I want to cover now, Mr. Lyons. A program here that was brought up a little earlier that we touched on, I understand your concerns about the exponential expansion of your workload which could occur due to the implementation of the animal feeding operation strategy for the regulation of livestock operations. We see that there are some additional monies directed toward this effort in the Administration's budget. Do you know if any of the money was included in the EPA budget for the implementation of these requirements which are being imposed by EPA? I am trying to find out if EPA is being totally responsible for these costs, since they are coming up with these regulations.

I know you may not have that in front of you, but I am raising this issue.

Mr. LYONS. Well, I don't have those numbers in front of me. I want to point out again, though, we are working on the strategy in our regulations, just as a point of clarification; these are not rules that we are issuing. I know that EPA has some funds built into their Fiscal Year 2000 request. I would have to get the details for you and submit it for the record, if I could.

Mr. BONILLA. I would appreciate that.

[The information follows:]

EPA BUDGET REQUESTS FOR AFO

The President's FY 2000 budget includes funding for EPA programs that can be used to implement the Animal Feeding Operation (AFO) Strategy. In FY 1999, as part of the Clean Water Action Plan (CWAP), the Administration requested and Congress provided almost a doubling of funding for EPA's section 319 Nonpoint Source grant program, for a total of $200 million. for FY 2000, the Administration has again requested $200 million for section 319 grants to help implement the CWAP, including the AFO Strategy. Another available program is the Clean Water State Revolving Funds (CWSRF), which can provide below-market-rate loans to nonpoint source management projects, consistent with a state's nonpoint source management plan. The FY 2000 request for the CWSRF is $800 million. For FY 2000, the Administration has also submitted a legislative proposal, as part of its budget request, to allow states to use up to 20 percent of their CWSRF capitalization grant to provide grants for implementation of nonpoint source and estuary management projects. This proposal could provide as much as $157 million for these grants in FY 2000, if legislation is enacted. AFO nonpoint source management projects are eligible for funding from these programs. Each state chooses which projects receive funding under both section 319 grants and the CWSRF.

NEW FUNDING AREAS

Mr. BONILLA. I guess one final thing, Mr. Chairman, if I could: In light of the reductions you just talked about and the workloads that the NRCS has, in asking for these new conservation technical assistance funding areas, such as $31 million for the Clean Water Action Plan—and I won't get into all the details here—$15 million for soil carbon sequestration research, and reduction of greenhouse gases. I know that there is an indication that this is a mandate that you have to comply with, but I think that is in question. Three million dollars of this would be for the Climate Change Technology Initiative; $5 million to fund 20 full-time equivalents, FTEs, staff for Community-Federal Information Partnerships, which is part of something called the Livability Initiative.

All these things sound great, and I understand that sometimes decisions are made at a higher paygrade about what the priorities ought to be, but in light of the fact that you all are stretched so thin already, I wonder if this is troubling to you that all of these programs I just cited here add up to $51 million. Does it trouble you to see all these things thrown at you?

Mr. LYONS. Well, I will try to answer that and tell you that, frankly, I don't view all those things as being thrown at me. Maybe I am volunteering to accept some of these initiatives, in part because I think one of our jobs is to promote innovation and identify new ways in which we can improve our delivery systems and tackle challenges that we face.

The investments we are making in global climate change and livability are, granted, minimal. I wish we had more resources to make those investments, as well as cover our base programs. But I think we can learn a great deal through the research and the evaluations we do on the global climate change, as well as I think we can do a great deal to help communities plan for their future through the investments we make in the Livability Initiative. These are largely minimal investments, but the potential payoff that comes of learning from these investments I think makes them worthwhile. That is really why we are trying to make those investments.

We don't have a big budget. These are not significant investments, but I think they are important.

Mrs. EMERSON. Would the gentleman yield?

Mr. BONILLA. I would be happy to yield, Ms. Emerson.

Mrs. EMERSON. Mr. Lyons, except for the fact that, if you add all those up, together it adds up to the salaries of the thousand people that you all have to let go in the field who still have projects that they haven't continued or must continue to improve upon, or that they have just begun in other areas. So I guess what I am saying is you are starting a bunch of new programs at the expense of a thousand people who provide a very valuable service at the ground level. You all have also said that you were going to have to do a lot more with a lot fewer people.

Mr. LYONS. That is fair criticism, Congresswoman. I would suggest, though, from my point of view, we ought to get fair reimbursement for the work we already do through the CRP program and CREP and related programs, and that is why we have asked for a lifting of the section 11 cap on CCC-supported funds, so that we get what we deserve there. So I don't see that as an expansion of programs. I think it is just reimbursement for the work we do and an opportunity to make some minimal investments to see if there aren't other ways in which we can improve our delivery systems and the effectiveness of our programs. That is just a different point of view.

Mr. BONILLA. Just a final comment, Mr. Chairman, I know I am a little over my time here. I am one of those unusual people that came straight out of the private sector into this job a little over six years ago. In a dream world you can think of all these initiatives that sound wonderful, and you want to try to fund them all, but in real life, generally, you have budgets and you have to make priorities. Say, if you have 10 items, you have got to pick the top 8. Maybe you don't have any money for that beyond eight.

I am trying to suggest here is for us to look at what is really the most important thing that we need to do here and be realistic about the dollars that we have in the budget. That is where I am coming from.

Thank you, gentlemen, very much.

Mr. SKEEN. Mr. Boyd.

TECHNICAL ASSISTANCE VERSUS ENFORCEMENT

Mr. BOYD. Thank you very much, Mr. Chairman, and, Secretary Lyons and Mr. Reed, and your staff, for being here.

I am a new member of the committee, and I think it is fair for you to know a little bit about where we are coming from. I, like Congressman Farr, have been looking forward to this meeting today. The reason I have been looking forward to it is because I spent most of my professional life dealing with the old Soil Conservation Service, now called the NRCS. Probably in the area that I come from in north Florida, most of the farms there would not be viable agricultural entities if it wasn't for the work that has been done hand-in-glove with the old Soil Conservation Service to make those parcels of land productive. I know that is certainly true on the farm that I was raised on. So I have a deep appreciation for the work that has been done in the old SCS and now the NRCS.

But the problem that I have—and I have had this discussion many times with people up and down your chain of command, in-

cluding Niles Glasgow in Florida, and some of the people that work for him—is that, up until 10 or 12 years ago, the Soil Conservation Service was viewed by the farming community, the ag community, as a technical assistance agency in helping them solve conservation problems. That view of the agency has totally shifted now in my part of the world from a technical agency which is there to help farmers to an enforcement agency, which many times comes and bangs on us about things that we have to do.

I took note of your statement, Mr. Reed, about staffing problems, and I agree; I know you have great problems in this area and they are not all of your own doing; much of them were brought on by funding problems.

But I wanted, Mr. Lyons to address the issue, if you could, regarding the agency changing from being a technical assistance agency to an enforcement the agency.

Mr. Lyons, you made a statement in your written presentation that says this: "The NRCS cooperative team structure"—it is on page 5—"is an established and practical example of how Federal programs can be managed with local guidance at the local level."

I would take issue with that because our people have a tremendous amount of difficulty getting response, a timely response, to their applications and their needs. You know, you might look at the FSA as a practical example of how local guidance at the local level works, because of the county committee structure. The NRCS doesn't have a county committee. It is really managed from the top down.

I didn't come here today to beat on you about what is in your budget or not in your budget, but rather talk about how we can work together to make the agency work more efficiently and be more customer-friendly and serve the people that it is intended to serve.

If you would comment on those two things: technical assistance versus enforcement and top-down management versus bottom-up control, where you actually have more community input?

Mr. LYONS. Let me first address the technical assistance versus enforcement issue, Congressman. I appreciate the opportunity to do that.

I am sure you are aware that the agency's mission and legislative mandate has changed some over the last almost two decades, going back to the 1985 farm bill. New programs, placing new requirements on producers, were put in place, and then Soil Conservation Service was given the responsibility to implement those: programs like Conservation Compliance and Swampbuster and Sodbuster.

That defined a new role for the Soil Conservation Service, and I dare say it made a lot of people uncomfortable; it made a lot of producers question whether they had a friend or an enforcer to deal with. We have tried to work our way through those issues over time and demonstrate that, through voluntary approaches to dealing with larger conservation issues, that we can, in fact, be both a friend to the farmer and help farmers meet their obligations to protect clean water and wildlife habitat, and the like.

I think we have accomplished a great deal there, and I am sure there are still places where there is concern and question about

NRCS' role in whether or not we are being as helpful to producers as we could be. We are doing everything we can to provide that in a user-friendly way. I think we have accomplished a great deal there.

I guess your other questions with regard to top-down versus local initiative, we do a great deal of our work through local conservation districts. That is really where conservation hits the ground and that is where we develop a great deal of the priorities that we implement, working directly with those entities.

We are making more and more effort to try to ensure that those locally-led efforts really drive how we set priorities, how we deliver programs to the ground. We established, actually, under the 1990 Farm Bill, updated in the 1996 Farm Bill, State technical committees that would help agencies at the State level pull together information, collaborate and coordinate to better deliver programs to meet priorities on a State-by-State level, and really try and move program delivery out to the State and local level. So we are striving to achieve that, and I think accomplishing a great deal in that regard.

If there is a distinction that I would draw between the Soil Conservation Service of old and the NRCS of today, maybe it is not a fair distinction, but I would offer this observation: We are really placing a great deal of emphasis on conservation and trying to demonstrate NRCS' capacity to address clean water, wildlife, and offsite impacts of agriculture in a way that is not going to threaten the profitability and viability of farm operations. So, in many respects, we have stepped up to the plate more than we did perhaps in previous decades to try to tackle those issues and demonstrate that we can help landowners meet those obligations and achieve their conservation goals in that way.

FIP RELEASE IN FLORIDA

Mr. BOYD. Well, thank you, Secretary Lyons. I just believe that most of the problem could be solved with a restructuring. I notice that one of the things that you did a year or so ago was the creation of the regional office, which you have already addressed, which may be a half-step in the right direction. If you move to a process where the decisions can be made at the local level within the guidelines that are established at USDA, then that works. It works for the FSA. And I want to expound further on that point, and I will turn to you, Mr. Reed, for this question, and just give you an example of what I am talking about.

As it relates to the FIP program, we have all talked and heard a lot today about the expansion of—your responsibilities, and Mr. Bonilla has talked a little bit about you going out of the realm of where we thought we ought to be initially. I tend to agree with him, that we are trying to do too much with too little, and as a result, we don't do much with anything.

But the FIP program is a good example. The FIP program used to be under the FSA, and now it is under, I guess, according to the 1996 law, you have authority for administering that.

Let me just ask this question: The non-add on FIP money was released by USDA to the State NRCS in Florida on January the 11th. Five-and-a-half weeks later, on February the 18th, was the

first time an application was approved with money. Now, in Florida, I don't know if you know, but in north Florida, if you don't have trees planted in the ground by the 1st of March, you don't do it; you wait until next winter. So this is a kind of example—this is an example of the kind of thing I am talking about.

Can you explain how we could improve our delivery system or comment on that, Mr. Reed?

Mr. REED. I can't explain it, and I don't know enough about the specifics to really respond intelligently, but I will follow up with Niles Glasgow, our State conservationist there, and get you a better answer than I can give you today.

[The information follows:]

RELEASE OF FIP FUNDS

The base funding you are referring to was released to Florida on January 11, 1999. Applications were accepted and prioritized starting in December 1998. The base allocation of funds was obligated and applications approved by February 19, 1999. These funds were available before the end of the planting season. Applications were accepted, however, not enough seedlings were available for planting in fiscal year 1999. Those remaining applications will be considered for planting in fiscal year 2000.

Mr. BOYD. Okay. I want both of you to know, all of you to know, that this is an important agency to folks in agriculture, and there are many of us, many of our constituents that, like I said, wouldn't be farming if it wasn't for a technical assistance agency that could provide those kind of services to protect our resources. We recognize how important that is, and we want to work with you. That is going to be my role here, is try to make something that works better to serve the farmer and the consumer.

Thank you.

Mr. SKEEN. Mr. Latham.

AG DRAINAGE WELLS

Mr. LATHAM. Thank you, Mr. Chairman. Welcome to our guests here today.

As you are well aware, in Iowa we have a real problem with the ag drainage wells and trying to cap those and protect the aquifer that we all drink out of, I drink water from one on my farm, and my family uses the water. We have a real concern about the pollution from the confinement feeding facilities that are in the area, manure going directly into the aquifer, obviously.

It has come to my attention, as you are probably well aware, we have had problems for years trying to get permits and trying to solve the problem. Locally, everyone has worked very well together. They have been fighting for Federal agencies that all claim jurisdiction over farm wetlands. It is like pushing on a balloon: Push on one side and it comes out some other place, in another agency, or they change the rules, like you did.

This last January, it has come to my attention that you doubled the requirement for mitigation acreage for prior converted lands in Iowa. Unfortunately, the change was announced and implemented retroactively. The Iowa Drainage District Association was attempting to meet a deadline to close an ag drainage well in Pocohontas County, and in their effort they had to submit mitigation plans by September, using what were the rules then. And the change in the

rule, obviously, cost them a great deal of money and time, and forced them to have to alter their budget and delayed once again the permit that they have been trying to get for several years now to fix the potential environmental disaster there.

Well, is it the policy of the NRCS to enforce new conservation rules, even though organizations or individuals have submitted the mitigation plans to your agency months earlier and prior to the alterations and using what were then acceptable conservation formulas?

Mr. REED. Mr. Latham, I am not prepared to respond to that, but I will look into it and get back to you with a specific answer to your question.

Mr. LATHAM. I would ask, you don't know what the policy is?

Mr. REED. I don't know that I fully understand the question either.

Mr. LATHAM. Well, NRCS retroactively changed the rules as far as mitigation, after the Iowa Drainage District had gone through tremendous expense and time and tried to get a permit now for about four years to stave off an environmental disaster. Which is going to pollute the Ogalaga Aquifer if we don't get something done sometime. We talked about this last year, and it continues to be a real thorn for a lot of people.

Mr. LYONS. Congressman, let me just attempt to address this briefly. In that, I understand what happened was the Army Corps of Engineers decided that a 404 permit was required and had to be issued in order to take this action. So I don't believe that NRCS——

Mr. LATHAM. Yes, you changed the rules in January retroactively.

Mr. LYONS. Well, I am going to have to look into that, Congressman, because I don't know that we did, but I will certainly find out.

Mr. LATHAM. Okay.

[The information follows:]

AG DRAINAGE WELLS IN IOWA

The Trustees of Drainage District 176 plan to close several drainage wells and connect the drainage project to a new underground tile system to protect ground water quality. NRCS has been working with the District since their initial proposal. However, after the Trustees of the Drainage District filed a request with the Corps of Engineers (Corps) to seek a determination of jurisdictional wetlands, the Corps determined that proposed action for this project would require a 404 permit under the Clean Water Act.

Since the Corps is the lead federal agency for determining mitigation requirements and ratios for this proposed project, NRCS has not been involved with specific mitigation decisions. However, NRCS in Iowa has been assisting the Trustees of Drainage District 176 and the farmers in the watershed with wetland functional assessments so that their mitigation plan will be acceptable for obtaining the 404 permit from the Corps.

The Trustees of the Drainage District wanted to proceed so that the farmers in the watershed could continue to be in compliance with the wetland conservation provisions of the 1985 Food Security Act in order to maintain USDA program eligibility. The 1985 Food Security Act wetland conservation provisions provide that an exemption to program ineligibility may be granted if an action is authorized by a permit issued under section 404 of the Clean Water Act.

NRCS has worked closely with Drainage District 176 and the local farmers to ensure that neither easements nor 404 permit conditions will be placed on agricultural lands by the Corps. To provide for this, NRCS did not assign any wetland value to areas that farmers may desire to install additional drainage or intensify cropping after the 404 permit is issued.

In summary, the Corps established the specific wetland mitigation requirements and ratios for the drainage well closure project proposed by Drainage District 176, Pocohontas County, Iowa in order to issue a 404 permit under the Clean Water Act. The 404 permit requirements will also satisfy wetland conservation provisions of the 1985 Food Security Act administered by USDA.

CWAP AND AG DRAINAGE WELLS

Mr. LATHAM. Are these ag drainage wells—capping them and trying to solve this problem—any part of the President's Clean Water Action Plan?

Mr. LYONS. In terms of dealing with the abandoned well sites?

Mr. LATHAM. They are not abandoned. They are ag drainage wells.

Mr. LYONS. They are ag drainage wells.

Mr. LATHAM. Although we wish they were abandoned.

Mr. LYONS. You know, I don't recall if we have a specific action item related to that, but certainly it is an issue that has been raised many times in Iowa. I believe resources are being allocated to attempt to address some of those concerns.

I would have to give you some specific information on that, refer to some stuff from the Clean Water Action Plan, to try to give you a better answer on that. I can't point to a specific program we have geared toward that, Congressman.

[The information follows:]

CAPPING OF AG DRAINAGE WELL IN CWAP

There is no specific action item in the Clearn Water Action Plan related to the capping of agriculture drainage wells.

AFO RESPONSIBILITIES

Mr. LATHAM. It would seem that that would be something that could be part of that—I mean, since we are talking about polluting an entire aquifer here, and that several hundred thousands of people drink out of it.

Apparently, you have had some questions about the animal feeding operation strategy. I was just wondering, is the EPA expecting you to carry all the water on this, to do all the work on it? Or, are we going to have EPA folks out in the field, too? Who has responsibility?

Mr. LYONS. Well, as far as the voluntary portions of the plan or the strategy go, and the development of comprehensive nutrient management plans, that would be a function that NRCS, conservation districts, and others would carry out.

We are maintaining a clear distinction between any regulatory functions that might be implemented, which EPA would be responsible for, as opposed to those voluntary actions called for in the strategy, which NRCS would implement.

Mr. LATHAM. The strategy is pretty arbitrary as to whether it is voluntary or mandatory, from my understanding in reading the proposal. I mean, you can arbitrarily make the determination.

I just wondered, how much time—you have limited staff out there, and they are overworked as it is. If EPA has real concerns, you would think that they would carry some of the responsibility. On the other hand, I don't want EPA folks running around every farm in Iowa, either, but I don't think that is a good use of their

time. But you don't know what their involvement is going to be in enforcement?

Mr. LYONS. Well, they would certainly have responsibility for dealing with certain operators, larger operators, and the like, who fail to come into compliance. But, by and large, the strategy focuses on attempting to put in place, through these comprehensive nutrient management plans, practices that would minimize the impact of most operators on water quality. I think our estimates are that only 5 percent of all AFO's might come under a regulatory requirement through the strategy.

Mr. LATHAM. Is an NRCS person and an EPA person going to be driving around together?

Mr. LYONS. Not that I anticipate, no.

Mr. REED. No.

Mr. LATHAM. So who is it going to be?

Mr. REED. The way things are planned right now—and, Mr. Latham, I know you know the answer to this question is the NRCS——

Mr. LATHAM. Well, surprise me. [Laughter.]

Mr. REED [continuing]. With our conservation partners out in the countryside, we are expected to carry the load with respect to providing the technical assistance associated with implementing the Unified Animal Feeding Strategy.

DEBT FOR NATURE

Mr. LATHAM. Okay. There is $5 million in the Debt for Nature program for producers with cashflow problems and land that needs conservation treatments. Are those cash-poor farmers going to have to follow the same, shall we say, unclear rules and somewhat convoluted rules under CRP, or what kind of rules are we going to follow to make land available? What requirements? How many hoops are they going to have to jump through, if they are broke anyway, to qualify?

Mr. REED. Well, on this one, the rules are yet to be defined.

Mr. LATHAM. Oh.

Mr. REED. So we have an opportunity to avoid some of the pitfalls you just outlined.

AGENCY PRIORITIES

Mr. LATHAM. Okay. That would be very much appreciated.

I guess I have some concern about priorities. There is $12 million for studies and inventories for a baseline on soil carbon data and $3 million for carbon sequestration—easy for me to say. And I just wonder about priorities with the soil surveys, which are extraordinarily important and need to be done. I know there is a small increase as far as surveys are concerned. But I guess which is a priority? This whole idea, I think—we are seeing in general, and if you followed any of the questioning and testimony here, just a tremendous diversion of resources from traditional agricultural research, from traditional farm programs, to export assistance, into the global warming/climate area. I just wondered, the survey part of it is extraordinarily important, and I would rather see the priority there. Do you have a priority? I mean, where did this come from? Is this your idea, Mr. Reed? [Laughter.]

Mr. REED. No, sir, it is not.
Mr. LATHAM. Is it Mr. Lyons, then, apparently?
Mr. LYONS. It must be my idea. [Laughter.]
Mr. LATHAM. It must be.
Mr. LYONS. I will respond to that, Congressman——
Mr. LATHAM. Okay.
Mr. LYONS [continuing]. Since you baited me so well.
Mr. LATHAM. Okay.
Mr. LYONS. You know——
Mr. LATHAM. I don't mean to bait you.
Mr. LYONS. No, you know what I mean.
Mr. LATHAM. Yes.

Mr. LYONS. No, I think, to be honest—and we discussed this a little bit before—these are small investments out of a total budget. If I had my way, we would put a lot more money into conservation and not in other areas in the Federal budget overall. We don't have that luxury. It is unfortunate that we have to scrape dollars together to make investments in what I think are some of the most critical issues—in fact, issues affecting national security this Nation has in conservation.

These are small investments really intended to learn some things that, hopefully, can help us address some larger problems. The minimal investment in global climate change and soil sequestration, et cetera, is intended to address what many scholars believe is a global problem, and trying to understand how agricultural producers can attribute to addressing the problem, hopefully, in ways that are cost-effective for them. So I think that is the view that we would offer in terms of why those are in the budget.

Mr. LATHAM. And you are well aware that, like in the CRP program, things like that, which there are—what?—about 5, 6 million acres that should be in the program that are not, the soil mapping surveys are a very important part of that as far as preserving these very fragile soils. Obviously, we have been through various discussions as far as implementation of CRP, but why we would not put our priorities in things that we know work, and we have money and we have authority available to implement things that save real soil, conserve soil, and then go off and put money in other things that are unproven, is a little bit—I shouldn't say, "a little bit"—it is very, very disturbing.

Mr. SKEEN. Will the gentleman yield?
Mr. LATHAM. Yes, sir. It is time.
Mr. SKEEN. Ms. DeLauro has a time-crunch problem.
Mr. LATHAM. And get one response and I am done, sir.
Mr. SKEEN. All right, sir. Thank you.

Mr. LYONS. I will just respond very quickly, Mr. Chairman, and just say that, in many respects, you can equate those investments with kinds of research and development investments that the private sector would make. We are experimenting with new approaches to deal with what we think are some significant national and international issues.

We are, however, placing priority on some significant additional investments in other conservation programs like EQIP, where we are asking for $300 million. That is a proven program that has a track record that demonstrates the value of technical assistance

and cost-share assistance. That is where we would like to see our priorities set.

Mr. SKEEN. Thank you. We will come back to you.

Ms. DeLauro.

SECTION ELEVEN CAP

Ms. DELAURO. Thank you very much, Mr. Chairman. I apologize to my colleague. I have to give a speech in about 12 minutes. So, I am going to submit most of my questions for the record, but I wanted to ask a couple of questions. And it is good to see you all here.

Mr. Reed, let me congratulate the agency on its work through the CCC on conservation programs. Let me take a moment to talk about my district, which is the third district of Connecticut. We have CCC efforts like WHIP and CRP ongoing in Wallingford, North Branford, Hamden, and Orange. I understand that the cap that has been placed on reimbursements from the CCC for conservation programs that NRCS administers has created some difficulties within the agency's ability to provide technical assistance, in order to carry them out in Fiscal Year 1999. Can you explain the problem and suggest how it can be addressed?

Mr. REED. Yes. The problem is a complex, but yet at the same time a simple one. Based on the amount of money that is available to fund the technical assistance work that is carried out by the NRCS for the Conservation Reserve Program, we estimate that we are at least $25 to $28 million short of what is needed in order to do what has to be done this year.

Ms. DELAURO. This year?

Mr. REED. And I know that Secretary Lyons here is working with the Secretary and with our Budget Office developing options to deal with it. The options, as I understand it, range from determining whether or not the cap is really an issue or can it be resolved either through actions of the Secretary or legislatively, or whether or not a supplemental appropriations would be needed this year to help us through the situation. But, as of this moment, based on our best estimates, on or about the 15th of May, we will no longer—well, we will have earned all of the reimbursements that there are to be earned for the CRP program this year.

Ms. DELAURO. What is your prognosis? Are we going to get some sort of resolve?

Mr. REED. I don't have a prognosis, but I have a prayer.

Ms. DELAURO. Well, that is often more powerful. [Laughter.]

Mr. REED. But Mr. Lyons may want to weigh-in now and give his perspective on it.

Ms. DELAURO. Mr. Lyons? What happens if Mr. Reed's prayer isn't answered?

Mr. LYONS. We are in trouble. We are in trouble in terms of our ability to provide that technical assistance, and that is why the Secretary and I are working to try to reach resolution. We may address this in the emergency supplemental request or we may have to seek some other approach. We talked a little bit to the chairman and others about the need to deal with this. It is a clear problem we have to address.

Ms. DELAURO. Quickly, if you are cutoff, what is the downside on that? I mean, what happens? No technical assistance; what happens? What is the state of play where is it needed?

Mr. REED. Well, two things: One is that, if we aren't able to provide the technical assistance, then the farmers hurt.

Ms. DELAURO. Okay.

Mr. REED. Secondly, as a part of options to deal with the funding shortfall problem, I am developing options to advance to Mr. Lyons to furlough our people. So those are two.

Ms. DELAURO. Okay. Well, you will keep in touch with us on what is happening?

Mr. REED. Through my Under Secretary.

WORKLOAD ANALYSIS

Ms. DELAURO. Yes, you will? Okay.

The second question, NRCS is reportedly finalizing the results of a conservation workload analysis that looks at the gap between technical assistance resources needed at the field level to carry out the basic conservation mission, as well as initiatives such as the Clean Water Action Plan and the recent animal feeding operations strategy, and the amount of resources available to actually get conservation practices applied on the Nation's private lands. It looks like the gap is around $300 million. Is this accurate?

Mr. REED. Let me tell you what that is.

Ms. DELAURO. Yes.

Mr. REED. I mentioned earlier that virtually everything that we do is done in partnership with local conservation districts and State conservation agencies. To satisfy some of the accountability issues, we have developed, as a part of our new accountability system, a workload analysis, and we are calling it a partnership workload analysis. As we work that thing from the bottom-up, we determine how much money is appropriate in terms of the investment for the infrastructure out in the countryside from the USDA, as well as from the partners. Based on that workload analysis and the core work products associated with that, that figure would come out to be approximately $300 million. That is what we have worked with the conservation partnership on.

That is focused primarily on making sure that we have captured in the system at the local level the minimum infrastructure that is needed, so that we can provide the appropriate technical assistance to farmers and ranchers and others.

Ms. DELAURO. Okay. Thank you very much. Thank you, Mr. Chairman.

Mr. SKEEN. Thank you, Ms. DeLauro.

Mr. Nethercutt.

Mr. NETHERCUTT. Thank you, Mr. Chairman.

LAND LEGACY INITIATIVE

Gentleman and ladies, welcome. I am sorry that I have been delayed. I had another hearing, and it is the story of our lives, I think.

Mr. Lyons, I want to ask you, sir, the administration has proposed a $1 billion Land Legacy Program to acquire new land. I am familiar with the Conservation Reserve Program, as you are, and

the Wetlands Reserve Program. I am wondering why these programs weren't considered for expansion as part of the Land Legacy proposal. Would you explain to the committee the thinking behind that?

Mr. LYONS. Certainly, Mr. Nethercutt. The Land Legacy Program would be funded from OCS lease revenues, Outer Continental Shelf lease revenues. Approximately $900 million would come out of the Land and Water Conservation Fund.

As you know, CCC provides the funding base for CRP and WRP. So I think that is the distinction that is drawn there.

Mr. NETHERCUTT. Well, the latter two are good programs, and it seems to me, what do we have, 36-some-odd million acres in CRP? In terms of conservation and preservation and management, it seems to me that those are good models, it seems to me, for conservation legacies.

I appreciate Ms. DeLauro's comments about CRP. Chief Reed, it has been very important in our district to have a good CRP program finally, and thanks for getting that all worked out relative to the 16th signup.

Leonard Jordan has been out in our district and has jurisdiction, and has really done a nice job. I want to pass that onto you publicly as well as privately. He has worked very hard to run a good shop and deal with farmers and try to have good communications.

EQIP LISTENING SESSIONS

I know that there was a series of listening sessions that went on relative to the Environmental Quality Incentives Program, the EQIP program. I am wondering what you all can report as to what was heard from farmers and ranchers relative to EQIP? And whatever you learned, I am wondering what you do with it. How do you implement whatever recommendations you might have gotten?

Mr. REED. What I would like to do, Mr. Nethercutt, is to provide you with a copy of the summary report from that round of listening sessions.

[The information follows:]

EQIP ROUNDTABLES

In September and October 1998, eight roundtables were conducted by the Natural Resources Conservation Service (NRCS) to provide a forum for oral and written comments on the Environmental Quality Incentives Program (EQIP). Roundtable locations were:

Greenwood, Mississippi (Southeast Region)
Albany, New York (East Region)
West Friendship, Maryland (East Region)
Denver, Colorado (Northern Plains Region)
Kearney, Nebraska (Northern Plains Region)
Texarkana, Arkansas (South Central Region)
Window Rock Arizona (West Region)
Columbia, Missouri (Midwest Region)

Total session attendance included 775 individuals, interest groups, farm organizations and agency representatives with 196 providing verbal testimony. Approximately 200 additional written comments brought total testimony in the regions to nearly 400 responses.

Background and How Input Will be Used

Before and during the development of EQIP, farmers, ranchers, Federal, State, tribal, local and private partners nationwide, informed Congress and USDA that the old top-down way in which the conservation programs traditionally operated could be improved. More flexibility, more local input into the decision-making process, and more program diversity would promote and accelerate the adoption of conservation at the farm and ranch level. An existing dialogue with the public and conservation partnership was expanded by NRCS at the onset of program development to gather this public input. Listening forums and Civil Rights Action Team (CRAT) hearings were held in 1996 and 1997. The continuation of this open dialogue is essential as EQIP progresses into it's third year of implementation. Roundtable sessions were organized to provide an opportunity to report on EQIP successes and gather input regarding program areas that need improvement. Feedback was used to make adjustments in current program procedure and policy, funding decisions for FY 1999, and in preparation of the FY 2000 budget. The input will also be used to make future program changes.

Common Themes

Most respondents agreed that voluntary, incentive-driven programs such as EQIP are the most effective tools for accomplishing conservation on the land, and protection of the environment. Many appreciated the comprehensive resource protection focus of EQIP, and saw it as an important program to help agricultural producers comply with environmental laws and provide benefits, such as providing clean water and other public amenities. Many felt that the right balance was being placed on various natural resource concerns, but wildlife habitat improvements were noted by several commentors as needing greater emphasis. A number of respondents expressed their appreciation of NRCS local service center staff, noting the dedication and expertise that added significant value to USDA financial, technical, and education assistance.

Many positive examples of EQIP education benefits were provided. Most agreed that education was an important program component that should be emphasized and expanded. Education activities also seemed to be effective in bringing together various agencies and organizations in a way that strengthened and reinforced partnerships. Some questioned, though, whether education and technical assistance funds should be offered at the expense of already lacking financial assistance funds and

expressed an interest in providing primarily financial assistance, as with some repealed conservation programs.

The value and importance of locally led processes were also common points of agreement, although there was some disagreement on how best to achieve a truly local approach to setting priorities, ranking applications, and carrying out effective conservation work. The largest number of comments made concerned program funds. Most noted that overall EQIP funds available were far below that needed, (on average a 3:1 to 4:1 ratio was mentioned). Many indicated that changes were necessary to reach a wider sector of the farm community.

Most comments relating to priority areas supported this programmatic approach and agreed that serious natural resource problems will be addressed. Some felt that priority areas were too restrictive and arbitrarily established, particularly in cases where lands with similar resource concerns bordered priority areas, but lacked status for funding due to geography. In several instances commentors noted that state, regional, county, tribal boundaries and watershed lines were often out of sync with jurisdictional EQIP policy on priorities, accepted practices, and ranking criterion.

Most regional roundtables included comments on "buy-down" aspects of the program limiting the competitive abilities of producers with limited income and resources. The "buy-down" process was frequently referred to as a program aspect that created a competitive disadvantage for producers with limited means to accept lower cost share rates. Some felt that "wealthier" farm owners who often had adequate second incomes were able to accept lower payment percentages, and thus edge out their less able neighbors. Many respondents were not aware that the "buy-down" aspect was actually addressed in the EQIP regulation in response to the Statute requirement to "maximize environmental benefits per dollar expended". Staff in attendance at the roundtables addressed this requirement and explained that the NRCS is reviewing the impact of the "buy-down" based on internal EQIP evaluations. Staff also presented several examples where participants are improving their offer index by providing additional environmental benefits without reducing cost share rates. Some participants indicated that they were not fully aware of this method to improve environmental benefits and were enthusiastic to take advantage of this at the next opportunity. Several participants indicated that the ranking formula was inherently biased toward the financially able, but several acknowledged that improving environmental benefits without reducing cost-shares could offset this impact in some regard. Several suggested that funds be set aside for limited resource producers to compete for, and others felt that higher USDA cost-share percentages should be offered to these producers.

Another concern noted was the need for payment in the first year of the contract, and up-front USDA funds. The delayed payment provision in the first fiscal year of contracts causes a financial burden on producers who must pay vendors immediately but want to receive USDA reimbursement. Some felt that too much emphasis was placed on funds requested, making it more difficult for costlier "hard installations," such as animal waste systems, to rank competitively against offerings applying lower cost agronomic management practices.

Many of the concerns voiced for limited resource producers were also heard from farmers on American Indian lands. Where competition for funds was limited to tribal peers, the "buy-down" aspect didn't appear to be a major concern. Most commentors felt that services and access to funds should be consistent across tribal lands.

The federal role in Indian land trust responsibilities was often cited, with the admonition that treaties and sovereignty be honored. Government-to-government relations were emphasized, and several suggested that non-tribal local work groups and county FSA committees do

not have appropriate jurisdiction on Indian lands. Most felt that project planning, review, and approval should rest with NRCS, and that NRCS should continue to enhance local services and training to empower tribes, and maximize program participation. Despite their concerns, most were very appreciative of efforts being made by NRCS to provide services and programs. Indian commentors noted that EQIP is the first conservation program to address the natural resource needs instead of focusing on the individual producer.

The need for more flexible contracting procedures were often mentioned. Many felt that first fiscal year payment restriction, and quicker payment procedures are needed to assist producers with limited resources. Also mentioned was the need to open application periods in the early fall to allow for the ranking and funding process to better match spring conservation practice installation timing. This was also noted by USDA staff as a more realistic option to allow for developing better quality conservation plans and more accurate cost estimates for ranking and contract assembly.

Processing time and paperwork procedures were often mentioned as impediments for both USDA staffs and clients. Some clients felt that their applications had been unduly held up, and that others were discouraged from applying because of confusing paperwork requirements. Often mentioned was the concern was that too much staff and client time was required to develop conservation plans and rank applications, particularly when tight funding deadlines were being pushed in the spring or summer. An associated concern was that too much time was being devoted to processing conservation plans and applications that had little chance of receiving funds in such competitive conditions.

Another fairly common request was that conservation practice offerings be expanded, or that conservation practice standards and specifications be made more flexible to tailor practical, cost-effective conservation treatments. This comment was frequently mentioned in settings where limited resource producers needed to reduce costs to apply the conservation work and rank competitively. Others noted this need where more wildlife habitat management options were desired.

Some commentors either directly or indirectly called for a return to a cost-share system similar to the repealed Agricultural Conservation Program (ACP). They contended that the single annual practice approach was simpler to apply for, and that it put funds in the hands of more producers. Some respondents also favored a return to the county FSA committee system to administer the program, expressing that the local work group process wasn't working as intended, or that greater county FSA committee decisions were more locally responsive than EQIP's ranking process.

Commentors in several regions suggested that adequate, consistent access to EQIP could only be achieved by designating national priority areas. It was their sense that entire watersheds or regional land units needed to be designated nationally for comprehensive treatment to fully benefit downstream water quality needs. Areas cited for such designation included tribal lands, the Colorado River Basin, and the Mississippi Delta.

Mr. REED. I have three or four things I would like to share with you today.

One is that we were told that we need to try and make the EQIP program more locally-friendly. Another one was centered around the need to address the problem with EQIP in that it is a technical problem, in that funds that are obligated in the current year, if those contracts fall out in outyears, then that money goes back to the Treasury and is not available to do conservation work. So that is another one.

And the third and last thing I will mention was a budget-type issue, and that is that there is just not enough EQIP dollars available to satisfy the needs. So, as we get into the priority-setting, naturally, there is a large, large segment of our customer base that is left out.

WETLAND POLICY

Mr. NETHERCUTT. Along that line, I am wondering with regard to the problems relative to wetlands policy and Federal agencies, what do you perceive to be the problems with regard to wetland policy? What is NRCS going to do relative to looking at all those lands and reviewing policy and determining what is what? Can you help the committee understand a little more what the intentions are and what the problems are that you face relative to consideration of wetlands policy?

Mr. REED. Well, I have talked to some of your colleagues over on the House Agriculture Committee and elsewhere, and they have told me—and I agree—that it is probably appropriate for the Congress to have some oversight-type activities, so that we can get some of these issues on the table, so that they can be scrutinized. I think, from that process, we will be better able to, in an objective way, deal with the issues you mention, plus similar-type issues that are tough for us.

I need to let you know that one of the toughest things that I am dealing with right now is the conflicting messages that our own people get out on the countryside, not necessarily from NRCS, but from all of the folks we have to work with inside and outside of USDA on what is right, what is doable.

So I would come back and say we need some help from you on this one.

CONSERVATION RESERVE PROGRAM COVER

Mr. NETHERCUTT. I understand, and we wish we all had more money and a perfect world. That is the hard part for us, to try to deal with limited resources, but lots of need out there, especially as it relates to agriculture.

In the 16th signup and the 15th signup in CRP, issues have been raised—and maybe this isn't specifically within your jurisdiction; maybe you have some thoughts—about the rules and regulations that have been implemented regarding cover, kinds of cover, the cost of seed, the cost of cover, relative to what is existing today or prior to the 16th signup.

Can you update the committee on relative to those conflicts, those problems that came up in the signups that have occurred,

but, are yet to be fully implemented by the farmer, that cost-and-bid relationship problem?

Mr. REED. Mr. Nethercutt, I am just simply not prepared to deal with that one today.

Mr. NETHERCUTT. Okay. That is all right. We have dealt with it out our way, and there is some uncertainty relative to the availability of the kinds of cover that are needed. If it is convenient for you, if you could maybe provide something for the record, that would be very helpful.

[The information follows:]

CONSERVATION RESERVE PROGRAM

The National Resources Conservation Service (NRCS) understands that certain cover existing on expired and expiring contracts may provide some benefits to wildlife. However, according to wildlife experts with the U.S. Fish and Wildlife Service and public and private environmental and wildlife agencies, covers of monoculture grasses do not provide the level of wildlife and wildlife habitat benefits that can be achieved from a mixture of grasses (including forbs and legumes) native to the area. Consequently, acreage planted to one type of grass is not as likely to be accepted as acreage that will be devoted to a cover with a mixture of grass providing greater diversity and wildlife habitat.

Seeding mixtures developed by NRCS for CRP are reviewed and approved by State Technical Committees. In addition, USDA has provided producer flexibility in the establishment of enhanced cover. Producers may take up to two years to establish their enhanced cover where the recommended grass seed is unavailable or where seed costs will create an adverse economic hardship on the producer. Native forbs and legumes may be substituted with introduced species that will achieve the same wildlife or conservation purpose. Also, approved methods of establishing enhanced covers such as interseeding, planting in strips, or planting a little over half of a CRP field to the prescribed cover will not require the complete destruction of the present cover in most cases while controlling soil erosion.

Mr. NETHERCUTT. I just want you all to know that there is that problem for the farmer versus the bid that was proffered, and then the consequent cost of meeting the needs, the rules and regulations for providing cover and making sure the CRP program is right.

I think after-discovery determinations have been tough on farmers, and they are trying to figure out what the requirements and rule and regs are. It is not easy. So I would thank you for any response you could provide.

Thank you, Mr. Chairman.

Mr. SKEEN. Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman.

I wanted to ask a few questions. I will submit others for the record.

LEARNING MORE ABOUT NRCS

Ms. KAPTUR. Mr. Farr pursued an interesting line of questioning for me, and that relates to how well the information you produce is able to be used by State and local officials. I know, from my own experience many years ago, the opinion of local zoning and subdivision officials was that agricultural land is a residual. It is only there unless you can use the land for something else. Therefore, it was not zoned; it was not regarded highly as a national resource or an international resource.

Even though the Soil Conservation Service in those days went around doing some mapping in the countryside, the influence of that over local land decisions and State land decisions I would say

was very minimal. I have struggled with this for years in my own mind, as to what is proper to do regarding that.

We did change some subdivision regulations back in our home State to give agriculture its own primacy, its own place within those laws, as a very important natural resource, in the same way as we might specially map the Great Lakes as freshwater resources that we had a special responsibility for. We never really did that in Ohio, I am only speaking of now, and I doubt other States did, either, from what Mr. Farr said today.

I guess one of the questions I have of you, Mr. Lyons and Mr. Reed, if I look at the very detailed budget submission that was submitted here today, on pages 17–21, you talk about a request for geospatial data, trying to present information in a different way. I would ask you the question, based on the information you have available to you now before this request, if I were to say to you, do you have the ability within USDA to come up to us, before this committee, let's say, and have a series of transparencies that would be superimposed over one another that would tell us the story of what your division of USDA has done over the years, that would show the prime lands, the most productive lands, the soils that are truly in the national interest, where those would be located? And you would overlay various other important features that would be important for this committee to know about.

For example, wildlife habitat, we have been talking about some of those programs. Mr. Nethercutt was talking about the enrollments in the Conservation Reserve Program. There are many other—some States have instituted farmland protection programs. Mr. Boyd talked about the Forestry Incentive Program.

Is there a way of you, in a more visual and meaningful way to this committee, helping us to understand the full range of programs that you administer, and how those impact on our natural resource base? I think it is really hard, especially for the new members, and certainly for returning members like myself, to really grasp the enormity of what your Department is being asked to do.

I think part of that difficulty stems from the fact that we are presented with a lot of words and budget numbers, but some of the mapping that could be essential to our understanding is not submitted along with the budget. Is that impossible for you to do today?

Mr. LYONS. Today "today," yes. But we could clearly provide you with those overlays that show where we are applying CRP, those farms where EQIP is being used as a conservation tool, critical wildlife habitat, areas of water quality concern, et cetera. We have that capacity, and we certainly could spell that out.

[The information follows:]

NRCS is developing a briefing presentation under advisement of the Ranking Member. The information is in electronic/multi-media form, not for print. It will be presented to the Subcommittee at the earliest agreeable date.

Mr. LYONS. You raise a very interesting point, though, Ms. Kaptur, and this is, I think, kind of the nexus for us, the next challenge in terms of how we apply conservation on the landscape. I just throw this out for you to think about.

We constantly struggle as an agency—I think all agencies do this—in implementing programs. We have CRP signup one day,

and then we will have WRP signup the next day, et cetera, et cetera. I think our real challenge is to apply conservation across the landscape and to use those tools to the maximum efficiency to achieve the conservation goals that we have.

We are starting to experiment with that now—for example, continuous signup of CRP for buffer strips, to protect those critically-important riparian areas which are important, high value for wildlife habitat, important or water quality, et cetera; trying to use the EQIP program and target it to high-priority landscapes where there is sensitive soils, environmentally-sensitive resources that we need to address. We are using the State technical committees to do that.

We have the capacity to begin to lay that picture out for you, and if it would be helpful, we would be glad to come up and brief you on how we would provide conservation services on the landscape, whether it is the landscape in Ohio or in New Mexico, and what role we play in trying to achieve goals, not only related to conservation, as maybe the public thinks about, but to preserving clean water, to improving forage production, to maintaining or promoting timber supply, et cetera, all of those things that fall under our purview.

In fact, I would argue that is the great conservation challenge of the next century. Most of the investment we make—and I know you know this because you have to deal with allocations between subcommittees—still are in public lands. We continue to invest a tremendous amount of money and time and energy and anguish over public land debates, which, of course, the Chairman gets to do over in his Interior Subcommittee. Yet, two-thirds of the American landscape is privately-owned. Most of the water that falls, most of the rainfall that runs through those watersheds runs through private land. Yet, we really invest a very, very small amount of money in the conservation and stewardship of that important element of landscape.

I think if we laid that out for you, you could see how critical that investment is and, of course, how critical your decisions are to assuring good conservation across that landscape.

Ms. KAPTUR. I would just ask the chairman's indulgence on this, and some of the staff. I personally, and I think several of our members on our side here, would be very interested in learning more about each others' regions of the country. Rather than just traveling to people's districts, I think it could be very helpful if there were a way of you going back and thinking about how to help us educate ourselves about the different experiences we have in our regions of the country.

I can tell you, in traveling to our esteemed Chairman's region of the country, when we flew over the Colorado River and I looked at some of the irrigated patches, that was such a weird experience to me, coming from our part of the country. I thought, you know, I shouldn't have had to travel—but then there are these issues with Mr. Farr with snowfall over in Colorado, and does the water drain over into his part of the country?

You know, I really think that that kind of generalized briefing could be extremely interesting for us and help for us to understand, also, the interrelationship of programs. Now this may happen over

on the authorizing committee; I don't know. But I would just say to the chairman, maybe not during this budget cycle, but maybe after we get through this bill, to have that kind of informational session for our members I think would be extremely interesting. If you are able to do it—I didn't know whether you were, and whether your program officers even talked to one another over there at USDA. With the number of programs we get thrown at us, sometimes we wonder.

But I would make that request, and just ask if maybe the committee might not be willing to consider it at some point this year? Members like to learn. I ask myself, as I look at page 17–25, which deals with your conservation operations, and I look at Mississippi—and I don't mean just to pick on Mississippi, but, my goodness, why does Mississippi have 298 staff-years? Why doesn't Mississippi—what does it have compared to California——

Mr. SKEEN. Probably a chairman. [Laughter.]

Ms. KAPTUR [continuing]. 173 years? I am thinking, well, maybe it's the river drains down there, you know; we have got watershed problems.

But I do ask myself. So you look at the way in which we spend our dollars. My goodness, I have served in the Congress—this is the beginning of my 17th year, Mr. Chairman. Sometimes I don't necessarily understand the relationship of these numbers. I look at the watershed and flood prevention operations on page 17–38, and I look at Ohio. I mean, gee, why does Ohio—I am glad we get all that, but why? And here my district is flooded. So what is going on there? Why don't we qualify for a couple of the watershed operation program up in our corner of the State?

I think if we could have that kind of briefing down the road, it could be very, very helpful. So I just wanted to put that on the record. So that is not so much in the way of a question, but a request.

Mr. LYONS. We welcome that request, Ms. Kaptur, and we would love to do it before you finish this bill, as opposed to after you finish the bill.

Ms. KAPTUR. I will leave that to the discretion of the Chairman. We have a lot of new members on our side of the aisle, and I just think it would be awfully interesting.

Mr. SKEEN. Well, we will take—Mr. Farr? I agree with you. I agree; I think with the technology that you have today, that you are capable of doing this thing, and we can discuss that.

Mr. Farr, if he would like to ask another question.

Mr. FARR. Well, I am sorry I missed part of it. I really enjoy this discussion. Perhaps I have been a little philosophical in wanting to—but I think you ought to take the look at how you can work yourselves out of a job. If, indeed, you are going to teach land use management practices, then you ought to get them incorporated. That idea, the concept of a building code I think is absolutely essential.

You know what the best management practices are. When I talk to farmers who say, "You know, the problem with dealing with government is that there are too many of them out there"—it is not that there is too much government; there are too many governments, too many governmental organizations. We can't just go to

one and say, okay, we are going to do all of these things you suggest, and that is all we have to deal with, because along comes the State and says, well, we knew nothing about that; we are not working in conjunction with that, and we have our own other issues. Then along comes the county—in California, counties are very powerful, and they are sophisticated. They have money, and they will hire the professionals who may even work for you. They come along with their thing. So these poor farmers are saying, "Which government do we have to work with, because we get a different message from each one of them?"

What we have tried to do in our area—and I applaud you for it; it has been some of your staff, and they ought to get the highest award in America for it. Because I went to my farmers on this watershed issue, wetlands issue. They had a roomful of people like this, and the farmers, essentially, said—and there was probably as many people working for government as there is in this room, working for all these different agencies—and the farmers said, "Okay, which one of the people in this room do I deal with?" I asked the question, "Which one is it?" And about five of them raised their hands, and they were all from different levels government.

They said, "Well, we can't deal with that. We can't make any commitment."

So we said, "Okay, Governmental Folk, you get on the same page." I thought they would take a month. It took them two-and-a-half years. We got a single-stop, thanks to an employee of yours, one-stop shopping.

The Coastal Commission buys it—all of the regulatory and planning, county planning departments, all of them. And do you know what they do? They go out with the farmer right now and they work with each farmer and they say, "This is what we think you ought to do," and the farmer says, "Fine. I'll do it with my own money, my own time. That is all I wanted to know. Thank you very much. I appreciate all your professional help. Come back in, monitor me, and tell me what I am doing right." And it is working.

I don't know why we can't start doing that. We spend all of this money and all of this time, and, yet, we haven't gotten it infused. I mean, if this were your children, they would still be in the first grade, and you would wonder, at 16, they would look a little awkward there.

So I want to see if we can start moving all of these programs. I have been working on a watershed survey for five-and-a-half years here. I have been talking to the wrong people. I didn't know you did that. I thought the Corps of Engineers did it.

So there are things here that you really do, and I would like to try to get some more of one-stop, one-page. I think if we do that, government is better served. The criticisms that you get from people who think that the best way to solve the problem is just sort of put a meat axe to it, just cut government—if you cut it, it ought to get better, because there is too much of it. I don't think that is the way to do it. I think you finetune it and make it work better.

You are in a position where so much of the land in this country is dependent upon whether we in the next couple of years learn how to make that land maximize its production ability and mini-

mize the adverse impacts of that production, through minimizing pesticide use, runoff, erosion, and so on. I can't think of an agency in America that will have more impact on the future of our country, and how it will look and how it will produce, than the people sitting at this hearing and your successors.

So I am very excited about working with you. I would urge that you think about ways to get the best management practices together with local and State government, get to the one-step, and then get the local governments to buy it in. The people will push them to do it, because they will be so glad that they only have to work with one government.

And I will support you. I just encourage you to think that way, think outside the Federal box.

Thank you, Mr. Chairman.

Mr. SKEEN. Thank you.

Folks, I think it is about time to wrap it up, but I want to tell you this: how much we appreciate you, what you do. As one who practiced in this field at one time and understands why, some of the reasons why, you do the way you do today—because for a long time it was a matter of bringing technology into the fields, but the persons who either graduated from the universities, or whatever, in those particular fields today that technology has gone way beyond that. We relied on it a great deal, and it is not as person-oriented as it is a technological orientation. You folks, I think, are responding to that.

I think Ms. Kaptur has an excellent idea. I think, with the technology we do have today, that you can make comparisons. I think that we ought to educate this group, because those of us who come from the soil production area, making a living with it, into this place that we call the country's legislative body, we spend a lot of our time explaining what we do. And they ask, "Have you ever been a farmer or a ranch operator?" Very few of those folks come to Washington. The East doesn't know what the West is doing, and the West doesn't know what the East is doing. I think that we have an opportunity to educate at least this group of folks over here. Sometimes I think we are uneducatable, but we will try. I think it is a good request, Marcy. I think it makes a lot of good sense.

You folks who would know how to put it together, we would like to get some response from you.

We want to thank you for what you do, how well you do it, and those people who back you up in the back there. We have spent two-and-a-half or three hours on this stuff today. There is an avid interest in what you are doing, and we know we are supposed to put the dollars to it, but that is not the end of the game. What kind of results do you get?

Mr. LYONS. That is right.

Mr. SKEEN. Well, thank you for all that you do.

If we have any other questions, we will submit them.

Mr. SKEEN. We are adjourned.

[The following questions were submitted to be answered for the Record:]

QUESTIONS SUBMITTED BY MR. SKEEN

WETLANDS RESERVE PROGRAM

Mr. Skeen: Update the table that appears on page 573 of last year's hearing record showing, by fiscal year, how many bids were received, how many were accepted, and how many easements have been filed to reflect actual.

[The information follows:]

WETLANDS RESERVE PROGRAM

Year	Appropriation	Applications Acres in	Applications No. of	Acres Enrolled	Landowners Enrolled	No. of Acres Recorded	No. Landowners w/ easements Recorded
1992-1996	$282.9 mil.	1,321,992	10,424	317,638	1,654	315,866	1,642
1997	118.0 mil.	339,170	2,175	128,934 1/	794 2/	102,035	558
1998	163.0 mil.	532,957	1,859	211,917 3/	1,125 4/	100,817	337
Total	563.9 mil.	2,194,119	14,458	658,489	3,573	518,918	2,537

1/ Includes 18,118 acres enrolled in cost-share agreements.
2/ Includes 182 landowners enrolled in cost-share agreements.
3/ Includes 23,853 acres enrolled in cost-share agreements.
4/ Includes 200 landowners enrolled in cost-share agreements.

Mr. Skeen: Update the second table that appears on page 573 of last year's hearing record for the WRP program funded through the Commodity Credit Corporation. Include in the table for the new CCC funded program a breakout of the number of acres enrolled in permanent easements, the number enrolled in 30-year easements, and the number enrolled as restoration cost-shared agreements to include fiscal year 1998.

[The information follows:]

Year	No. of States	CCC Apportionment 1/	Acres of Applications	Number of Applications	Acres Funded	Number of Applications Funded
1998	Nationwide	$107,870,000 2/				
Permanent		0	290,190	1,788	55,907	308
30-year		0	65,828	491	11,359	131
Restoration cost-share		0	15,092	110	3,107	54
TOTALS 3/		$107,870,000	371,110	2,389	70,373	493

1. Commodity Credit Corporation apportionment is based an enrollment of 130,000 acres utilizing three enrollment options, permanent easements, 30-year easements, and restoration cost-share agreements. The activity in each enrollment option represents the level of landowner interest.
2. $9,800,000 is for agency technical assistance. $98,070,000 is for easement acquisition and restoration cost-share.
3. A continuous sign-up process is underway. The total acres offered and number of landowner applications shown reflects activity during the first 5 months of the fiscal year. These amounts are expected to more than double by the end of the fiscal year.

MITIGATION BANKING

Mr. Skeen: Please update the committee on how NRCS is working with the Corps, EPA, the Fish and Wildlife Service, and NOAA to utilize mitigation banking? Has mitigation banking been used to fulfill mitigation requirements? Please provide specific examples of its use.

Respondent: NRCS continues to work with Federal agencies, as well as other agencies, groups, and organizations, to fully utilize mitigation banking. However, there are no present examples of their use. Wetland mitigation banks are just beginning to be used by USDA program participants to mitigate for wetland conversions. Barriers to mitigation banks implementation have included cost of participation and lack of availability. Currently, a non-profit group is in the process of getting an agricultural mitigation bank certified for operation in Missouri. Groups in several other states, including Minnesota and South Dakota, are investigating formation of agricultural mitigation banks. In addition to assisting these groups, NRCS is working with other agencies and organizations to sponsor the Second Annual Mitigation Banking Conference in June in Atlanta.

Mr. Skeen: The 1996 farm bill gave the Secretary the authority to utilize appropriate measures to compensate for wetlands losses and to use CRP funds for mitigation banking pilots. Last year you reported you were in the process of determining the next stage for implementation. What is the current status of this issue?

Respondent: No funding was available to initiate the pilot program for mitigation banking.

WETLAND DELINEATIONS

Mr. Skeen: Is the wetland delineations moratorium that Secretary Glickman put in place in the spring of 1995 still in place?

Respondent: Secretary Glickman's 1995 moratorium to re-evaluate NRCS wetland determinations as identified in the 1994 interagency memorandum of agreement (MOA) regarding wetland determinations is still in effect. Landowners may still rely upon those determinations conducted prior to the MOA for Swampbuster purposes only. Landowners who plan to conduct maintenance to drainage systems or install new drainage systems, fill or remove woody vegetation on their farm or ranch should contact their local NRCS field office to request a certified wetland determination.

FY 1998 WRP STAFF YEARS AND COSTS

Mr. Skeen: How many staff years did you use and at what cost to carryout the WRP program in fiscal year 1998?

Respondent: The actual number of staff years used to implement WRP in fiscal year 1998 was 238. The total costs to carryout this program was $229,434,242. Approximately $211,777,151 of this amount was funded through CCC. Of the total cost to carry out this program, an additional $17,657,091, for technical assistance, was funded by appropriated balances. Appropriated balances also funded WRP easement payments in the amount of $1,053,430. Total funding enabled the agency to enroll an additional 211,917 acres into the WRP resulting in total WRP enrollment of 658,489 acres.

WRP-SALARY AND TOTAL COSTS

Mr. Skeen: What are the total salary costs needed to administer WRP in fiscal years 1999 and 2000? What are the total costs other than salary costs needed in both years?

Respondent: For FY 1999, the total salary cost to administer WRP is estimated at $11.8 million. This cost is necessary to support the enrollment of 120,000 new acres. Of this amount, an estimated $2 million is funded from unobligated balances from WRP appropriations and $9.8 million is funded from transfers under the CCC Charter Act, section 11 authority. Additionally, $2 million in carryover funds will be obligated in FY 1999 to fund salaries associated with the recording of prior year easements and other rehabilitation activities (i.e., overhead cost) associated with prior year WRP activities.

For fiscal year 2000, $18.288 million is needed in technical assistance funding to complete the proposed WRP acreage enrollment, to provide for the monitoring of previously enrolled acreage, and to make any necessary modifications to existing contracts. Of this amount, the budget proposes to fund $2 million from unobligated balances from WRP appropriations and $9.8 million through transfers from the CCC. This results in $6.4 million in additional technical assistance above the section 11 cap. Other costs required to administer this program are estimated at $190.8 million.

WRP TECHNICAL ASSISTANCE REIMBURSEMENT

Mr. Skeen: What was your request to OMB for reimbursement of technical assistance for WRP in fiscal year 1999? How much was received?

Respondent: For FY 1999, NRCS requested and received $11.8 million from OMB for the reimbursement of WRP technical assistance. This will enable the agency to enroll 120,000 acres.

WRP-CURRENT UNOBLIGATED BALANCE

Mr. Skeen: What is the current unobligated balance in the WRP program?

Respondent: Currently, there are approximately $75,112,000 of unobligated fiscal year 1999 WRP easement acquisition and cost-share funds. Of this amount, $46,162,000 is presently committed to specific WRP project applications through a signed letter of commitment with the landowner. The remaining funds are available for future state level enrollment activities. WRP operates under a continuous sign-up and the best projects are enrolled at the state level throughout the year. Once a project is selected for enrollment, it routinely requires 90 to 120 days to complete the appraisal process and enter into a formal obligation. Although the continuous sign-up process does delay the initial timing of the obligation, it does provide landowners with the maximum opportunity to submit applications and enables the agency to enroll the projects. Under this process, obligations will continue to be incurred right through the end of the fiscal year.

CONSERVATION COMPLIANCE AND CONSERVATION OPERATIONS

Mr. Skeen: Please update the table that appears on page 576 of last year's hearing record, showing the amount appropriated for conservation operations and the amount spent on conservation compliance provisions, to include fiscal year 1999.

[The information follows:]

CONSERVATION COMPLIANCE AND CONSERVATION OPERATIONS EXPENDITURES
(Dollars in thousands)

Fiscal Year	Conservation Operations	Conservation Compliance
1986	$348,669	$57,532
1987	399,671	165,993
1988	444,391	183,219
1989	465,435	193,347
1990	477,377	198,347
1991	509,509	213,131
1992	564,251	238,960
1993	576,740	245,093
1994	603,408	261,835
1995	612,242	279,158
1996	629,794	251,918
1997	619,961	247,984
1998	632,808	225,650
1999	680,679	232,419

STAFF YEAR REDUCTIONS

Mr. Skeen: You stated last year you expected to meet your goal of reducing headquarters staff by 50 percent and state staff by 30 percent by October 1997. Are you still on schedule to reach this goal?

Respondent: We are still on target to meet our goals of reducing staff. However, the date for accomplishing these reductions has been extended until October of 2000, instead of October of 1997.

EMPLOYMENT SUMMARY

Mr. Skeen: Please provide a five-year table showing the total number of NRCS employees broken out by headquarters and field to include estimates for fiscal years 1999 and 2000.

[The information follows:]

NRCS STAFF YEAR TABLE
(Headquarters versus Field)

	1996 Actual	1997 Actual	1998 Actual	1999 Est.	2000 Est.
National Headquarters.....	386	372	376	371	351
Field Offices.....	11,447	11,516	11,540	11,880	10,843
Total.....	11,833	11,888	11,916	12,251	11,194

Mr. Skeen: Please provide a five-year table similar to the one that appears on page 577 of last year's hearing record, showing the personnel and funding level for each of the four regional technical centers and the six new regional offices that were established through reorganization to include fiscal years 1999 and 2000. Also include in this table the amount spent by headquarters to support the institutes.

[The information follows:]

TECHNICAL SERVICE CENTERS AND REGIONAL OFFICES AND INSTITUTES
(Dollars in thousands)

	Staff Years					Funding Levels				
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
Northeast NTC-Chester, PA	8	0	0	0	0	$805	$27	-$2	0	0
South NTC-Fort Worth, TX	2	0	0	0	0	390	0	0	0	0
Midwest NTC-Lincoln, NE	4	0	0	0	0	13,411	-103	-123	0	0
West NTC-Portland, OR	3	0	0	0	0	335	10	-229	0	0
East Region, Beltsville, MD	25	29	28	25	24	4,182	2,699	2,607	$2,251	$2,190
Midwest Region, Madison, WI	26	27	27	26	27	2,821	2,674	3,583	2,406	2,336
Northern Plains, Lincoln, NE	30	27	26	21	21	2,343	2,439	3,082	2,056	2,023
S Central Region, Ft. Worth, TX	27	31	31	22	22	2,444	2,984	2,956	1,953	1,906
Southeast Region, Atlanta, GA	29	30	31	26	27	8,656	3,314	3,463	2,517	2,435
West Region, Sacramento, CA	26	29	26	21	20	2,706	2,882	2,855	2,223	2,174
Centers/Institutes 1/	410	430	445	445	425	52,855	57,667	58,424	46,729	48,302

1/ In fiscal year 1996, the National headquarters spent an estimated $3 million in relocation costs associated with the centers and institutes. Prior to fiscal year 1996, functions that would be considered Centers and Institutes were reflected under the NTCs.

STATE AND LOCAL CONTRIBUTIONS

Mr. Skeen: Update the table that appears on page 577 of last year's hearing record, showing the state and local appropriations for conservation district program activities, to include fiscal year 1998 actual and fiscal year 1999 and 2000 estimates.

[The information follows:]

CONSERVATION PROGRAM ACTIVITIES
(In thousands of dollars)

Fiscal Year	State government	Local government	NRCS[1]
1986	$158,498	$119,349	$674,327
1987	175,550	132,398	642,995
1988	286,184	151,528	686,560
1989	253,424	140,176	704,103
1990	269,105	238,325	802,499
1991	282,357	231,052	771,967
1992	290,730	203,133	900,196
1993	368,201	165,031	935,917
1994	299,275	202,773	1,260,491
1995	309,297	209,390	832,209
1996	514,851	220,951	940,314
1997	453,813	242,446	1,307,553
1998	709,748	352,985	1,307,367
1999 estimate	606,077	278,026	1,124,249
2000 estimate	n/a	n/a	n/a

[1]Includes Emergency Watershed Program appropriations and NRCS programs funded through CCC.

TECHNICAL ASSISTANCE

Mr. Skeen: Update the table that appears on page 578 of last year's hearing record to show the total amount of technical assistance that will be provided to all conservation programs under your jurisdiction as well as a breakout of the amount transferred from CCC and the amount to come from your conservation operations appropriation.

[The information follows:]

TECHNICAL ASSISTANCE FOR ALL CONSERVATION PROGRAMS
(Dollars in thousands)

Program	FY 1999	FY 2000
NRCS Technical Assistance:		
Conservation Technical Assistance	$547,905	$584,752
Soil Surveys	78,323	80,565
Snow Surveys and Water Supply Forecasting	5,990	6,124
Operation of Plant Materials Centers	9,025	9,238
Watershed Surveys and Planning	10,368	11,732
Watershed and Flood Prevention Operations	47,000	43,380
Debt for Nature	n/a	1,000
Resource Conservation & Development	35,000	35,265
Farmland Protection Program	n/a	2,000
Total, Appropriated	733,611	774,056
Commodity Credit Corporation (CCC):		
Conservation Reserve Program [1/]	$65,143	$17,163
Wetlands Reserve Program [2/]	13,173	18,288
Environmental Quality Incentives Program	33,060	57,000
Wildlife Habitat Incentives Program	4,539	2,500
Conservation Farm Option	0	0
Farmland Protection Program	0	1,650
Total, CCC	115,915	96,601
Total, NRCS & CCC Combined	$849,526	$870,657

1/ Technical assistance funding for this program is being provided from FSA. In FY 1999, FSA will fund $17.7 million from appropriated balances. This will exhaust funding for technical assistance for the Conservation Reserve Program.
2/ Includes carryover balances from appropriated WRP, which will fund technical assistance at $3.3 million for FY 1999 and $2 million for FY 2000.

SOIL SURVEYS

Mr. Skeen: How many soil surveys were completed and published in fiscal year 1998 and how many do you expect to publish in fiscal year 1999?

Respondent: NRCS published 54 soil surveys in fiscal year 1998. NRCS expects to publish 54 soil surveys in fiscal year 1999.

Mr. Skeen: Update the table that appears on page 580 of last year's hearing record showing the amount spent on GIS activities to include fiscal year 2000.

[The information follows:]

CONTRIBUTIONS TO THE DIGITIZING OF SOILS INFORMATION AND DEVELOPMENT OF DIGITAL ORTHOPHOTOGRAPHY

	Digitize Soils ($ millions)		Digital Orthophotography ($ millions)		
Year	NRCS	Other Federal & State Agencies	NRCS	USGS[1]	Other Federal & State Agencies
1990	$0.2	$0.5	$0.05	--	$0.5
1991	0.2	0.6	0.1	--	1.0
1992	0.2	1.0	0.2	--	2.0
1993	0.25	2.0	0.25	$2.9	2.0
1994	0.5	3.0	2.5	3.7	2.0
1995	5.0	4.0	5.0	8.2	4.0
1996	5.0	4.0	5.0	12.4	28.0
1997	10.0	5.0	7.5	14.5	16.0
1998	7.5	0.5	6.2	10.0	16.0
1999 est.	7.5	0.5	6.25	11.0	16.0
2000 est.	10.5	1.0	6.5	10.0	15.0

[1] USGS's matching fund contributions to the program. These figures do not include some of their in-house costs for gathering government provided materials and information in support of contracting for digital orthophotography or in-house production of digital orthophotography.

NATIONAL SOIL INFORMATION SYSTEM

Mr. Skeen: Please bring the Committee up to date on the National Soil Information System.

Respondent: The National Soil Information System Version 4.0 (NASIS 4.0) was released in 1998. This release included: the ability to replicate the national soil data set at Iowa State University; an edit setup capability to allow for tailoring of soil interpretive information in manuscript tables; an interpretation generator and report writer; all PEDON and site tables; and, a web-based soil survey schedule system.

Fiscal year 1999 plans include developing the capability to convert all PEDON data to a NASIS format, creating PEDON reports within NASIS, and incorporating the laboratory data model into NASIS. Currently, NASIS is in a maintenance mode due to a shortfall in project funding.

SOIL SURVEY REIMBURSEMENTS

Mr. Skeen: Provide a five-year table that shows the amount of funding contributed by other Federal, state, and local entities for soil surveys to include estimates for fiscal years 1999 and 2000.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
REIMBURSEMENTS FOR SOIL SURVEYS

(In thousands of dollars)

Fiscal Year	Other Federal	State & Local Government	Private Entities
1996	$1,716	$2,820	$194
1997	1,993	2,798	271
1998	2,438	3,027	129
1999 est.	2,600	3,150	150
2000 est.	2,600	3,150	150

PLANT MATERIALS CENTERS

Mr. Skeen: Please update the table that appears on page 581 of last year's hearing record, showing the plant materials centers annual operating costs, to reflect fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

PLANT MATERIALS CENTERS OPERATING COSTS

PMC Location	1998 Actual	1999 Estimate 1/	2000 Estimate
	(Dollars in Thousands & rounded)		
Tucson, Arizona	$225	$145	$260
Booneville, Arkansas	250	217	280
Lockeford, California	270	182	325
Brooksville, Florida	226	262	300
Americus, Georgia	270	243	290
Molokai, Hawaii	253	255	280
Aberdeen, Idaho	347	275	360
Manhattan, Kansas	305	281	380
Golden Meadow, Louisiana	251	223	260
Beltsville, Maryland	336	353	380
East Lansing, Michigan	252	236	280
Coffeeville, Mississippi	437	393	450
Elsberry, Missouri	310	272	360
Bridger, Montana	358	215	380
Cape May, New Jersey	268	286	300
Big Flats, New York	302	302	370
Corvallis, Oregon	332	225	350
TEXAS TOTAL	769	651	880
Kingsville, Texas			
Knox City, Texas			
Nacogdoches, Texas			
Pullman, Washington	290	217	350
Alderson, West Virginia	524	462	525
Operated by Cooperating Agencies with NRCS Assistance:			
Palmer, Alaska			
Meeker, Colorado	67	60	100
Los Lunas, New Mexico	258	226	330
Bismarck, North Dakota	316	304	330

1/ Does not reflect $1.3 million in earmarks that are outside of the normal PMC operating costs.

NEW PLANT MATERIAL RELEASES

Mr. Skeen: Did you release any new plants in fiscal year 1998? If so, please provide a brief description of each.

Respondent: There were 20 plant releases in 1998. Three were cultivar releases, 12 were germplasm, tested or selected releases and 5 were source-identified releases of selected ecotypes. Brief descriptive information is provided below for each one.

Cultivar Releases

'Kanoka' roundhead lespedeza (*Lespedeza capitata* Michx.) was introduced by the Manhattan Plant Materials Center (KS). **Attributes and uses:** Native, perennial legume; selected for increased quantity and quality of seed production, later bloom, and height; used for roadside vegetation, park and recreational area plantings, component of warm-season grass plantings, forage, and for wildlife food; adapted mid- to e. NE, KS, OK, w. IA, and w. MO.

'Southwind' common reed (*Phragmites australis* (Cav.) Trin. ex Steud.) was introduced by the Manhattan Plant Materials Center (KS). **Attributes and uses:** naturalized, perennial grass; selected for improved cold hardiness, drought resistance, plant vigor and rate of spread; used for soil stabilization on wet sites, rehabilitation of polluted water, filter strips, and artificial wetlands; adapted to the eastern two-thirds of KS, e. Nebraska, and n. OK.

'Sunnyview' big bluestem (*Andropogon gerardii* Vitman) was introduced by South Dakota State University in cooperation with the Bismarck Plant Materials Center (ND). **Attributes and uses:** native, perennial grass; selected for increased leafiness, vigor, seed yield, and fertility of pedicellate spikelets, and higher forage production; special attributes include later maturing; used for range seedings, pasture and hayland plantings, and wildlife habitat; adapted to e. South Dakota and sw. Minnesota, and potentially throughout the northern Great Plains.

Tested and Selected Class Releases

Atkins Germplasm prairie cordgrass (*Spartina pectinata* Link) was introduced by the Manhattan Plant Materials Center (KS). **Attributes and uses:** native, perennial grass; selected for higher growth potential and increased seed production; used for soil stabilization on wet sites, wetland restoration, erosion control on watershed structures, and wave action dissipation; adapted to wet areas in KS, NE, and OK.

Bridger Select Rocky Mountain juniper (*Juniperus scopulorum* Sarg.) was introduced by the Bridger Plant materials Center (MT). **Attributes and uses:** native, perennial tree; used for windbreaks and shelterbelts as a mid-sized evergreen in multiple row designs; adapted to semi-arid sites in the northern Great Plains.

Wayne Kirch Selection common threesquare (*Scirpus pungens* Vahl) was introduced by the Aberdeen Plant Materials Center (ID). **Attributes and uses:** native, perennial grass-like species; selected for height, improved seed production, improved spread and vigor, and ease of collection site accessibility; used for wetland creation and restoration; Constructed Wetland System applications, wildlife habitat, and erosion control; adapted throughout eco-region Land Resource Region D south.

Railroad Valley Selection Baltic rush (*Juncus balticus* Willd.) was introduced by the Aberdeen Plant Materials Center (ID). **Attributes and uses:** native, perennial grass-like species; selected for rapid spread from rhizomes, higher shoot density per unit area, height, and high above-ground biomass production; used for wetland creation and restoration; Constructed Wetland System applications, wildlife habitat, and erosion control; adapted throughout eco-region Land Resource Region D south.

Cheney Selection western dogwood (*Cornus sericea* ssp. *occidentalis* (Torr. & Gary) Fosberg) was introduced by the Pullman Plant Materials Center (WA). **Attributes and uses:** native, perennial shrub; used for riparian rehabilitation and bioengineering; adapted to the Pacific Northwest of the US.

Wallowa Selection redosier dogwood (*Cornus sericea* ssp. *sericea* L.) was introduced by the Pullman Plant Materials Center (WA). **Attributes and uses:**

Native, perennial shrub; used for riparian rehabilitation and bioengineering; adapted to the Pacific Northwest of the US.

Red River Natural Germplasm prairie cordgrass (*Spartina pectinata* Link) was introduced by the Bismarck Plant Materials Center (ND). **Attributes and uses:** native, perennial grass; used for wetland restoration, enhancement, streambank stabilization, windstrip barriers, filterstrips, riparian buffers, and prairie landscaping; adapted to eastern ND, eastern SD, and MN.

LK115d Germplasm purple needlegrass (*Nassella pulchra* (A.S. Hitchc.) Barkworth) was introduced by the Lockeford Plant Materials Center (CA). **Attributes and uses:** native grass; used for restoration and range improvement; adapted to MLRA 15d in CA.

LK215e Germplasm purple needlegrass (*Nassella pulchra* (A.S. Hitchc.) Barkworth) was introduced by the Lockeford Plant Materials Center (CA). **Attributes and uses:** native grass; used for restoration, range improvement; adapted to MLRA 15e in CA.

LK315d Germplasm purple needlegrass (*Nassella pulchra* (A.S. Hitchc.) Barkworth) was introduced by the Lockeford Plant Materials Center (CA). **Attributes and uses:** native grass; used for restoration and range improvement; adapted to MLRA 15d in CA.

LK415d Germplasm foothill needlegrass (*Nassella cernua* (Stebbins & A. Love) Barkworth) was introduced by the Lockeford Plant Materials Center (CA). **Attributes and uses:** native, grass; used for restoration and range improvement; adapted to MLRA 15d in CA.

Citrus Germplasm maidencane (*Panicum hemitomon* J.A. Schultes) was introduced by the Brooksville Plant Materials Center (FL). **Attributes and uses:** native, perennial grass; used for erosion control along streams, channels and pond banks, and for forage in pastures.

Source-identified Releases

Southern Iowa Germplasm indiangrass (*Sorghastrum nutans* (L). Nash) was introduced by the Elsberry Plant Materials Center (MO). **Attributes and uses:** native, perennial grass; used for roadside revegetation, wildlife plantings, and prairie restoration; intended for southern IA.

Central Iowa Germplasm big bluestem (*Andropogon gerardii* Vitman) was introduced by the Elsberry Plant Materials Center (MO). **Attributes and uses:** native, perennial grass; used for roadside revegetation, wildlife plantings, and prairie restoration; intended for central IA.

Central Iowa Germplasm purple prairieclover (*Dalea purpurea* Vent.) was introduced by the Elsberry Plant Materials Center (MO). **Attributes and uses:** native, perennial legume; used for roadside revegetation, wildlife plantings, and prairie restoration; intended for central IA.

Northern Iowa Germplasm rigid goldenrod (*Solidago rigida* ssp. *rigida* L.) was introduced by the Elsberry Plant Materials Center (MO). **Attributes and uses:**

native, perennial forb; used for roadside revegetation, wildlife plantings, and prairie restoration; intended for northern IA.

Northern Iowa Germplasm rattlesnake master (*Eryngium yuccifolium* Michx.) was introduced by the Elsberry Plant Materials Center (MO). **Attributes and uses:** native, perennial forb; used for roadside revegetation, wildlife plantings, and prairie restoration; intended for northern IA.

ALDERSON, WEST VIRGINIA, PLANT MATERIALS CENTER

Mr. Skeen: Funding was provided in the fiscal year 1999 appropriations act to complete construction for the plant materials center in Alderson, West Virginia. What is the status of this project?

Respondent: The project is progressing well, and construction should be completed by fall of 1999. Sufficient funding was provided in the FY 1999 budget to complete construction work.

Construction of the seed barn is complete, and the building is now being used as a temporary office. This building forms the hub for operations at the center. Work on the office is underway, and the building is now "under roof" with work proceeding on the interior. The building should be ready for occupancy by June. Specifications are due soon for the shop/storage building, and construction is expected to start on it in May. Construction on the final building, the greenhouse, is scheduled to begin in July.

In addition to construction activities, there is a parallel effort underway to bring field operations on-line. Weed control has been a problem in many fields, but active control measures are underway to eliminate it. Several of the fields have already been planted to grasses and/or herbaceous species. In the spring of 1999, the center will move part of the woody plant collection (50 clumps) from Quicksand, Kentucky to Alderson. In the fall, the remainder of the woody plants will be transferred.

With construction activities completed by fall and with field studies also in place, it is anticipated that a Plant Materials Center dedication can be held early in 2000.

ROYALTY COLLECTIONS FOR NEW PLANT RELEASES

Mr. Skeen: Please provide a current update on the status of royalty collections for new plant releases and how much has been collected to date.

Respondent: Royalties are a very minor part of the Plant Materials Program. Most efforts are directed toward developing products needed for conservation purposes by the public, government agencies, and private industry. Products are of two types - plant releases and plant science information. Last year, for example, the program had 20 releases, 239 written documents, and 231 oral presentations.

The mechanism for collecting royalties is in place and is being implemented where it is applicable. However, the process of implementation is an extended one with all the detailed requirements of the Plant Variety Protection (PVP) Act. Experience has shown that a 2-3 year time interval is not unusual between application and granting of plant variety protection status. In addition, it should be noted that current focus on releases in the Plant Materials Program is directed toward tested and source identified releases instead of cultivars. In 1998, for example, only 3 of 20 releases were cultivars. Since only cultivars are eligible for PVP consideration, associated royalties are small in comparison to the overall impact of releases being produced. The emphasis on non-cultivar releases has been undertaken to meet immediate needs for plant materials on a more timely basis.

Royalties are now being collected for 'Rush' intermediate wheatgrass, 'Bannock' Thickspike wheatgrass, and Niagara Big Bluestem. Last year about $8,000 was collected. No additional royalties have been collected for other species.

STATE AND LOCAL FUNDING OF WATERSHED PLANNING ACTIVITIES

Mr. Skeen: Update the table that appears on page 585 of last year's hearing record, showing the level of funding provided by state and local governments and other public or private entities to finance watershed planning activities, to include fiscal years 1995 - 1999.

[The information follows:]

STATE AND LOCAL FUNDING OF WATERSHED PLANNING ACTIVITIES

FY	State-Government	Local-Government	Private
1995	$12,369,224	$16,093,201	0
1996	13,305,199	17,256,984	0
1997	7,830,921	12,730,038	$682,365
1998	9,800,055	13,750,729	353,510
1999	11,413,242	13,289,382	1,177,928

FLOOD PLAIN EASEMENTS

Mr. Skeen: The 1996 farm bill amended the Agricultural Credit Act of 1978 to allow for the purchase of flood plain easements. Last year you conducted a pilot test. Has this authority been used yet?

Respondent: The new floodplain easement authority has been utilized in 13 states. Most of the activity has been in response to flooding in North Dakota and South Dakota. Landowner interest has been positive and the floodplain easement effort has made it possible for USDA to enroll damaged high-risk flood prone lands.

PROGRAM EVALUATION STUDIES

Mr. Skeen: How many program evaluation studies were carried out in fiscal year 1998? How many are planned for fiscal year 1999? What was the cost to conduct these studies in fiscal year 1998 and estimated fiscal year 1999? What is the purpose of the Studies?

Respondent: The Natural Resources Conservation Service carried out 32 program evaluations -- 15 at the national level and 17 at the regional level -- in fiscal year 1998 at a cost of $1,173,000. A similar level of activity and funding is expected for fiscal year 1999. In the first 5 months, 10 evaluations were underway or completed at an estimated cost of $403,000. The agency is making a mid-year revision to its oversight and evaluation (O&E) work plan and is currently setting priorities on 40 proposals for O&E reviews.

The purpose of O&E reviews is to ensure that agency activities are conducted in accordance with agency rules and regulations and the laws and executive orders on which the rules and regulations are based; and, goals established in strategic, performance, and other business plans are achieved efficiently, effectively, and equitably.

STATUS OF AUTHORIZED P.L. 534 PROJECTS

Mr. Skeen: Update the table that appears on page 609 of last year's hearing record, showing the current status of the authorized Public Law 534 projects. Have any projects been added?

Respondent: No additional P.L. 534 projects were added during fiscal year 1998, nor are any proposed to be added in fiscal year 1999. Current status of P.L. 534 projects will be provided for the record.

[The information follows:]

CURRENT STATUS OF P.L. 534 PROJECTS

Watershed projects	Location	Size in Sq. Miles	Status
Buffalo Creek	New York	437	Completed
Coosa River	Georgia & Tennessee	4,020	Completed
Little Sioux	Iowa & Minnesota	4,502	Completed by 2041
Little Tallachatchie	Mississippi	1,355	Completed by 2010
Los Angeles	California	839	Completed by 2000

Middle Colorado	Texas	7,189	Completed by 1999
Potomac	Virginia, West VA, MD and PA	11,560	Completed by 2005
Santa Ynes	California	900	Completed by 2000
Trinity	Texas	17,634	Completed by 2004
Washita	Texas & Oklahoma	8,108	Completed by 2001
Yazoo	Mississippi	8,108	Completed by 2010

WATERSHED AND FLOOD PREVENTION OPERATIONS

Mr. Skeen: Provide a geographic breakdown of obligations, staff years and brief description for the $101 million that was appropriated for watershed and flood prevention operations in fiscal year 1998 and estimates for the fiscal year 1999 appropriations.

Respondent: The Watershed and Flood Prevention Operations account provides project sponsors with financial and technical assistance to implement watershed projects. This account reflects authorities of both PL 83-566 and PL 78-534. These programs provide communities the opportunity to reduce damage from floodwater, sediment, and erosion; for the conservation, development and utilization of water; and for conservation and proper utilization of lands.

Appropriations have been divided for technical assistance and financial assistance, in accordance with Congressional guidance. Of the $101 million appropriated for Watershed and Flood Prevention Operations in fiscal year 1998, $50 million was designated as technical assistance and $51 million was obligated as financial assistance. Of the $99,443,000 appropriated for Watershed and Flood Prevention Operations in fiscal year 1999, $47 million was designated as technical assistance and $52,443,000 will be obligated as financial assistance. The definitions of financial assistance and technical assistance are as follows:

Financial assistance: covers only the costs of materials and labor directly associated with the installation of enduring land treatment practices and structural and non-structural measures.

Technical assistance: cover costs associated with salary and overhead for NRCS engineering design, quality control during construction, and contract administration, as required to implement a specific watershed measure. However, in addition to salary and overhead, technical assistance funds are also used to cover a broad range of peripheral implementation costs, such as geologic investigations, materials testing, and contracts with architectural/engineering (A&E) firms to complete designs or carry out activities that are beyond the scope of NRCS. Technical assistance funds are also used to purchase flood plain easements.

NRCS does not differentiate between current year funds and prior year carryover unobigated balances when making allocations to the states. We will provide a geographic breakdown of the allocations for total available funds for the record.

[The information follows:]

WATERSHED AND FLOOD PREVENTION OPERATIONS

STATE	FY 1999 OBLIGATIONS	FY 1999 STAFF YRS	FY 2000 OBLIGATIONS	FY 2000 STAFF YRS
ALABAMA	$6,574,000	34	$2,327,000	20
ALASKA	2,307,000	1	820,000	1
ARIZONA	2,955,000	8	1,115,000	7
ARKANSAS	3,474,000	20	1,437,000	11
CALIFORNIA	6,190,778	34	3,014,000	28
COLORADO	1,212,000	8	453,000	4
CONNECTICUT	265,600	1	123,000	0
DELAWARE	851,000	3	349,000	2
FLORIDA	16,252,000	11	5,592,000	7
GEORGIA	4,239,000	16	1,606,000	9
HAWAII	2,975,000	3	1,148,000	2
IDAHO	783,400	14	339,000	8
ILLINOIS	6,091,100	23	3,075,000	15
INDIANA	965,624	4	1,870,000	4
IOWA	11,141,000	33	4,262,000	24
KANSAS	2,865,746	19	2,905,000	18
KENTUCKY	1,216,000	16	513,000	9
LOUISIANA	5,856,000	33	2,227,000	0
MAINE	632,500	4	284,000	2
MARYLAND	230,000	2	119,000	1
MASSACHUSETTS	621,000	3	273,000	2
MICHIGAN	871,000	5	383,000	3
MINNESOTA	842,000	13	381,000	8
MISSISSIPPI	15,324,263	56	5,655,000	33
MISSOURI	6,107,000	46	2,695,000	27
MONTANA	1,026,265	10	380,000	7
NEBRASKA	1,491,000	10	614,000	7
NEVADA	10,668,000	9	3,362,000	5
NEW HAMPSHIRE	85,000	1	49,000	0
NEW JERSEY	217,000	1	126,000	1
NEW MEXICO	1,035,000	11	438,000	7
NEW YORK	4,606,000	10	1,660,000	6
NORTH CAROLINA	1,658,000	18	746,000	32
NORTH DAKOTA	2,384,000	14	1,405,000	10
OHIO	22,091,000	52	7,305,000	30
OKLAHOMA	6,848,400	40	2,797,000	23
OREGON	3,761,000	11	1,314,000	10
PACIFIC BASIN	996,200	2	386,000	2
PENNSLYVANIA	2,828,000	7	1,154,000	4
PUERTO RICO	5,640,000	5	1,970,000	3
RHODE ISLAND	0	0	0	0
SOUTH CAROLINA	852,000	7	379,000	4
SOUTH DAKOTA	3,781,100	5	2,168,000	3
TENNESSEE	3,220,000	21	1,332,000	13
TEXAS	14,272,500	56	5,631,000	33
UTAH	797,000	6	318,000	3
VERMONT	2,523,000	4	890,000	5
VIRGINIA	2,823,000	23	1,318,000	20
WASHINGTON	2,915,000	13	1,084,000	8
WEST VIRGINIA	1,797,970	36	824,000	21
WISCONSIN	124,870	1	72,000	1
WYOMING	1,330,000	14	516,000	8
EAST REGION	158,900	3	93,000	2
MIDWEST REG	169,700	0	98,000	0
N. PLAINS REG	82,900	1	48,000	1
S. CENTRAL REG	115,900	0	68,000	0
SOUTHEAST REG	203,000	0	118,000	0
WEST REGION	134,300	2	77,000	1
CNTRS/INSTITUTE	2,816,000	27	1,462,000	15
NATIONAL HDQTRS	4,914,400	23	2,946,000	23
FOREST SERVICE	97,000	0	88,000	0
UNDISTRIBUTED	24,113,340	78	0	0
Total Available or Est.	$234,362,386	930	$83,423,000	543

WATERSHED AND FLOOD PREVENTION RECREATIONAL PROJECTS

Mr. Skeen: Watershed and flood prevention operation funds may be allocated for recreational purposes. How many projects have recreation as a purpose?

Respondent: There are 236 PL-566 projects with recreation as a purpose.

Mr. Skeen: How much of the fiscal year 1998 funding was spent on these activities?

Respondent: NRCS's accounting system does not track project funding using recreational purposes as a reportable item.

Mr. Skeen: How much is expected to be used in fiscal year 1999?

Respondent: We will provide a listing of potential construction units with recreation as one of its purposes ready for installation. Only a portion of the projects listed will be funded.

[The information follows:]

RECREATION FUNDING REQUESTS

ST	PROJ	Financial YEAR	Financial Assistance	Technical Assistance	Description
GA	2076	1999	$300,000	$75,000	Lumpkin County (Rural Water)
KS	2061	1999	78,800	11,000	Elk-rec
KS	2069	1999	121,400	45,100	mp 21-14
KY	2010	1999	0	10,000	Donaldson-Repair Spillway & Eng. Report
KY	2021	1999	200,000	40,000	EF Pond - Repairs FRS 1A7C
KY	2027	1999	0	10,000	Short-repair of FRS-7&Eng.Report
MA	2012	1999	100,000	40,000	Oct. Mtn Recreation
MD	2008	1999	0	30,000	sediment survey
MS	2054	1999	1,000,000	300,000	OKATOMA CREEK
MT	2011	1999	25,000	25,000	Baker Lk-fix
ND	2017	1999	102,000	0	Square Butte Creek - Rec. A&E Contract
NM	2032	1999	10	40,000	ASAAYI REC DESIGN
PA	2012	1999	0	5,000	BRANDYWINE REC (PA-436f)
SC	2058	1999	50,000	10,000	Project Closeout
WI	2012	1999	0	36,000	WF Kick #1 TA on repair
WI	2016	1999	0	48,000	Plum Cr 2&19 TA on repair
WV	701	1999	0	100,000	N&S Mill Creek 7 Rec completed design
WY	2014	1999	800,000	210,000	S.Greeley to W. College reach
			$2,777,200	$1,035,100	

HISTORY OF EMERGENCY WATERSHED APPROPRIATIONS

Mr. Skeen: Please update the table that appears on page 585 of last year's hearing record, showing the funding history of the Emergency Watershed Program, to include fiscal year 1997 actuals and fiscal year 1998 estimates.

[The information follows:]

EMERGENCY WATERSHED PROTECTION PROGRAM
(In thousands of dollars)

Fiscal Year	Budget authority	Outlays	Unobligated balance
1981.....	$10,000	$14,583	$8,763
1982.....	10,000	9,395	6,478
1983.....	22,500	15,362	12,981
1984.....	22,000	17,547	15,713
1985.....	5,000	19,912	4,822
1986.....	79,732	39,903	34,625
1987.....	14,755	46,116	10,385
1988.....	13,500	26,980	11,719
1989.....	10,000	24,318	6,695

Fiscal Year	Budget authority	Outlays	Unobligated balance
1990.....	94,855	58,426	33,817
1991.....	20,000	65,462	14,036
1992.....	70,028	30,870	7,821
1993.....	73,144	64,429	50,226
1994.....	349,973	92,300	289,984
1995.....	0	120,546	133,166
1996.....	80,517	73,167	74,464
1997.....	229,000	144,667	181,085
1998.....	80,000	132,320	131,085

SMALL WATERSHED PROJECTS

Mr. Skeen: Please provide a list of all new small watershed construction projects started in fiscal year 1998 and those planned to start in fiscal year 1999. Include the Federal and non-Federal cost of each project.

Respondent: We will provide a list of the authorized FY 1998 Small Watershed Program projects and those authorized so far in FY 1999 for the record.

[The list follows:]

FY 1998-1999 AUTHORIZED SMALL WATERSHED PROGRAM PROJECTS

STATE	NAME	COSTS FEDERAL	LOCAL	TOTAL
Alabama	Cochgalechee	220,000	5,000	225,000
Arizona	Maricopa-Stanfield	5,616,250	2,694,250	8,310,500
Kansas	Upper Delaware and Tributaries	8,706,700	3,877,900	12,584,600
Louisiana	Bayou Bourbeux	4,256,400	3,285,300	7,541,700
Minnesota	Whitewater River	3,289,700	1,680,900	4,970,600
Mississippi	Choctaw	250,000	245,500	495,500
Mississippi	Indian Creek	3,220,500	392,500	3,613,000
Missouri	East Fork of the Grand River	15,877,300	3,967,100	19,844,400
Missouri	McKenzie Creek	4,035,700	1,639,600	5,675,300
Ohio	Lower Stillwater Creek	349,000	1,737,200	2,086,200
Ohio	Upper Stillwater Creek	523,000	1,788,700	2,311,700
Pennsylvania	Glenwhite Run	770,000	799,000	1,569,000
Pennsylvania	Little Toby	1,601,000	1,627,000	3,228,000
Pennsylvania	Tulpehocken Creek	5,977,000	2,951,000	8,928,000
Tennessee	Bear Creek (Scott)	3,188,275	844,925	4,033,200
Utah	Tri-Valley	5,006,610	4,440,439	9,447,049
TOTAL		62,887,435	31,976,314	94,863,749

FY 1998-1999 AUTHORIZED SMALL WATERSHED PROGRAM PROJECTS

STATE	NAME	COSTS FEDERAL	LOCAL	TOTAL
Colorado	Highline Breaks	$4,952,300	$3,813,200	$8,765,500
Iowa/Minn.	Bear Creek	4,943,600	765,900	5,709,500
South Carolina	Holly Hill	618,300	314,300	932,600
TOTAL		10,514,200	4,893,400	15,407,600

WATERSHED PROJECT STATUS REVIEW

Mr. Skeen: What is the status of the NRCS' work on reviewing all authorized watershed projects to update and either modify or delete backlogged projects? How many projects were deleted in fiscal year 1998? Which ones? How many projects were modified in fiscal year 1998? Which ones?

Respondent: NRCS continues to work with project sponsors to resolve the backlog of authorized projects. This is accomplished in one of three ways. First, available funding is used to complete all remaining phases of a project. The project is listed as installed, and as such is removed from the backlog. Second, the watershed plan is revised or supplemented to demonstrate that remaining planned actions are no longer needed, or have been satisfied through means other than Watershed Operations. Such projects are listed as installed and are removed from the backlog. And finally, NRCS and the project sponsors unanimously agree that the project in question is no longer viable, and the project is de-authorized, which removes it from the backlog.

The following table reflects how each of these methods were used during fiscal year 1998:

P.L.-566 SMALL WATERSHED PROJECTS
MADE INACTIVE IN FISCAL YEAR 1998

State	Name	Status	Date
DE	LOVE CREEK	Inactive	98/04
GA	HEAD OF LITTLE TENNESSEE RIVER	Inactive	98/01
GA	SALLACOA CREEK AREA	Inactive	98/01
IA	TWIN PONIES	Installed	98/04
KS	UPPER SALT CREEK	Installed	98/04
LA	BUNDICK CREEK	Installed	98/09
MT	SAGE CREEK	Installed	98/05
ND	STARKWEATHER	Deauthorized	98/03
NM	EAGLE-TUMBLEWEED DRAW	Installed	98/05
PR	TOA VACA LAKE	Installed	98/05

P.L.-566 SMALL WATERSHED PROJECTS
SUPPLEMENTED IN FISCAL YEAR 1998

State	Name	Date
CA	INDIAN CREEK	98/09
CA	McCOY WASH	98/09
ID	TAMMANY CREEK	98/08
NM	ASAAYI LAKE	98/07
PA	TULPEHOCKEN CREEK	98/09
PR	TOA VACA LAKE	98/05
TX	RED DEER CREEK	98/07

RC&D FEDERAL AND NON-FEDERAL ASSISTANCE

Mr. Skeen: Please update the table that appears on page 634 of last year's hearing record showing, for the Resource Conservation and Development program, RC&D, the amount of Federal and non-Federal funds devoted to cost sharing, and the amount of Federal and non-Federal funds provided for technical assistance, to reflect fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

RC&D FEDERAL AND NON-FEDERAL ASSISTANCE

Year	Financial Federal	Technical Federal	Non-Federal Assistance
1984.....	$9,445,821	$16,492,404	(1)
1985.....	8,740,000	17,524,707	(1)
1986.....	8,085,568	17,453,268	(1)
1987.....	6,536,078	17,918,918	(1)
1988.....	5,300,853	19,233,164	$65,975,000
1989.....	4,620,811	20,559,546	(1)
1990.....	4,200,061	23,145,385	108,073,000
1991.....	3,947,428	24,339,421	160,465,000
1992.....	2,234,289	31,383,945	131,132,000
1993.....	2,048,298	30,795,181	75,102,000
1994.....	2,401,326	31,472,850	71,936,000
1995.....	1,402,613	30,799,303	80,387,000
1996.....	262,571	29,169,517	89,230,000
1997.....	48,517	28,688,415	267,115,000
1998.....	500,000	32,560,479	350,076,000
1999.....	100,000	34,000,000	200,000,000

(1) Information not available.

RC&D PROJECTS

Mr. Skeen: Also, update the table on the same page showing the number of RC&D projects that were initiated, completed, and those ongoing, to include fiscal year 1998 actuals, and fiscal years 1999 and 2000 estimates.

[The information follows:]

RC&D MEASURES ADOPTED, PLANNED, AND COMPLETED

Year	Adopted	Planned	Completed
1984.....	2,215	438	1,500
1985.....	1,392	123	1,103
1986.....	1,602	58	1,053
1987.....	1,487	77	1,188
1988.....	1,647	53	1,303
1989.....	1,178	347	661
1990.....	1,642	1,114	1,251
1991.....	1,919	1,314	1,303
1992.....	2,381	1,762	1,417
1993.....	2,382	1,765	1,691
1994.....	2,712	675	1,984
1995.....	2,280	1,942	1,848
1996.....	2,777	2,156	2,342
1997.....	2,752	2,514	2,189
1998.....	3,119	2,965	2,815
1999 est.....	3,100	2,800	2,800
2000 est.....	3,100	2,800	2,800

NON-FEDERAL WATERSHED AND RANGELAND COORDINATORS

Mr. Skeen: How many non-Federal watershed and rangeland coordinators are currently being funded?

Respondent: No non-Federal watershed and rangeland coordinators are currently being funded with Federal dollars and NRCS does not track any that might be funded by State governments or conservation groups.

BREAKOUT OF OTHER FEDERAL AND NON-FEDERAL OBLIGATION SOURCES

Mr. Skeen: Provide a detailed breakout of the other Federal and non-Federal sources of obligations for fiscal years 1998, 1999, and 2000.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
Other Federal and Non-Federal Reimbursements
1998 and Estimated, 1999 and 2000

SOURCE	1998 Actual	1999 Estimate	2000 Estimate
Obligations under other Federal appropriations:			
Reimbursement for technical services for:			
Soil surveys (Interior)	$272,000	$300,000	$300,000
Accelerate Soil Survey	1,892,250	2,000,000	2,000,000
Other: planning and application	3,186,849	7,895,400	7,895,400
Snow Survey & Water Forecast	31,880	50,000	50,000
Plant Materials Center Operations	142,475	100,000	100,000
Flood Insurance Studies (HUD)	70,000	--	--
Reimbursement for other services:			
Facilities: Rent, phone, Utilities, Etc	57,458	70,000	70,000
Cartographic job work	44,400	50,000	50,000
Financial assistance	13,710,781	11,770,500	11,770,500
Miscellaneous	8,012,820	10,937,100	10,937,100
Obligations under non-Federal Funds:			
Reimbursement for technical services for:			
Planning & application	2,570,232	3,688,800	3,688,800
Accelerate Soil Surveys	2,208,130	2,200,000	2,200,000
Snow Survey and Water Forecasting	198,254	240,000	240,000
Plant Material Center Operations	165,468	200,000	200,000
Cartographic job work	137,203	140,000	140,000
Reimbursement for other non-federal services:			
Facilities: Rent, phone, utilities, etc	919,643	1,130,000	1,130,000
Proceeds of sales	1,051,481	1,338,600	1,338,600
Financial Assistance	8,106,376	8,938,700	8,938,700
Miscellaneous	6,969,091	10,605,300	10,605,300
Total Reimbursements, Other Federal & Non-federal Sources	$49,746,791	$61,654,400	$61,654,400

OUTSTANDING RC&D LOAN BORROWERS

Mr. Skeen: Have you been able to show any improvement in the number of outstanding borrowers over the three year period of 1997, 1998, and 1999?

Respondent: Yes, the number of borrowers has decreased each year. In fiscal year 1997 there were 89 RC&D loans outstanding for a total of $3,799,000 with no delinquencies. In fiscal year 1998, there were 70 RC&D loans outstanding for a total of $2,980,000. This was one of the largest decreases in one year. We expect the number of borrowers and the outstanding balance to continue to decrease in 1999. Since the inception of the program in fiscal year 1965 through fiscal year 1997, a total of 292 RC&D loans have been made for a total of $29,848,709.

WATER QUALITY INCENTIVES

Mr. Skeen: Please update the table that appears on page 636 of last year's hearing record, showing the funding level of water quality incentives, to reflect fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

FUNDING FOR THE PRESIDENTIAL WATER QUALITY INITIATIVE FISCAL YEARS 1993-2000
(Dollars in millions)

	1993	1994	1995	1996	1997	1998	Estimates 1999	2000
Technology development	$7.9	$8.2	$7.8	$7.8	$7.8	$7.8	$7.8	$7.0
Regional projects.....	9.5	9.3	11.6	11.2	12.4	12.0	12.2	12.2
Hydrologic areas.....	12.3	12.6	10.5	11.2	5.0	5.0	2.5	0.0
Demonstration areas...	4.6	3.6	3.7	4.0	2.0	2.0	1.0	0.0
Ongoing projects.....	11.7	13.3	13.0	12.0	20.1	20.8	23.9	28.2
Special projects.....	0.0	0.0	0.4	0.6	0.0	0.0	0.0	0.0
Total.....	46.0	47.0	47.0	47.2	46.9	47.6	47.4	47.4

REGIONAL PROJECT ALLOCATIONS

Mr. Skeen: Please update the table that appears on page 637 of last year's hearing record, showing the regional project allocations, to include actuals and fiscal year 2000 estimates. Why don't the regional totals match on last years table?

Respondent: We will update the table for the record. The totals did not match due to an oversight. We have corrected the error.

[The information follows:]

REGIONAL PROJECT ALLOCATIONS
(Dollars in millions)

	Funding					Staff Years				
Regional Projects	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
Chesapeake Bay....	$4.7	$5.0	$5.0	$5.0	$5.0	64	67	64	63	62
Gulf of Mexico....	.3	.4	.4	.4	.4	8	8	8	8	8
Land and Water 201	.7	.7	.0	.0	.0	18	18	0	0	0
Great Lakes.....	1.2	1.3	1.3	1.5	1.5	16	16	15	15	14
Other Regional Authorities.....	4.3	5.0	5.3	5.3	5.3	42	50	50	50	49

Mr. Skeen: Update the table that appears on page 637 of last year's hearing record showing the funding levels provided to these areas to include fiscal year 2000.

[The information follows:]

HYDROLOGIC UNIT AREAS
(Dollars in millions)

	1993	1994	1995	1996	1997	1998	1999	2000
							Estimates	
Hydrologic Unit Areas.	$12.3	$12.6	$10.5	$11.2	$5.0	$5.0	$2.5	0.0

Mr. Skeen: What goals did these projects have at the outset? Will these goals be reached?

Respondent: These hydrologic unit area projects goals at the outset were to determine the relationship between agricultural activities and water quality, develop effective agrichemical management and agricultural production systems that enhance or protect water quality, and induce the farmer adoption of enhancement or protection strategies at significant levels in problem areas. These goals will be reached.

Mr. Skeen: Update the table that appears on page 638 of last year's hearing record showing the funding levels provided to these projects to include fiscal year 2000.

[The information follows:]

DEMONSTRATION PROJECTS
(Dollars in millions)

	1993	1994	1995	1996	1997	1998	1999 Estimates	2000
Demonstration Projects	$4.6	$3.6	$3.7	$4.0	$2.0	$2.0	$1.0	0.0

REGIONAL PROJECTS

Mr. Skeen: Last year you provided the Committee with a brief description of each of the regional projects that are currently underway including how much has been spent on each project. Would you please update these projects for us.

Respondent: Only seven of these nine regional projects continue to be funded as they have been in the past. These seven include the Water Quality Hydrologic Unit Areas and the Demonstration Projects that I have already addressed. Also included are the Chesapeake Bay Program, National Estuary Program, Great Lakes Program, Lake Champlain Project, and the Gulf of Mexico Program.

[The information follows:]

Water Quality Hydrologic Unit Area Projects

The Hydrologic Unit Area (HUA) Projects include 74 interagency water quality improvement projects initiated in 1990 as part of the USDA Water Quality Initiative. Projects were located in every state except Nevada and Alaska. The objective of these broad-based projects is to accelerate technical and financial assistance, and information and education activities to local and State Priority watersheds. NRCS is responsible for providing technical assistance directly to landusers in these priority watersheds. The remaining projects will be closed out in 1999.

Water Quality Demonstration Projects

A total of 16 Water Quality Demonstration Projects were initiated as part of the President's Water Quality Initiative in 1990. Demonstration Projects are designed to demonstrate the effectiveness of conservation practices in treating specific nonpoint source pollution problems and to promote the use of these practices in other areas. These projects are implemented under the joint leadership of NRCS, FSA, and CSREES. Projects are evaluated annually to determine the effects that selected practices have on the water quality problem, the extent that improved practices are adopted, and the cost of practice installation. NRCS is responsible for providing direct technical assistance to landusers in the application of conservation and best management practices. The remaining projects will be closed out in 1999.

Chesapeake Bay Program

The Chesapeake Bay Agreement, signed in 1983 as a cooperative agreement between the Bay States and the Federal Government, assigns NRCS responsibility for providing accelerated technical assistance in the Chesapeake Bay drainage area for the restoration and protection of the Bay's water quality and living resources. In 1999, $5 million, representing approximately 63 staff years will be dedicated to the Bay Program.

National Estuary Program

In coordination with EPA and the National Oceanic and Atmospheric Administration (NOAA), NRCS has agreed to provide additional funding for accelerated technical assistance in selected watersheds. In 1999, $4 million, representing approximately 67 staff years will be dedicated to providing additional technical assistance to landusers in the watersheds of these estuaries of national importance.

Great Lakes Program

In support of the U.S. initiative to the Great Lakes Program, NRCS has responsibility for providing on-farm technical assistance to farmers in the application of erosion control practices to reduce erosion and delivery of associated nutrients and pesticides within the basin. In 1999, $1.5 million, representing approximately 15 staff years will be dedicated to additional technical assistance to this program.

Lake Champlain Project

The Lake Champlain Basin is considered a high priority area for addressing water quality problems caused by agricultural nonpoint source pollution. The Lake Champlain Special Designation Act of 1990 provides for the development and implementation of a pollution prevention, control and restoration plan for the Basin. NRCS is responsible within this area for the delivery of accelerated technical assistance to agricultural producers to help in the control of erosion and management of animal waste associated with the significant dairy industry of the area. In 1999, $550,000 was provided to NRCS in New York and Vermont for additional technical assistance to this project.

Gulf of Mexico Program

NRCS is committed within the framework of the Federal Interagency Agreement coordinating nonpoint source pollution control activities for the Gulf of Mexico, to target additional technical assistance funds in the amount of $400,000 to these activities. These funds went to support approximately 8 additional staff years to the region.

Mr. Skeen: Update the table that appears on page 640 of last year's hearing record, showing the total cost to NRCS to provide this assistance and the amount reimbursed by other agencies or organizations to include fiscal year 1998.

[The information follows:]

Cost of International Activities Technical Assistance
(In thousands of dollars)

Fiscal Year	Total Cost	Reimbursed
1992	$970	$870
1993	1,144	1,034
1994	1,018	875
1995	565	415
1996	560	280
1997	295	213
1998	256	234

HYPOXIA IN THE GULF OF MEXICO

Mr. Skeen: Provide an update on any work you are doing to address the water quality issue of hypoxia in the Gulf of Mexico.

Respondent: USDA participates on the interagency Mississippi River/Gulf of Mexico Watershed Nutrient Task Force. NRCS staff provides technical

support to the Task Force and the USDA Task Force representative. The Task Force was established to coordinate activities to reduce the size, severity and duration of the hypoxia phenomenon. Six scientific teams have been consigned to review the science basis of hypoxia, how to measure upstream contributions to the phenomenon and the ecological and economic impacts of hypoxia in the Gulf. Under new legislation, Public Law 105-383, Section 604, Title VI, the Task Force is developing an integrated assessment based on the six scientific team reports. A plan based on the integrated assessment will also be developed to identify approaches for reducing, mitigating, and controlling hypoxia in the Gulf of Mexico.

The Natural Resources Conservation Service provides scientific data, technical reviews and comments on the analysis conducted by the six scientific teams for the integrated assessment. NRCS does not have staff assigned to these teams. Environmental indicators must be identified to determine the effectiveness of the proposed plan. NRCS is currently utilizing environmental indicators to measure progress for its own conservation programs. Several of these indicators have been identified for use in monitoring the proposed hypoxia plan. These indicators would track; conservation buffers installed, number of projects and acres enrolled in the Conservation Reserve Program and the Wetland Reserve Program, acres of wetlands restored, enhanced or created, acres in conservation tillage, acres of land under nutrient management plans and watersheds designated as Category 1 under the Unified Watershed Assessment in the Clean Water Action Plan.

All NRCS conservation assistance in the Mississippi River Basin contributes to reducing hypoxia in the Gulf of Mexico.

GRAZING LANDS CONSERVATION INITIATIVE

Mr. Skeen: Provide a five-year table that shows how much is spent annually on the grazing lands conservation initiative including estimates for fiscal year 2000.

[The information follows:]

Grazing Lands Conservation Initiative
(In thousands of dollars)

Fiscal Year	Annual Spending
1996	$5,000
1997	10,000
1998	15,000
1999	15,000
2000	15,000

Mr. Skeen: Provide a table that shows the number of grazing land specialists at the agency for each year since 1990.

[The information follows:]

NRCS GRAZING LANDS SPECIALISTS

Fiscal Year	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number	240	238	234	212	208	288	330	360	421

GRAZING LANDS ASSISTANCE

Mr. Skeen: Please provide the Committee with and update on the levels of grazing lands assistance being provided.

Respondent: Technical assistance to the Nation's private grazing lands continues to improve due to the increased awareness of the ecological and economical benefits of proper managed grazing lands. Due in part to the partnership created by the Grazing Lands Conservation Initiative, NRCS has

increased the availability of technical assistance to accomplish the following:

Staff providing the majority of their time to grazing lands issues increased by 61.

Grazing lands training was provide to over 16,000 individuals including NRCS, and personnel from other agencies, and private grazing land owners and managers.

There are 324 grazing lands projects nationwide that demonstrate grazing land management and emerging technologies.

NRCS provided over 1,000 public awareness/education activities impacting and estimated 202,000 individuals

NATIONAL GRAZING LAND TECHNOLOGY INSTITUTE

Mr. Skeen: Provide funding levels for the National Grazing Land Technology Institute for fiscal years 1998, 1999 and 2000.

Respondent: The funding levels for the National Grazing Land Technology Institute was $1.2 million for fiscal year 1998 and is $600 thousand for each of the fiscal years 1999 and 2000.

TRAINING IN GRAZING SCIENCE

Mr. Skeen: How many employees were enrolled in courses in grazing science, livestock management, and related sciences in fiscal year 1998.

Respondent: The National Employee Development Center provided training to 176 employees through 6 different courses hosted by Universities around the country. Additional training was provided to 4,102 employees through locally developed programs designed to meet local needs. The programs were developed through partnering with state extension services agricultural experiment station, NRCS Institutes etc.

GRAZING LAND ASSISTANCE

Mr. Skeen: How much do you plan to spend on grazing land assistance for 2000?

Respondent: We plan to spend approximately $34.9 million in support of the 421 employees that will be providing technical assistance to private grazing land owners and operators.

DETAILED BUDGET REQUEST BREAKOUT

Mr. Skeen: Provide the Committee with a detailed breakout of your budget request to the Secretary, the Secretary's request to OMB, and the OMB allowance.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
Fiscal Year 2000 History Table
(Dollars in Thousands)

	Agency Estimate	Department Estimate	President's Budget
Discretionary Funds:			
Conservation Operations:			
Conservation Technical Assistance	$866,248	$680,007	$584,752
Soil Surveys	78,323	81,565	80,565
Snow Surveys	8,135	6,124	6,124
Operation of Plant Materials Centers .	9,097	9,038	9,238
Total, Conservation Operations.....	969,049	776,734	680,679
Watershed Surveys and Planning.....	119,179	19,073	11,732
Watershed & Flood Prevention Operations:			
Flood Prevention Operations - PL-534 .	150,000	6,000	9,000
Emergency Watershed Operations	25,000	0	0
Watershed Operations - PL-566	254,506	116,975	74,423
Total, Watershed & Flood Prevention.....	429,506	122,975	83,423
Debt for Nature.....	19,455	19,455	5,000
Forestry Incentives Program.....	6,325	0	0
Resource Conservation and Development...	58,726	35,265	35,265
Farmland Protection Program.....	n/a	n/a	50,000
Subtotal, NRCS Discretionary Funds ...	1,602,240	973,502	866,099
Mandatory Funds:			
Wetlands Reserve Program (CCC).....	256,601	205,464	207,065
Environmental Quality Incentives Program	500,000	300,000	300,000
Conservation Farm Option.....	37,500	37,500	0
Wildlife Habitat Incentives Program.....	50,000	20,000	10,000
Farmland Protection Program.....	35,000	35,000	27,500
Subtotal, NRCS Mandatory Funds	879,101	597,964	544,565
NRCS, Total Funds.....	$2,481,341	$1,571,466	$1,410,664

COMPARISON OF FIP AND SIP APPROPRIATIONS

Mr. Skeen: Update the table that appears on page 644 of last year's hearing record, showing a comparison of FIP and SIP appropriations to include fiscal year 1999 actuals and the fiscal year 2000 budget request.

[The information follows:]

COMPARISON OF FIP AND SIP APPROPRIATIONS
(In thousands of dollars)

Fiscal Year	Forestry Incentives Program (FIP)	Stewardship Incentives Program (SIP)
1993	$12,446	$17,800
1994	12,820	17,932
1995	6,625	18,283
1996	6,325	4,496
1997	6,325	4,500
1998	6,325	6,500
1999 1/	16,325	0
2000	0	0

1/ The appropriation for FIP in FY 1999 reflected $10 million for an emergency supplemental.

PARTICIPATING STATES IN THE CONSERVATION FARM OPTION PROGRAM

Mr. Skeen: Please provide a list of participating states in the conservation farm option program.

Respondent: To date, no funding has been obligated for the conservation farm option program. However, The following States submitted 121 proposals for CFO pilot project areas in FY 1998: Arkansas, Colorado, Connecticut, Georgia, Iowa, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Wisconsin, and West Virginia.

EARTH TEAM VOLUNTEERS

Mr. Skeen: How many Earth Team Volunteers worked for the agency in fiscal year 1998? Give us some examples for the record of accomplishments that were achieved using these volunteers. Do these Earth Team volunteers receive any compensation for their work?

Respondent: The Natural Resources Conservation Service received assistance from 17,287 Earth Team Volunteers during fiscal year 1998. These volunteers donated 674,299 hours of service towards the conservation of our natural resources. Using the standard rate for volunteer services, set by the Points of Light Foundation, of $13.74/hour, the value of services provided was over $9.2 million. A national analysis shows that for every dollar NRCS invested in the volunteer program, the agency received $48 in services.

Mr. Skeen: Provide a five-year table, including fiscal year 1999, that shows the number of headquarters and state office staff levels.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
STAFF YEAR SUMMARY

	1995 Actual	1996 Actual	1997 Actual	1998 Est.	1999 Est.
National Headquarters	407	379	378	370	371
State Offices	2,539	1,982	2,133	2,120	2,020

Mr. Skeen: Update the table that appears on page 649 of last year's record to reflect the fiscal year 1999 EQIP allocation.

[The information follows:]

FISCAL YEAR 1999 EQIP ALLOCATIONS

State	Technical Assistance	Educational Assistance	Financial Assistance	TOTALS
Alabama	$617,000	0	$2,592,000	$3,209,000
Alaska	80,000	$41,934	299,066	421,000
Arizona	1,316,000	278,550	5,292,450	6,887,000
Arkansas	707,000	68,000	2,905,000	3,680,000
California	1,554,000	540,000	5,993,000	8,087,000
Colorado	1,413,000	135,434	5,841,566	7,390,000
Connecticut	132,000	22,160	531,840	686,000
Delaware	164,000	0	688,000	852,000
Florida	901,000	36,000	3,752,000	4,689,000
Georgia	694,000	291,800	2,626,200	3,612,000
Hawaii	110,000	22,300	441,700	574,000
Idaho	540,000	40,000	2,230,000	2,810,000
Illinois	592,000	15,600	2,470,400	3,078,000
Indiana	477,000	0	2,004,000	2,481,000
Iowa	785,000	142,500	3,157,500	4,085,000
Kansas	825,000	69,230	3,399,770	4,294,000
Kentucky	523,000	43,098	2,154,902	2,721,000
Louisiana	606,000	82,900	2,462,100	3,151,000
Maine	360,000	88,350	1,422,650	1,871,000
Maryland	357,000	10,000	1,496,000	1,863,000
Massachusetts	203,000	20,000	601,000	824,000
Michigan	741,000	52,500	3,072,500	3,866,000
Minnesota	979,000	200,000	3,918,000	5,097,000
Mississippi	831,000	0	3,512,000	4,343,000
Missouri	839,000	105,770	3,419,230	4,364,000
Montana	1,096,000	0	4,614,000	5,710,000
Nebraska	809,000	68,500	3,333,500	4,211,000
Nevada	242,000	0	1,017,000	1,259,000
New Hampshire	102,000	14,020	416,980	533,000
New Jersey	163,000	27,000	657,000	847,000
New Mexico	985,000	66,399	4,078,601	5,130,000
New York	640,000	37,500	2,658,500	3,336,000
North Carolina	840,000	150,000	3,387,000	4,377,000
North Dakota	712,000	67,719	2,932,281	3,712,000
Ohio	554,000	50,000	2,278,000	2,882,000
Oklahoma	878,000	111,060	3,590,940	4,580,000
Oregon	756,000	173,600	3,018,400	3,948,000
Pacific Basin	54,000	25,000	200,000	279,000
Pennsylvania	574,000	23,800	2,393,200	2,991,000
Puerto Rico	163,000	10,000	673,000	846,000
Rhode Island	71,000	15,000	285,000	371,000
South Carolina	384,000	12,000	1,604,000	2,000,000
South Dakota	807,000	72,000	3,329,000	4,208,000
Tennessee	514,000	7,000	2,152,000	2,673,000
Texas	2,564,000	215,438	10,556,562	13,336,000
Utah	599,000	14,000	2,520,000	3,133,000
Vermont	225,000	5,000	943,000	1,173,000
Virginia	538,000	61,130	2,198,870	2,798,000
Washington	711,000	68,900	2,926,100	3,706,000
West Virginia	304,000	0	1,280,000	1,584,000
Wisconsin	766,000	219,946	2,995,054	3,981,000
Wyoming	663,000	1,000	2,797,000	3,461,000
Undistributed	0	0	2,000,000	2,000,000
Total	$33,060,000	$3,822,138	$137,117,862	$174,000,000

NOTE: Acreage is not available until contracts are signed.

FY 2000 EQIP PROGRAM LEVELS

Mr. Skeen: What are the total technical, educational, and financial assistance levels needed to carryout a $300 million EQIP program?

Respondent: NRCS intends to distribute $229.1 million for financial assistance, $57 million for technical assistance, and $13.9 million for educational assistance for EQIP in FY 2000.

CONSERVATION TECHNICAL ASSISTANCE STAFFING LEVELS

Mr. Skeen: What is the conservation technical assistance staffing level for fiscal years 1999 and 2000 in the Conservation Operations account?

Respondent: The staff year levels for conservation technical assistance for fiscal years 1999 and 2000 are 9,376 and 8,769, respectively. These numbers include staff years from anticipated reimbursements, including CCC funded reimbursements, of 2,446 in 1999 and 1,779 in 2000.

URBAN RESOURCES PROGRAM

Mr. Skeen: Update the Committee on the status of the Urban Resources Program. Provide some examples of its successes.

Respondent: NRCS is participating in 13 cities in the Urban Resources Partnership (URP) program. Activities typically focus on conservation assistance concerning: forestry, community gardens, open space enhancement; erosion and sediment control; riparian, floodplain, wetlands enhancement; and, other community conservation improvements.

FY 1999 partnership cities include: Atlanta, Boston, Buffalo, Chicago, Denver, East St. Louis, Las Vegas, Los Angeles, New York, Philadelphia, San Francisco, Seattle, and South Florida. The URP cities' residents and community leaders identify community needs and use the Partnership's resources to accomplish them. In addition to the many environmental improvements, the Urban Resources Partnership is also building new relationships between innovative problem solving teams of government agencies, local communities, and private organizations.

Chicago is a good example of an URP success. The Chicago Urban Resources Partnership provided technical and financial resources to the Wolf Road Prairie Restoration Project. The Wolf Road Prairie is recognized as the finest and largest black soil prairie east of the Mississippi River. Within the preserve lies a number of savanna and wetland ecosystems. The restoration effort improved the deteriorating water quality of the wetland areas by reducing sediments and other contaminates contained in the runoff. This was accomplished by introducing native plant species, and creating a natural vegetative buffer, that controls erosion and sedimentation. In addition, increases in infiltration rates and groundwater recharge have help restore the wetland habitat. By enhancing the biodiversity of the wetland habitat, this effort serves as a model restoration project.

Los Angeles is another good example of an URP success. The Ballona Lagoon restoration project in Los Angeles created an educational program that focuses on the values and functions of wetlands. Natural resources stewardship ethic is taught to students through hands-on encounters with the Ballona Lagoon plant and wildlife communities. The project has reached more than 7,000 students. Students have helped to remove non-native plants from the lagoon and have aided in the revegetation of the site using native plant species.

Working in partnership with the California Department of Parks and Recreation and others, the Los Angeles Urban Resources Partnership has worked to restore habitat within the Santa Susana Mountains. A severe erosion problem was controlled through the use of native vegetation. Approximately 10,000 feet of trail was restored and wildlife habitat enhanced.

Mr. Skeen: Provide a table that shows the amount spent on this program for both financial support and technical assistance since its inception. Also include the amount that has been contributed by other entities.

Respondent: A table will be provided with the current estimated cumulative support information. We anticipate an updated report will be available by fall 1999.

[The table follows:]

URBAN RESOURCES PARTNERSHIP
CUMULATIVE SUPPORT THROUGH FY 1998

Partners	Total Assistance
Natural Resources Conservation Service	$9,751,000
Forest Service	9,034,000
National Park Service	340,000
Environmental Protection Agency	810,000
Housing and Urban Development	35,000
CSREES	100,000
State	311,000
City	610,000

WILDLIFE HABITAT INCENTIVES PROGRAM UPDATE

Mr. Skeen: Provide an update on the wildlife habitat incentives program. How much has been spent to date on this program? What are your plans for fiscal year 1999?

Respondent: States began implementing WHIP in FY 1998. In the first year of the program, $30 million were distributed to states for financial and technical assistance. By year-end 1998, of the $26 million in total WHIP obligations, $5 million, or 19% of the total obligation was used to fund technical assistance. The remaining $21 million, or 81 percent, funded financial assistance activities. A total of 4,600 long-term agreements were signed enrolling 672,000 acres in the program nationally. The remaining $4 million of FY 1998 funds has been returned to the states to complete processing additional WHIP cost-share agreements identified during the year. During the first year of the program applications outpaced cost-share agreements awarded by two to one.

For FY 1999, $20 million of WHIP funding has been allocated to the states. By fiscal year end 1999, WHIP funds will be fully obligated.

WHIP FUNDING ALLOCATION

Mr. Skeen: How is this funding allocated to the states? Provide a breakout, by state, for fiscal years 1998 and 1999.

Respondent: Allocations are made to states based on the information provided in a proposal submitted annually by each state. In FY99, 49 states and Puerto Rico submitted requests for WHIP funding by providing information on: wildlife priorities, partnerships/dollars leveraged and FY98 WHIP program accomplishments. These proposals were reviewed and ranked. Each state received a percentage of their request up to a ceiling of $600,000 based on the quality of the state WHIP plan submitted.

In some cases, the table below reflects modest amounts of resources because the state request was small. Not all states requested a large amount of money in FY98 and FY99. In FY98 in particular, the variation in the amount requested by states varied from less than $100,000 to greater than $1,000,000. In the cases where amounts requested were small and the quality of the plan was high, states received a larger percentage of their request. For example in FY 1999 Connecticut, New Jersey, Rhode Island, and Indiana received 100% of their request. The WHIP funding allocation, by state, for fiscal years 1998 and 1999 will be provided for the record.

[The information follows:]

WILDLIFE HABITAT INCENTIVES PROGRAM
Geographic Breakdown By Actual Obligations and Allocations

	1998 ACTUAL OBLIGATIONS	1999 ALLOCATIONS
ALABAMA	$213,479	$300,021
ALASKA	42,499	442,500
ARKANSAS	1,313,047	445,000
ARIZONA	310,997	376,348
CALIFORNIA	897,453	412,548
COLORADO	1,702,444	885,058
CONNECTICUT	181,665	438,834
DELAWARE	23,463	51,537
FLORIDA	639,346	500,403
GEORGIA	831,001	363,299
HAWAII	250,895	361,606
IDAHO	457,422	400,028
ILLINOIS	673,948	556,042
INDIANA	92,162	101,861
IOWA	119,254	454,696
KANSAS	606,674	510,825
KENTUCKY	586,343	527,406
LOUISIANA	371,123	360,014
MAINE	622,113	668,231
MARYLAND	167,493	320,007
MASSACHUSETTS	232,946	642,854
MICHIGAN	659,625	728,375
MINNESOTA	653,811	808,688
MISSISSIPPI	1,310,461	655,002
MISSOURI	931,592	701,908
MONTANA	544,650	552,850
NEBRASKA	654,185	665,802
NEVADA	153,637	213,863
NEW HAMPSHIRE	335,728	361,767
NEW JERSEY	247,344	252,656
NEW MEXICO	516,640	336,935
NEW YORK	625,488	371,919
NORTH CAROLINA	620,183	397,067
NORTH DAKOTA	339,150	300,000
OHIO	187,438	300,023
OKLAHOMA	1,206,409	421,090
OREGON	301,126	524,369
PENNSYLVANIA	539,386	512,370
PACIFIC BASIN AREA	15,000	625
PUERTO RICO	18,238	77,000
RHODE ISLAND	64,892	360,910
SOUTH CAROLINA	903,752	387,186
SOUTH DAKOTA	934,064	502,186
TENNESSEE	588,804	522,377
TEXAS	603,185	521,814
UTAH	187,056	300,444
VERMONT	249,295	754,865
VIRGINIA	541,891	741,557
WASHINGTON	656,482	399,518
WEST VIRGINIA	436,301	516,199
WISCONSIN	212,510	893,740
WYOMING	538,588	627,662
UNDISTRIBUTED FUNDS	--	57,437
TOTAL AVAILABLE OR EST	$26,112,678	$23,887,322

CONSERVATION FARM OPTION FUNDING

Mr. Skeen: How much was spent on the conservation farm option program in fiscal year 1998?

Respondent: Although funding was authorized at $11 million, no funds were spent on the conservation farm option program in fiscal year 1998.

INTERNATIONAL ACTIVITIES

Mr. Skeen: How many assignments did NRCS personnel complete in foreign countries in fiscal year 1998? How many countries did NRCS personnel complete assignments in? What was the total cost of these assignments and how much were you reimbursed for these costs?

Respondent: NRCS specialists completed 253 international conservation assignments in 49 foreign countries during fiscal year 1998. This included participation in 16 long- and short-term technical assistance assignments; 33 scientific and technical exchanges; and 204 international meetings, workshops, and professional societies. The total cost of technical assistance assignments was $256,000 of which $234,000 was reimbursed to NRCS.

COMMON COMPUTING ENVIRONMENT PURCHASES

Mr. Skeen: How much have you spent to date on computer hardware and field office computing system software? How much do you plan to spend in fiscal year 1999?

Respondent: In fiscal year 1998, NRCS acquired a large portion of the Common Computing Environment (CCE) hardware and software for use in the new field office environment. From fiscal year 1998 through February 1999, NRCS has spent approximately $14.9 million on computer hardware and software for use in the field offices. Of this amount, $11 million went for CCE field office hardware and software. Approximately $3.9 million went for replacement field office hardware and software for use in our legacy field system environment. Much of the replacement equipment acquired for the legacy environment will continue to be used in the CCE environment. NRCS plans to spend a total of $4.33 million in FY 1999 for field office hardware and software for use in the CCE environment.

Mr. Skeen: Are the computer hardware and software purchases you have made compatible with the Common Computing Environment initiative?

Respondent: All NRCS information technology acquisitions are sent through our technical approval (TA) process. All requests are evaluated by the TA manager for compatibility and compliance with the Common Computing Environment (CCE) initiative. Only those computer hardware and software purchases that are compatible with the CCE architecture are approved for acquisition.

NATIONAL RESOURCES INVENTORY

Mr. Skeen: Will you be conducting National Resources Inventory in fiscal year 1999? What is the total cost estimates for the 1998 National Resources Inventory?

Respondent: We will not be conducting a National Resources Inventory in fiscal year 1999, but there will be some quality assurance and maintenance activities. These will focus on field calibration of erosion models and soil characterizations. The 1998 National Resources Inventory was a mini-inventory, or special study. We estimate its total cost was $1.5 million, including design and preparation, procurement of special imagery, training, data collection, quality assurance, data processing, statistical estimation, and analysis.

NON-PROFIT AND COMMUNITY ACTION COOPERATIVES

Mr. Skeen: Please provide a list of all the non-profit and community action groups you cooperated with in fiscal year 1998.

Respondent: There was cooperation with 2 non-profit organizations in FY 1998 by NRCS. They were the Land Improvement Contractors of America (LICA) and the Associated General Contractors (AGC).

Mr. Skeen: Did these groups receive any federal funds? If so, please list any funds these non-profit and community action groups received in fiscal year 1998.

Respondent: AGS and LICA received no funds from NRCS in FY 1998.

FISCAL YEAR 2000 COMPLIANCE

Mr. Skeen: Please update the committee on NRCS' status on the Year 2000 problem? Will NRCS systems by Y2K compatible?

Respondent: NRCS has identified fifteen mission critical computer systems. Nine of the eleven being repaired to achieve Y2K compliance are completed and implemented. The remaining two systems being repaired are on schedule to complete testing and implementation by March 31, 1999. One of the four systems being replaced is completed, has passed testing in the USDA "Time Machine" environment and is in production. The remaining three systems being replaced are 99% complete and will be in final independent verification and validation testing by March 31, 1999.

Mr. Skeen: How much has NRCS spent to date on Year 2000 compliant activities?

Respondent: To date, NRCS has spent $12,683,800 on Year 2000 compliant activities.

Mr. Skeen: How much does NRCS project to spend on Year 2000 compliance, in total, by September 30, 1999?

Respondent: NRCS estimates spending $19,887,237 on Year 2000 compliance by September 30, 1999.

Mr. Skeen: Did NRCS receive any emergency Y2K funds provided to the Administration in fiscal year 1999? How much?

Respondent: As of February 1999, NRCS has received $225,000 of the emergency Y2K funds provided to the Administration in fiscal year 1999.

Mr. Skeen: How is NRCS working with the Service Center Implementation Team and the CIO on Year 2000 activities?

Respondent: NRCS is working closely with two projects sponsored by the Service Center Implementation Team (SCIT) on Year 2000 issues. NRCS is working closely with Common Computing Environment Project to identify equipment, which is not Y2K compliant and needs to be replaced early in the CCE implementation. All hardware and software NRCS procures is through the SCIT contracts, thus insuring compatibility and Y2K compliance. Data exchanges within and across agency lines are coordinated through the SCIT, being recorded and tracked in a shared, Web based database. The NRCS Y2K coordinator and staff work closely with the Year 2000 Office of the CIO, reporting monthly on ongoing activities, attending OCIO sponsored status meetings to share experiences, and staying in daily contact with our agency representative to make sure the CIO is advised quickly of problems.

WETLAND DETERMINATIONS

Mr. Skeen: According to last year's testimony, you conducted over 30,000 wetland determinations in fiscal year 1997. How many wetland determinations were conducted in fiscal year 1998? How many do you plan to conduct in fiscal years 1999 and 2000?

Respondent: NRCS conducted about 40,000 certified wetland determinations in fiscal year 1998. We estimate that NRCS will conduct about the same number in fiscal year 1999 and fiscal year 2000.

FUNDING AND STAFFING LEVELS FOR SOIL SURVEYS

Mr. Skeen: Please update the table that appears on page 693 that shows the funding and staffing levels for soil surveys including NRCS, other Federal agencies, land grant universities, State agencies, and local government for fiscal year 1998 and estimates for fiscal years 1999 and 2000.

[The information follows:]

FUNDING AND STAFFING OF SOIL SURVEYS
FY 1998 Actual and FY 1999 and 2000 Estimates
(Dollars in Thousands)

	FUNDING			STAFF YEARS		
	1998	1999	2000	1998	1999	2000
NRCS	$75,883	$79,405	$80,565	907	914	887
Reimbursements:						
Other USDA	873	1,100	1,100	12	15	15
Other Federal	2,438	2,600	2,600	37	38	38
State and Local Governments	3,027	3,150	3,150	54	53	53
Private	129	150	150	2	2	2
Total, Reimbursements	6,467	7,000	7,000	105	108	108
Total, Soil Surveys	$82,350	$86,405	$87,565	1,012	1,022	995

DIGITAL SOILS DATABASE

Mr. Skeen: How much did NRCS spend on coordinating, developing, maintaining, and distributing the digital soils database in fiscal year 1998? How much does NRCS plan to spend in fiscal years 1999 and 2000? Please break down the information into the four categories.

Respondent: In fiscal year 1998, NRCS spent an estimated $10,807,000 on coordinating, developing, maintaining, and distributing the digital soils database. Following is the estimated spending by category.

Coordination	$465,000
Development	$9,899,000
Maintenance	$223,000
Distribution	$220,000

In fiscal year 1999, NRCS will spend an estimated $11,200,000 on coordinating, developing, maintaining, and distributing the digital soils database. Following is the estimated spending by category.

Coordination	$494,000
Development	$10,000,000
Maintenance	$446,000
Distribution	$260,000

In fiscal year 2000, NRCS will spend an estimated $11,600,000 on coordinating, developing, maintaining, and distributing the digital soils database. Following is the estimated spending by category.

Coordination	$484,000
Development	$10,100,000
Maintenance	$700,000
Distribution	$316,000

PLANT MATERIALS CENTERS FUNDING

Mr. Skeen: Please provide a table showing the 26 plant materials centers and the fiscal year 1998 actuals, and fiscal years 1999 and 2000 estimates.

[The information follows:]

PMC Location	1998 Actual	1999 Estimate 1/	2000 Estimate
	(Dollars in Thousands & rounded)		
Tucson, Arizona	$225	$145	$260
Booneville, Arkansas	250	217	280
Lockeford, California	270	182	325
Brooksville, Florida	226	262	300
Americus, Georgia	270	243	290
Molokai, Hawaii	253	255	280
Aberdeen, Idaho	347	275	360
Manhattan, Kansas	305	281	380
Golden Meadow, Louisiana	251	223	260
Beltsville, Maryland	336	353	380
East Lansing, Michigan	252	236	280
Coffeeville, Mississippi	437	393	450
Elsberry, Missouri	310	272	360
Bridger, Montana	358	215	380
Cape May, New Jersey	268	286	300
Big Flats, New York	302	302	370
Corvallis, Oregon	332	225	350
TEXAS TOTAL	769	651	880
Kingsville, Texas			
Knox City, Texas			
Nacogdoches, Texas			
Pullman, Washington	290	217	350
Alderson, West Virginia	524	462	525
Operated by Cooperating Agencies with NRCS Assistance:			
Palmer, Alaska			
Meeker, Colorado	67	60	100
Los Lunas, New Mexico	258	226	330
Bismarck, North Dakota	316	304	330

1/ Does not reflect $1.3 million in earmarks that are outside of the normal PMC operating costs.

RC&D AREA AUTHORIZATIONS FOR FY 1999

Mr. Skeen: Currently, the Resource Conservation and Development program supports 315 RC&D areas. Have any new areas been authorized in fiscal year 1999? If so, how many?

Respondent: No new areas have been authorized in fiscal year 1999.

EQIP FUNDING

Mr. Skeen: How much of the FY 1998 EQIP funds have gone to priority areas?

Respondent: In FY 1998, 75 percent or $148 million of the available funds were expended in priority areas.

Mr. Skeen: How much of the FY 1998 EQIP funds have gone to non-priority areas?

Respondent: In FY 1998, 25 percent or $49 million of the available funds were expended on significant statewide natural resource concerns outside of funded priority areas.

URBAN RESOURCES PARTNERSHIP

Mr. Skeen: How much did NRCS spend on the Urban Resources Partnership initiative in fiscal year 1998? How much do you plan to spend in fiscal 1999?

Respondent: NRCS spent $1.97 million on the Urban Resources Partnership in fiscal year 1998. NRCS will spend approximately $2.0 million on the Urban Resources Partnership in fiscal year 1999.

NORTHWEST SALMON RECOVERY INITIATIVE

Mr. Skeen: How much did NRCS spend on the Northwest Salmon Recovery Initiative in fiscal year 1998? How much do you plan to spend on this initiative in fiscal year 1999?

Respondent: In FY 1998 NRCS did not set-aside any resources to spend on the Northwest Salmon Recovery Initiative. In previous years (93-97), NRCS had set aside a total of $9.4 million from NRCS Conservation Operations, Environmental Quality Incentives Program, Watershed Surveys and Planning, and Watershed and Flood Prevention Operations accounts. However, in FY 1998 no funds were specifically set-aside for Salmon Recovery from these or any other accounts.

Consistent with FY 1998, there are no funds set-aside for Salmon Recovery in the FY 1999 budget. However, there are opportunities to use existing programs on Salmon Recovery without establishing a specific set-aside out of individual program accounts. In FY 1999, it is anticipated that existing programs, such as Conservation Operations and Public Law 566 watershed projects, will contribute to Salmon Recovery. This year there are 80 different watersheds and basins where technical assistance has been accelerated to address Salmon Recovery as well as 5 "model" watersheds, 11 watershed projects and over 60 watershed assistance and coordinated resource management planning activities. These efforts are all part of the Agency's ongoing operations.

Mr. Skeen: What were your accomplishments in fiscal year 1998 for the Northwest Salmon Recovery Initiative?

Respondent: During FY 1998, no funds were allocated specifically for the Salmon Initiative from the Conservation Operations account. There are presently 11 active small watershed projects, totaling $1.25 million, which include salmon as an integral part of their natural resources concerns.

AMERICAN HERITAGE RIVERS

Mr. Skeen: How much did NRCS spend on the American Heritage Rivers Initiative --AHRI-- in fiscal year 1998? How much do you plan to spend on this initiative in fiscal year 1999?

Respondent: NRCS provided approximately $225,000 for the American Heritage Rivers Initiative during fiscal year 1998 and estimates that $340,000 will be provided during FY 1999.

Mr. Skeen: What were your accomplishments in fiscal year 1998 for the AHRI?

Respondent: During FY 1998, NRCS assisted with the design and implementation of the American Heritage Rivers Initiative contributing its experience with natural resources assistance.

Mr. Skeen: How many NRCS personnel performed AHRI work in fiscal year 1998?

Respondent: NRCS provided approximately 2.25 FTE for staff time during FY 1998.

Mr. Skeen: What cultural and historic resources will be protected under the AHRI that are not currently being protected?

Respondent: This is a voluntary and locally driven initiative. All assistance will come at the request of the communities adjacent to the fourteen rivers. Action plans were submitted with the applications for the American Heritage Rivers Initiative and are now being revised and updated by the communities for the fourteen designated rivers. The extent of any cultural and historic protection activities will be defined in the community action plans.

GRAZING LANDS CONSERVATION INITIATIVE

Mr. Skeen: Congress earmarked $15 million in CTA funds in fiscal year 1999 for the Grazing Lands Conservation Initiative. Where have these funds been allocated?

Respondent: The $15 million earmark was distributed to the regions as follows: West Region, $2,795,000; Northern Plains Region, $2,160,000; South Central Region, $2,685,000; Mid West Region, $2,550,000; East Region, $2,080,000; South East Region, $2,730,000.

All 50 states have been allocated GLCI funding based on needs developed at the regional level. The funds are being utilized in support of five major GLCI activities which are staffing; training; increased technical assistance; grazing lands projects; and marketing and outreach.

Mr. Skeen: Provide an update on the activities and accomplishments of this initiative.

Respondent: GLCI was prompted in large part to provide increased technical assistance to ranchers on the Nation's private grazing lands. The GLCI earmark enabled 421 employees providing the majority of their time providing technical assistance on GLCI activities and training was provided to over 16,000 individuals including NRCS, personnel from other agencies, and private grazing land owners and managers. Technical assistance was provided on over 14 million acres of grazing land. There are 324 grazing land demonstration projects nationwide that demonstrate grazing land management and technologies. NRCS conducted over 1000 public awareness and education activities impacting over 202,000 individuals. However, the earmark precluded similar conservation technical assistance on other crop and livestock operations.

ANIMAL AGRICULTURE AND PRODUCTION CONCERN

Mr. Skeen: Animal agriculture and production have become a growing concern across the country, particularly with respect to the potential for certain operations to have an adverse effect on water quality. What is NRCS doing to help farmers address potential problems associated with livestock production?

Respondent: NRCS currently assists approximately 10,000 farmers annually to prepare animal waste management plans, provide technical engineering and agronomic expertise, design and build structures, and implement land management practices. Regularly, the technical standards that are used by NRCS, other technical staff, and private sector vendors to guide on-the-ground planning and implementation of technical activities with farmers, are revised. For example, the NRCS nutrient management policy and standards are currently undergoing review. They will provide a basic, consistent, technically sound, state-of-the-art foundation for helping AFO owners and operators develop Comprehensive Nutrient Management Plans (CNMPs); moreover, the technical standard will provide the flexibility for local, technically qualified personnel to adapt it to meet site-specific, local, and state concerns, but all within the framework of national requirements.

Mr. Skeen: What impact would strengthening regulations have on agency workload?

Respondent: NRCS has a long history of working with America's farmers to implement practices through voluntary, incentive driven programs. As regulations are strengthened to protect water quality, more of our traditional customers will face mandates by regulatory agencies. Since we have developed a trust relationship with the farmers, they will come to us for assistance. Our workload will significantly increase not only providing direct, one-on-one technical assistance, but also in training other public and private sector specialists.

EQIP FUND ALLOCATIONS

Mr. Skeen: Please describe in detail the changes that were made from 1998 to 1999 in the way EQIP funds were allocated.

Respondent: There are few changes to the way that EQIP funds are allocated in FY 1999 as compared to FY 1998, as shown on the following table:

[The table follows:]

FY 1998 Process	FY 1999 Process
Base funding levels were recommended to the Chief by NRCS Regional Conservationists based on the program guidance, review of proposals, and the regional natural resource strategic plan. A regional base funding level was determined using a national formula based on natural resources, environmental, and other agricultural conditions. Eighty-five percent of the available funds were included in the base.	Base funding levels were recommended to the Chief by NRCS State Conservationists based on the program guidance, review of proposals, and the state natural resource strategic plan. A national formula based on natural resources, environmental, and other agricultural conditions, was used to determine the base funding levels. Eighty-nine percent of the available funds were included in the base.
American Indian and Alaska Native priority area proposals in 20 states were targeted for $10 million, 5 percent of the available funds.	American Indian and Alaska Native priority area proposals in 20 states were targeted for $8.7 million, 5 percent of the available funds.
Special emphasis activities in 12 states were the target of $4.7 million, 2 percent of the available funds. These activities included improved animal manure and nutrient management, salmon habitat	Special emphasis activities in 11 states were the target of $3.3 million, just under 2 percent of the available funds. These activities included improved animal manure and nutrient management, salmon habitat

improvement, and Colorado River salinity control.	improvement, and threatened and endangered species enhancement.
Congressional earmarks in 3 states amounted to $2.8 million, or just over 1 percent of the available funds.	Congressional earmarks in 5 states amounted to $6.0 million, or 3 percent of the available funds.
Incentive reward funds were awarded to 27 states for exceptional improvement in implementing the program compared to the previous year. Ten million dollars, or 5 percent of the available funds, were used for incentives.	No incentive rewards were used. In the third year of the program, there is less need to provide incentives to achieve the programs goals and objectives. Also, reducing the amount of funds used for incentives helped to offset the overall $26 million reduced funding authorization in the base funding.

ELIGIBLE ACREAGE FOR EQIP

Mr. Skeen: Please provide a table for the record showing each state's total eligible acreage/environmentally sensitive lands and the amount each state received in the 1998 EQIP allocation.

Respondent: Land eligible for EQIP includes cropland, rangeland, pasture land, hayland, forestland, and other land on which crops or livestock are produced, including agricultural land that poses a serious threat to soil, water, air, or related natural resources. We will provide a table, which reflects land needing conservation treatment according to the 1992 National Resources Inventory.

[The table follows:]

LAND NEEDING CONSERVATION TREATMENT AND FY 1998 ALLOCATIONS
(Dollars and Acreage in Thousands)

State	FY 1998 Allocation	Eligible Acreage
ALABAMA	$3,200,000	13,340
ALASKA	432,000	1/
ARIZONA	4,605,200	3,676
ARKANSAS	6,490,000	16,175
CALIFORNIA	7,692,551	12,517
COLORADO	6,382,661	11,292
CONNECTICUT	615,000	1,517
DELAWARE	1,127,715	271
FLORIDA	4,773,230	3,836
GEORGIA	4,267,000	6,312
HAWAII	1,050,999	453
IDAHO	4,143,000	8,825
ILLINOIS	4,198,000	9,164
INDIANA	3,215,014	8,952
IOWA	5,490,000	15,065
KANSAS	5,127,762	16,631
KENTUCKY	2,914,706	10,216
LOUISIANA	5,310,921	7,149
MAINE	2,545,000	10,127
MARYLAND	2,235,285	3,136
MASSACHUSETTS	860,000	1,886
MICHIGAN	4,146,340	5,755
MINNESOTA	5,593,249	18,786
MISSISSIPPI	5,390,688	11,726
MISSOURI	4,975,000	19,212
MONTANA	6,264,000	12,525
NEBRASKA	5,086,029	9,164
NEVADA	1,372,449	914
NEW HAMPSHIRE	372,088	2,384
NEW JERSEY	1,069,994	616
NEW MEXICO	4,533,313	5,609
NEW YORK	4,564,304	7,862

State	FY 1998 Allocation	Eligible Acreage
NORTH CAROLINA	5,725,796	15,442
NORTH DAKOTA	4,485,626	6,368
OHIO	3,296,400	13,160
OKLAHOMA	5,391,000	9,469
OREGON	4,219,000	10,749
PACIFIC BASIN	469,800	1/
PENNSYLVANIA	4,224,748	8,050
PUERTO RICO	1,159,000	1,400
RHODE ISLAND	238,115	304
SOUTH CAROLINA	2,080,000	6,192
SOUTH DAKOTA	4,332,166	8,472
TENNESSEE	3,056,000	11,821
TEXAS	16,335,000	37,875
UTAH	3,865,687	3,942
VERMONT	1,297,775	2,713
VIRGINIA	2,644,412	16,889
WASHINGTON	4,995,108	13,954
WEST VIRGINIA	1,827,500	3,142
WISCONSIN	4,357,000	7,299
WYOMING	3,881,417	3,684
US TOTALS	$197,925,028	436,014

1/ Information was not collected in the 1992 NRI.

CRP - ENVIRONMENTAL BENEFITS INDEX

Mr. Skeen: According to the Office of Inspector General--OIG, some environmental benefits index--EBI--scores in the 15th and 16th CRP sign-ups were skewed by some producers in some States for preserving cover beneficial to wildlife or for protecting threatened and endangered species even though the required covered or endangered species were not present on the tract of land. As a result, 2,900 offers nationwide with annual rental payments of $13 million were at risk of acceptance into CRP in the 15th sign-up, and in the 16th sign-up the OIG found errors that affected EBI scores on 46 percent of the offers that were reviewed. How did the NRCS address these discrepancies?

Respondent: In response to the first part of your question, the Farm Service Agency and NRCS did agree with OIG that in the fifteenth CRP sign-up, some producers in one State were awarded points for the protection of endangered species that were not present on the tract of land. The NRCS State Office directed field office staffs in 17 counties to correct the N1b threatened, endangered, and candidate plant and animal species score for all offers accepted in those counties. NRCS did not agree that field office staffs inappropriately awarded the maximum points for N1a cover matrix beneficial to wildlife.

For the second part of your question, FSA and NRCS did not agree with OIG that the extrapolation of its findings from only a portion of the affected offers from this one State, could be applied to a national basis. OIG's analysis identified 2,898 offers nationwide that were at risk of being accepted in CRP, based on the potentially inappropriate awarding of EBI points under subfactor N1a and N1b. We believe OIG's assumptions were erroneous that the national distribution of offers, in which some but not all offers achieved the maximum score for subfactors N1a and N1b, should apply uniformly to each county.

Mr. Skeen: Have the EBI scoring problems been resolved permanently?

Respondent: At the end of each sign-up, the Department of Agriculture (USDA) CRP Inter Workgroup, meet to determine what worked and what did not work and to make changes for improving the EBI for the next sign-up to reduce errors. Slight changes and improvements were made after sign-up 15 and 16, slight changes may also be required of the sign-up 18 criteria to further resolve EBI scoring problems.

PASSENGER MOTOR VEHICLES

Mr. Skeen: What is the cost estimate to replace 130 passenger motor vehicles during fiscal year 2000?

Respondent: Replacement of passenger carrying vehicles will include about 30 alternate fuel vehicles at $14,500 and 100 sedans at $13,500 for a total estimate of $1,785,000.

CCC REIMBURSEMENT FOR CRP

Mr. Skeen: Why does the reimbursement from CCC for the CRP increase from $49.2 million in fiscal year 1998 to $86.1 million in fiscal year 1999?

Respondent: In FY 1998, NRCS completed work on CRP acres that equaled $64.6 million in technical assistance dollars. However, the reimbursment was received so late in the fiscal year that only $49.2 million were recorded as earned consistent with the end of year US Treasury reports. The difference in these numbers was recorded as a carry over balance in fiscal year 1999. The estimated cost for providing technical assistance to CRP in FY 1999 is $65.1 million. The $86.1 million estimate reflects nearly $21 million in carryover funds. However, it should be noted that these are estimates and the final decision about how many acres will be accepted for the 18th sign-up may be different depending upon interest in enrollment.

OTHER FEDERAL REIMBURSEMENTS

Mr. Skeen: What is the reason "other Federal" reimbursements increase by about $17 million in fiscal year 2000?

Respondent: The proposed transfer of $31 million in service center implementation funds to the Support Services Bureau contains $15 million that are for soils digitization and digital orthophotoquads. This $15 million will then be reimbursed to NRCS because this work is program specific to NRCS. The remaining $2 million represents probable changes to reimbursements that have been made to reflect changes in budget decisions for other agencies that were made at the last minute.

Mr. Skeen: Please provide a detailed table for fiscal years 1998 - 2000 showing "Other Federal" reimbursements from all other Federal agencies.

[The table follows:]

OTHER FEDERAL REIMBURSEMENTS

	FY 1998	FY 1999	FY 2000
Soil Surveys BLM	$272,000	$300,000	$300,000
Flood Insurance Studies	70,000	0	0
Program Planning	1,147,749	2,843,500	2,843,500
Program Application	2,039,100	5,051,900	5,051,900
Soil Survey	1,892,250	2,000,000	2,000,000
Program Survey	31,880	50,000	50,000
Cartographic Job Work	44,400	50,000	50,000
Facilities	57,458	70,000	70,000
PMC Operations	142,475	100,000	100,000
Other	8,012,820	10,937,100	10,937,100
Financial Assistance	13,710,781	11,770,500	11,770,500
TOTAL	$27,420,913	$33,173,000	$33,173,000

Mr. Skeen: Please provide a detailed table for fiscal years 1998 - 2000 showing "Non-Federal" reimbursements.

[The table follows:]

NON-FEDERAL REIMBURSEMENTS

	FY 1998	FY 1999	FY 2000
Rural Abandoned Mine	$36,365	$0	$0
Program Planning	766,163	1,099,600	1,099,600
Program Application	1,804,069	2,589,200	2,589,200
Soil Survey	2,208,130	2,200,000	2,200,000
Program Survey	203,254	240,000	240,000
A&E Contracting	-8,025	0	0
Cartographic Job Work	137,203	140,000	140,000
Facilities	919,643	1,130,000	1,130,000
PMC Operations	165,468	200,000	200,000
Sale of Equipment	1,051,481	1,338,600	1,338,600
Other	6,935,751	10,605,300	10,605,300
Financial Assistance	8,106,376	8,938,700	8,938,700
TOTAL	$22,325,878	28,481,400	$28,481,400

UNIFIED WATERSHED ASSESSMENT

Mr. Skeen: Based on the increase justification for conservation technical assistance, "in support of the President's Clean Water Action Plan each State was asked to convene a process to prioritize watersheds statewide according to the need for water quality and natural resource restoration or protection." Please provide for the record a copy of each state's draft Unified Watershed Assessment and final priority lists.

Respondent: Final reports of each state's Unified Watershed Assessment and priority lists are available, however, the information for each state is very detailed and lengthy. A national summary has been produced and will be provided for use in the record. The details for each State's report can be found on an EPA Web site "home page" address which displays all the reports along with color maps. This web site address is as follows:

http://www.cleanwater.gov
click on "Related Links"
scroll down to State Environmental/NPS Information
click on "Surf Your Watershed"
click on "Featuring"
scroll down to and click on "State & Tribal Watershed Assessments"
select state in question and click on

[The summary follows:]

CLEAN WATER ACTION PLAN

Restoring & Protecting America's Waters

Unified Watershed Assessments and Watershed Restoration Priorities

Results from the first national assessment of watershed health under the President's Clean Water Action Plan

The Clean Water Action Plan charts a course toward fulfilling the original goal of the Clean Water Act - "fishable and swimmable" waters for all Americans. A key element of the Action Plan is the development of Unified Watershed Assessments. This new, cooperative approach to restoring and protecting water quality brings State, Federal, Tribal, and Local governments together with stakeholders and interested citizens to identify watersheds not meeting clean water and other natural resource goals, focus resources, and implement effective strategies to solve problems.

Unified Watershed Assessment and Restoration Priorities

States, Territories, and Tribes completed three steps in the Unified Watershed Assessment process. In the first step, each State or Tribe classified the watersheds within their jurisdiction into one of four categories, based on an evaluation of the condition and overall health of the aquatic system in the watershed (see sidebar).

The second phase involved identifying the subset of Category I watersheds

Unified Watershed Assessment Categories

I. **Restoration Needed** - watersheds needing additional action to help meet clean water and other natural resource goals.

II. **Meeting Water Quality Goals** - these watersheds still may need preventive action to sustain water quality and aquatic ecosystem health.

III. **Pristine or Sensitive** - watersheds on federal land that may need an extra measure of protection.

IV. **Insufficient Information** - not enough information is available to make an assessment.

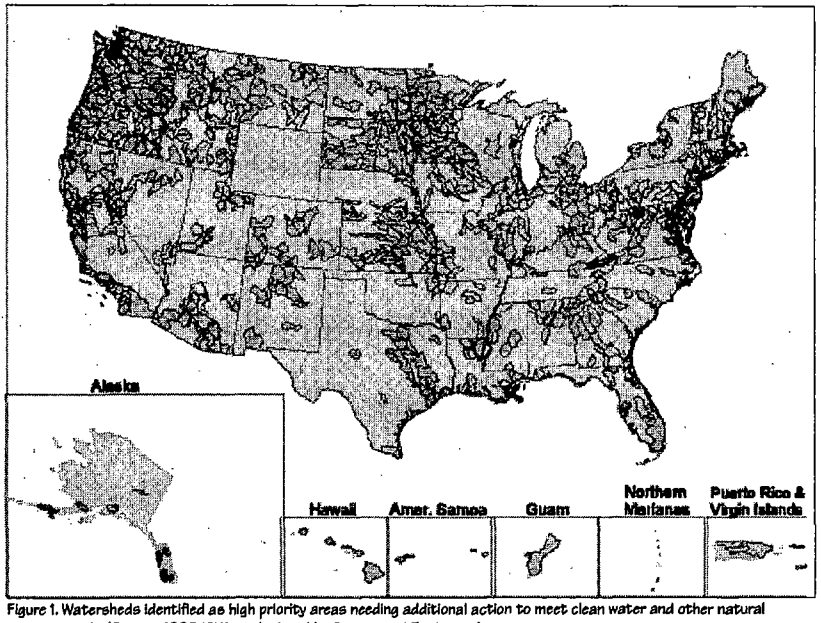


Figure 1. Watersheds identified as high priority areas needing additional action to meet clean water and other natural resource goals (Source: 1999 UWAs submitted by States and Territories).

most in need of additional action to meet clean water and other natural resource goals. Water pollution control and restoration activities funded by the Clean Water and Watershed Restoration Budget Initiative will be primarily focused in these *Restoration Priority* areas beginning in the 1999-2000 period.

The final step, currently underway by States and Tribes that completed Assessments, is the development of Watershed Restoration Action Strategies. These strategies will describe how States and Tribes will focus activities to achieve watershed goals.

State Watershed Assessment Categories

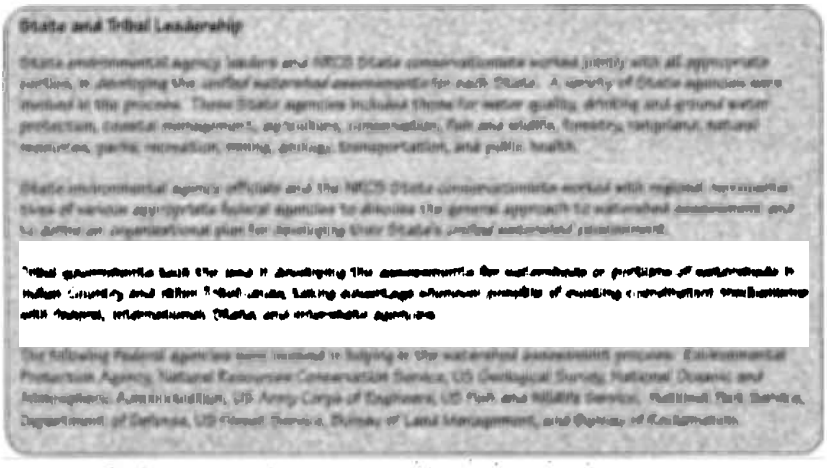
All 56 States, Territories, and the District of Columbia submitted Unified Watershed Assessments, and nearly all used the suggested four-category system to classify their watersheds. States evaluated and reported on nearly 3000 watershed areas, covering about 3,600,000 square miles. About 61 percent of the watersheds were classified as Category I, and about 15 percent were classified as Category II. Twenty-three percent of the watersheds were not rated because of insufficient data (Category IV).

Restoration Priorities

About 48 percent of the over 1,800 watershed areas classified as Category I were identified by the States and Territories as priorities for action over the next two years. These watersheds will receive most of the new resources made available through the President's Clean Water and Watershed Restoration Initiative. Figure 1 shows the location of these high priority watersheds. Some States and Territories have identified the majority of watersheds within their boundaries as priorities, while other States identified only a few watersheds. Caution should be used in comparing results among States because each State and Territory used its own assessment approach and information to identify its priorities.

Tribal Unified Watershed Assessments

Tribes submitted 44 draft Unified Watershed Assessments, with 32 final assessments submitted as of January, 1999 (because of time constraints, this summary contains information only on the 18 tribal submittals received by 12/3/98). There has been strong interest in and commitment to the Unified Watershed Assessment process in Indian Country. However, the compressed timeframe, lack of resources to support assessment, and difficulty in redirecting existing program resources prevented many Tribes from completing assessments under the same schedule as States and Territories. The deadline for submission of tribal UWA's has been extended to provide additional time for Tribes to complete assessments.



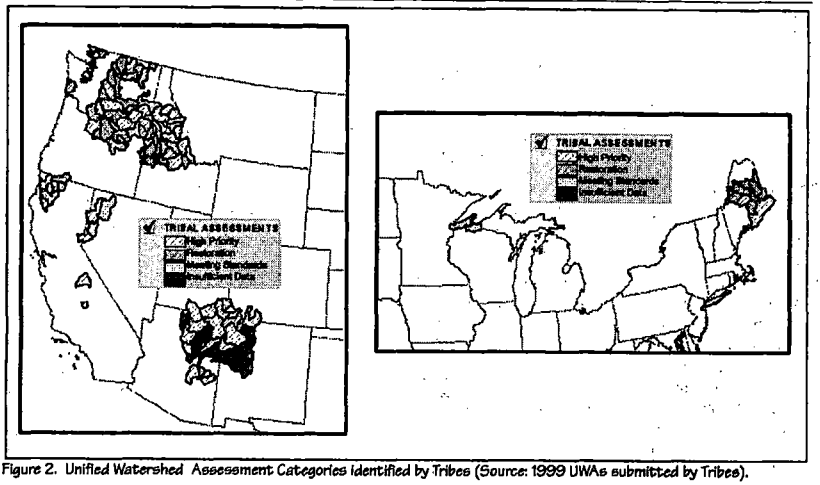


Figure 2. Unified Watershed Assessment Categories identified by Tribes (Source: 1999 UWAs submitted by Tribes).

Tribal Assessment Results

The 18 Unified Watershed Assessments submitted by Tribal groups contained evaluations for all or a portion of 119 USGS 8-digit Cataloging Units. While many additional tribal UWA submissions are expected, the current available information illustrates several issues in understanding how tribal materials relate to watershed assessments from the States. The classification of these watersheds into the four assessment categories is summarized below in Table 1, and shown in Figure 2.

Table 1. Summary of UWA Categories Based on Tribal Assessments

CATEGORY I*	101	(85%)
CATEGORY II	3	(3%)
CATEGORY IV	15	(12%)

*(Includes 77 Restoration Priority Watersheds)

In most watersheds assessed by Tribes, the States also provided assessment information. In the majority of cases, the Tribes and the States agreed on the UWA Category assignments. For example, for 97 of the 101 watersheds rated as Category I by a Tribal group, the State assessment is also a Category I.

UWA Tribal Workshops

In 1999, several workshops will be conducted to assist Tribes in producing Unified Watershed Assessments. The first is scheduled to be held in mid-March at the Department of Energy Training Facility in Albuquerque, NM. These working meetings will be sponsored by multiple federal agencies, and are designed to increase the number of tribal UWAs submitted to over 200. The workshop results will be used to identify restoration strategies and possible projects for implementation in 1999 and 2000.

Funding Watershed Restoration Action Strategies

The President's Clean Water and Watershed Restoration Budget Initiative received a $202 million increase in federal funds in FY 1999. Over half of the increase will be made available to assist States, Territories and Tribes undertake watershed restoration activities. Table 2 presents the breakdown of new funding by agency and program and the proposed budget request for FY 2000. Agencies have already distributed or are in the process of developing guidance on how these new resources can be used by States, Territories, and Tribes to fund activities identified in their watershed restoration action strategies. In those watersheds where prevention or additional monitoring is needed or for pristine or sensitive watersheds on federal, State, or Tribal lands, new funding is not available but agencies may be able to re-prioritize existing base funding to address these prevention or monitoring needs on a case-by-case basis.

Next Steps

The Unified Watershed Assessment process represents real progress in providing a more integrated approach to identifying high priority watersheds in need of restoration and protection.

Over the next several months, the federal agencies will be seeking feedback and ideas from States, Tribes, and other stakeholders to broaden participation in the process, improve coordination, develop ways to measure the successful implementation of the Watershed Restoration Action Strategies, and improve public access to data and information. If you have ideas, please send them to the Federal Action Team co-chairs (see below).

Need More Information?

To learn more about this new assessment process, log on to the Clean Water Action Web site at:

www.cleanwater.gov

and connnect to the Surf Your Watershed site through Related Links. From this site you can read more about the framework for the assessment process, link to a State's UWA website, download a digital copy of a State's report in portable document format (.pdf), or discover more about other Clean Water Action Plan activities.

Alternatively, contact the co-chairs of the Unified Watershed Assessment Federal Action Team:

Table 2. Clean Water Action Plan Budget Summary

Clean Water Action Plan

(Budget Authority -- $ in millions)	1998	1999		2000	
Funding by Agency	**Enacted**	**Budget**	**Enacted**	**Increase**	**Budget**
Environmental Protection Agency:					
State and Tribal Grant Assistance					
Polluted runoff control grants (Sec. 319)	105	200	200	0	200
State program management grants (Sec. 106)	96	116	116	0	116
Wetlands protection grants	15	15	15	0	15
Water quality cooperative agreements	20	19	19	0	19
Water quality program management	248	279	255	25	280
Total, EPA	**$484**	**$629**	**$605**	**$25**	**$630**
Department of Agriculture:					
NRCS: Env. Quality Incentives Program	(200)*	(300)*	(174)*	126*	(300)*
NRCS: Locally-led conservation	0	20	0	20	20
NRCS: Watershed health monitoring	0	3	0	3	3
NRCS: Animal Feeding Op. Strategy	—	—	—	20	20
Forest Service: Improve water quality on federal lands	239	308	281	78	359
Agriculture Research Service: Watershed health research	0	2	1	4	5
Total, USDA	**$439**	**$633**	**$456**	**$251**	**$707**
Department of the Interior:					
BLM: Improve WQ on federal lands	133	157	146	17	163
Office of Surface Mining: Abandoned mined water quality	5	7	7	25	32
US Geological Survey: Water monitoring and assessment	125	147	138	-5	132
Fish and Wildlife Service: Wetlands restoration	36	42	42	3	45
Bureau of Indian Affairs: Improve water quality on tribal lands	0	5	0	0	0
Total, DOI	**$299**	**$358**	**$333**	**$39**	**$372**
National Oceanographic and Atmospheric Administration:					
Polluted runoff, harmful algal blooms and toxic contaminants	0	22	17	5	22
Total NOAA	**$0**	**$22**	**$17**	**$5**	**$22**
Army Corps of Engineers:					
Wetlands programs	106	117	106	11	117
Challenge 21: Floodplain restoration initiative	0	25	0	25	25
Total, USACE	**$106**	**$142**	**$106**	**$36**	**$142**
Interagency Projects:					
Florida Everglades	228	282	231	81	312
California Bay Delta	85	143	75	20	95
Everglades correction	-5	-5	-5	0	-5
Discretionary Total	**$1,436**	**$1,804**	**$1,643**	**$332**	**$1,975**
Total CWAP (with Mandatory Spending)	**$1,636**	**$2,204**	**$1,817**	**$458 ‡**	**$2,275**

* Indicates Mandatory Spending
‡ Represents 25% increase over FY1999.

February 1, 1999

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Produced by the Special Projects Office, National Ocean Service, NOAA in cooperation with the UWA Federal Action Team.

WATERSHED RESTORATION STRATEGIES

Mr. Skeen: Provide for the record the watershed restoration strategies to include the broad watershed-wide planning components and the specific targeted components.

Respondent: The states are presently working on the watershed strategies; however, no information is available at this time to report.

COMPETITIVE PARTNERSHIP GRANTS

Mr. Skeen: Has NRCS determined the need for a competitive partnership grants program? Please describe the process used to determine the need for this program? How will the grants be awarded? Is there a funding formula? Does the NRCS currently have the authority to award competitive partnership grants?

Respondent: As a part of its FY 2000 budget submission, the Administration has sent forward to Congress a Competitive Partnership Grants program for consideration for funding. By providing grants to locally led conservation organizations, the conservation partnership can be expanded as well as the possibility of leveraging additional technical and financial resources to address resource needs. The grants would be awarded through a competitive request for proposal process. Specific criteria would be established so that a selection of the highest-ranking proposals could be determined. NRCS does have the authority through its enabling legislation to award competitive partnership grants.

Mr. Skeen: Would this competitive partnership grants program create a need for conservation technical assistance from NRCS at a time when conservation technical assistance resources are diminishing?

Respondent: Hopefully the partnership grants would leverage additional technical assistance from the locally-led conservation organizations.

Mr. Skeen: The competitive partnership grants program outlines three goals: effective nutrient management; water quality and quantity improvement, and natural resource protection. How would NRCS manage this program and accomplish these goals?

Respondent: First, the grants would be awarded based on the conservation organizations ability to address the three goals that are stated. Secondly, NRCS would establish an accountability process to measure performance.

ENVIRONMENTAL MONITORING AND RESEARCH

Mr. Skeen: The budget proposes a $3 million increase for additional environmental monitoring and research work. How much environmental monitoring work did NRCS conduct in fiscal years 1998 and 1999, and at what cost? How much environmental research work did NRCS conduct in fiscal years 1998 and 1999, and at what cost?

Respondent: NRCS did not conduct environmental monitoring work during FY98 and FY99 as part of its Resources Inventory Program. There has been, however, some collaborative research and development work undertaken in cooperation with other agencies. These activities have focused on development of assessment tools dealing with resource issues such as soil quality, grazing lands health, wetlands functionality, and watershed health. A maximum of $500,000 has been allocated each year for this work, in addition to NRCS technical and scientific staff time of about 10 staff years.

Mr. Skeen: How would this increase enable more accurate targeting of Federal resources to watersheds in most need of restoration?

Respondent: This funding would enable NRCS to develop procedures to make more comprehensive assessments of natural resource, conservation, and

environmental issues. As suitable resource assessment tools are developed, they can be incorporated into the National Resources Inventory framework. These additional inventory factors, coupled with more sophisticated models and related analytical tools, can lead to a more realistic ranking of watersheds relative to costs and benefits of restoration. These advanced capabilities would be tested in conjunction with the Forest Service, Bureau of Land Management, and National Agricultural Statistical Service, as well as others as appropriate. Issues include the environmental impact of agricultural use of nitrogen and phosphorus, non-point sources of groundwater and surface water contamination, soil carbon sequestration, soil quality, and the health and functionality of grazing lands, wetlands, and riparian areas.

Mr. Skeen: Wouldn't locally-led organizations be able to fill the need for targeting Federal resources to needy watersheds?

Respondent: Locally-led organizations can assist with identifying and assessing local resource concerns, and problems, however they are not in a position to target national or even state-wide watersheds. In addition, many locally-led organizations have limited resources and technology to accomplish a national standard of watershed assessments. A sophisticated nationwide methodology involving models and related analytical tools is needed to realistically identify watersheds on a national basis relative to concerns and problems, and benefits and costs of restoration or protection. In addition, these national efforts will require the cooperation and involvement at the national level of other agencies, such as Forest Service, USEPA, Bureau of Land Management, US Fish and Wildlife Service, among others.

EROSION RATES

Mr. Skeen: According to last year's testimony on page 548, erosion rates are down by about 42% since 1985. Please provide any analysis and/or assessment to support the 42% decrease since 1985.

Respondent: NRCS conducted a special National Resources Inventory in 1998 to identify changes in cropland use, vulnerability of land to soil erosion, erosion on land cultivated for crops, and soil conservation practices on cropland. The study provides timely information on such things as recent changes in land in production and its susceptibility to potential degradation in response to market conditions and the Federal Agriculture Improvement and Reform Act of 1996. The data were collected for 6,000 Primary Sampling Units--PSUs.

Based on the results of this special National Resources Inventory, total erosion on all cropland has decreased by 43.7 percent since 1982. In 1998, erosion was down to 1.8 billion tons annually. Erosion on highly erodible land declined by 49.2 percent between 1982 and 1998. In 1982, there was 1.8 billion tons of erosion occurring on highly erodible land. By 1998, erosion fell to 0.9 billion tons on this land. The erosion rate on cropland has declined 37.2 percent from an average of 7.7 tons of soil loss per acre per year in 1982 to 4.9 tons per acre per year in 1998. Finally, between 1995 and 1998, there has been virtually no change in the erosion rate. There has been, however, a slight reduction in total erosion between these years of 48.3 million tons or 2.6 percent as a consequence of a shift from cultivated cropland acreage to non-cultivated cropland acreage which erodes at a lower rate.

This reduction in erosion occurred for a number of reasons including highly erodible cropland being removed from production and placed into the Conservation Reserve Program; highly erodible cropland being converted to permanent cover because of Conservation Compliance and economic factors; and more effective conservation systems put in place on many acres of both highly erodible and non-highly erodible cropland. These conservation systems usually featured the use of conservation tillage or changes in cropping patterns.

Mr. Skeen: Please describe any efforts that have been undertaken by NRCS to accurately assess the health of our lands.

Respondent: NRCS has efforts underway to develop and present indicies and algorithms for combinations of individual measures/factors associated with land health on cropland, grazing land, wetland, and riparian systems. The measures include: the extent/acreage of land use types within a specified geographic region; erosion measurements; soil compaction measures; soil removal; vegetative decline; nutrient enrichment/depletion; salinization; and likelihood of toxins from sources such as pesticides or organic wastes. Information sources to develop these measures include databases from USGS, EPA, and NASA, as well as the NRCS Soil Survey; the 1997 National Resource Inventory; and the 1997 Census of Agriculture. There remains much debate in the scientific community regarding specific measures and methodologies to assess land health. NRCS is collaborating with multiple agencies and non-governmental entities to develop and present reliable indicators. The initial production of sets of measures/indicators are planned to be part of the agency performance measures process to meet the Government Performance and Reporting Act requirements in December, 1999.

LOSS OF PRIME FARMLAND

Mr. Skeen: How many acres of farmland are we losing per year?

Respondent: Between 1982 and 1992, the loss of cropland and pastureland to urban use averaged 660,000 acres per year. During the same period, land converted from rangeland and forest land to urban use averaged 800,000 acres. The 1998 special National Resources Inventory, however, does not contain sufficient detail on this issue to provide a definitive assessment of land use changes between 1992 and 1998. Consequently, information on the nature and extent of land use conversions subsequent to 1992 must wait until final tabulations are available from the 1997 Foundation National Resources Inventory. These are expected to be completed by August 1999.

Mr. Skeen: How much of that is prime farmland?

Respondent: About 400,000 acres of prime farmland were lost annually to development during the period 1982-1992.

Mr. Skeen: What is the definition of prime farmland?

Respondent: Prime farmland is land that has the best combination of physical and chemical characteristics for producing food, feed, fiber, and oilseed crops and is also available for these uses; developed land and open water cannot be classified as prime. Prime farmland soils: have adequate and dependable water supply from precipitation or irrigation; have a favorable temperature and growing season; have acceptable acidity or alkalinity; are not saturated with water during the growing season; have low salt and sodium content; are not flooded during the growing season; are not highly erodible; are permeable to air and water; contain few or no coarse fragments.

TRANSFER OF WATERSHED ACCOUNTS TO CONSERVATION OPERATIONS

Mr. Skeen: What is the rationale for a fiscal year 2000 funding request for Watershed Surveys and Planning and Watershed and Flood Prevention Operations and then proposing to transfer the funds to the Conservation Operations account?

Respondent: Appropriating the funds to the water resources planning and construction accounts shows the total program costs of planning, technical assistance and construction during the fiscal year. Transferring these planning and technical assistance funds to the Conservation Operations account shows the costs for most of NRCS field activities in one appropriation account.

Mr. Skeen: Would this impact the way NRCS would be able to respond to emergencies and conservation technical assistance?

Respondent: The would be no impact on the way NRCS responds to emergencies as long as funding for the Emergency Watershed Protection program that is provided includes technical assistance.

SECTION 11 CAP

Mr. Skeen: It seems like there is a lot of interest in the section 11 cap and how it affects your ability to provide technical assistance for the CRP and WRP. Describe the process used by FSA to allocate section 11 funds to NRCS.

Respondent: Under the CCC Charter Act, CCC has the authority to provide section 11 funds needed to implement all CCC funded programs, including those funds for the technical services rendered by NRCS and other government agencies. Funding currently available to NRCS and other agencies is inadequate to support current staffing levels needed for conservation program technical assistance, including CRP and WRP. The section 11 limitation will not allow NRCS to acquire $25-$28 million in CRP technical assistance reimbursement in FY 99 and result in not funding approximately 450 NRCS FTE. The potential impact in FY 2000 is a shortfall of $23.9 million for CRP and $6.5 million for WRP. Section 161 of the Federal Agriculture Improvement and Reform Act of 1996, has placed a funding limit at approximately $35 million on section 11 CCC funds.

Section 161 of the 1996 Act imposed a limit on allotments or transfers for any fiscal year that was not to exceed the amount of allotments or transfers made under section 11 for fiscal year 1995, hence the approximately $35 million cap. CRP and WRP, as well as several other conservation programs, were not funded by CCC in fiscal year 1995, and therefore were not provided for within the computation of the cap. Additionally, the primary uses or programs that the section 11 funds are used for were not altered by the 1996 Act. Therefore, because of these statutory limitations, there currently is no funding available within the $35 million cap to fund technical assistance provided by NRCS or other agencies for CRP or to fully fund WRP.

TECHNICAL ASSISTANCE FOR CRP

Mr. Skeen: What is the cost for the NRCS to carry out the conservation technical assistance for the CRP as a result of the 6.8 million acres in the 18th signup and the continuous CRP signup in fiscal years 1999 and fiscal year 2000?

Respondent: In FY 1999, it is estimated that the total acreage bid will be approximately 7.9 million acres. Of this amount, 6.8 million acres will be enrolled into CRP through the 18th and the continuous signups. The estimated cost of providing technical assistance for the enrollment and bidding of CRP acres in FY 1999 is $65.1 million. For FY 2000, it is estimated that 2.1 million acres will be offered and 1.8 million will be accepted into CRP. The estimate technical assistance for FY 2000 signups is approximately $17.2 million. However, it should be noted that these are estimates and the final decision about how many acres will be accepted and the cost of the acres for the 18th sign up may be different depending upon interest in enrollment.

TECHNICAL ASSISTANCE FOR WRP

Mr. Skeen: What is the cost for the NRCS to carry out the conservation technical assistance for the Wetlands Reserve Program in fiscal years 1999 and 2000?

Respondent: For FY 1999, the total cost for technical assistance for WRP is estimated at $13.2 million. Of this amount, an estimated $3.4 million is funded from unobligated balances of WRP appropriations, and $9.8 million is from transfers under CCC Charter Act, section 11 authority. This funding enables NRCS to enroll an additional 120,000 acres.

For fiscal year 2000, $18.288 million is needed in technical assistance funding to complete the proposed WRP acreage enrollment, to provide for the monitoring of previously enrolled acreage, and to make any necessary modifications to existing contracts. Of this amount, the budget proposes to fund $2 million from unobligated balances of WRP appropriations and $9.8 million through transfers under CCC Charter Act, section 11 authority. This results in the need for $6.4 million in additional technical assistance above the section 11 cap.

CRP ENROLLMENT

Mr. Skeen: The CRP primarily looks for the best environmental benefit per dollar, but some productive soils are also enrolled in the program. Provide a table showing total CRP enrollment with a breakout between acreage in environmental enrollment and acreage in productive enrollment.

Respondent: USDA established the EBI to rank all acreage offered for acceptance in the program beginning with sign-up 10. For sign-up 15, the EBI was changed to ensure that only the most environmentally sensitive land would be enrolled. In each of the three general sign-ups since the 1996 Act, USDA has ranked each offer received and accepted only those offers for enrollment that are environmentally sensitive. Approximately, 39.8 million acres were offered during sign-ups 15, 16, and 18. Approximately, 22 million acres were accepted in sign-ups 15 and 16. The Secretary has not made a decision as to how many acres will be accepted for the 18th sign-up, at this time. Therefore, USDA's position is that the approximately 22 million acres enrolled in sign-up 15 and 16 are environmentally sensitive. However, some of the environmentally sensitive land may also be productive cropland.

Examples of environmentally sensitive land USDA has enrolled consist of the following: 21.1 million acres of highly erodible land, 9.2 million acres of land having an EI of 15 or more, 6.4 million acres of land in a National Conservation Priority Area, 5.0 million acres of land in a State Conservation Priority Area, 1.5 million acres of wetland restoration, and 0.2 million acres of land devoted to restoration of rare and declining habitats.

TECHNICAL ASSISTANCE FOR ANIMAL FEEDING OPERATIONS

Mr. Skeen: How much is NRCS spending in fiscal year 1999 on technical assistance for animal feeding operations?

Respondent: NRCS will spend more than $53.5 million ($37 million Conservation Technical Assistance and $16.5 million EQIP) in FY1999 to provide technical assistance through the locally-led planning and implementation process to help AFO owners and operators address water quality issues related to animal agriculture. The small watershed program contributes technical assistance dollars also, however, data is not available to identify specific contributions. Starting with FY 1999, NRCS is monitoring how its staff time is used to address the needs of AFO owners and operators, by specific program and activity, for all employees.

Mr. Skeen: How does NRCS justify a budget request that includes major funding increases while at the same time, the main workload factors described in the budget appendix all decrease in fiscal year 2000?

Respondent: The NRCS budget increases are primarily for grants, easements, and other financial assistance directly for producers. Budgeted funds for current staff result in a reduction of more than 1,000 staff years. Most of these reductions will take place in the field because past reorganizations have drastically reduced staff above the field level. This reduction in staff years translates into less workload accomplished.

ENDANGERED SPECIES

Mr. Skeen: The U.S. Fish and Wildlife Service (FWS) is currently in the process of listing the Mountain Plover on the Endangered Species List. Has USDA been consulting with the FWS on this species?

Respondent: NRCS in Colorado was contacted informally by FWS and the agricultural ramifications of listing this species were discussed, as were best management practices that would not adversely impact the Mountain Plover. No other consultation is known to have occurred. The proposed rule to list Mountain Plover as a threatened species was published in the Federal Register on February 16, 1999. Comments are due April 19, 1999. USDA will comment on the proposed listing addressing the implications to agriculture within the range of the plover.

Mr. Skeen: Has USDA been consulting with FWS regarding the proposed listing of the prairie dog? What are the impacts of these potential listings?

Respondent: USDA has not been consulted in regards to the petition by the National Wildlife Federation requesting an emergency listing of the Black-Tailed Prairie Dog, or the issuance of any forthcoming proposed rule to list the species.

The impact of these potential listings may adversely impact a number of common agricultural practices in the short grass prairie region of the United States. Ranchers have generally viewed prairie dogs as a pest and as a competitor for grass with their cattle. Most landowners are tolerant of small numbers of prairie dogs but are concerned about large colonies or expanding populations. Mountain Plovers are attracted to bare ground or areas of short grass for nesting and rearing of their young. They will nest in prairie dog towns as well as on winter wheat fallowed fields or on no-till fields. The Mountain Plover initiates nesting in Colorado--1/2 the population of the birds nest in CO--in mid-April and completes nesting by mid-July. Any agricultural practices occurring on the fallow or no-till fields during this period could result in a destroyed or disturbed nest.

Mr. Skeen: It is my understanding that Mountain Plover habitat is very low grass and bare ground. The major location for habitat seems to be on the east front of the Rocky Mountains and the high plains running from Montana south to New Mexico and Texas. Further, it is my understanding that Conservation Reserve Program lands are not good habitat, and birds have a tendency to nest on open row crops lands. Later, agriculture practices may well be destroying these nests. In other words, traditional land conservation programs seem to work against and in some cases destroy bird habitat. Has USDA reached any conclusions on this issue?

Respondent: You have correctly stated the nesting preference for the plover. The highest nesting density for Mountain Plover occurs on the plains of eastern Colorado and the second highest nesting population occurs in eastern Montana. Generally, Conservation Reserve Program lands would not be good habitat for the Mountain Plover as the grass is too tall and too thickly planted. USDA is considering developing guidelines for farmers which will discuss winter wheat fallow and no-till practices that discourage Mountain Plover nesting. This may be accomplished by keeping the stubble heights approximately 10 to 12 inches high, which should discourage Mountain Plover nesting on these fields.

Mr. Skeen: Many farmers participate in federal farm programs. Under the Endangered Species Act (ESA) will these participants have to come up with Habitat Conservation Programs? Will Section 7 consultations have to be entered into by each farm, by Soil Conservation Districts, or by some other method with FWS?

Respondent: Participants in federal farm programs do not have to come up with a Habitat Conservation Plan so long as NRCS or another federal agency has consulted on the action under Section 7 of the Endangered Species Act, and

obtained FWS concurrence that the proposed actions may affect but are not likely to adversely affect the species. However, if a landowner wants safe harbor or other assurances, they must first have a habitat conservation plan for their land.

Section 7 consultations are required to ensure that any action funded, authorized or carried out by a Federal agency is not likely to jeopardize the existence of the species or modify or destroy critical habitat. USDA is undertaking Section 7 consultations in various ways depending on the location of the activity, the number of listed species in the region, and complexity of issues involved. In most cases, site-specific consultations are undertaken; however, in some areas, NRCS and FWS are exploring opportunities to streamline section 7 consultation using programmatic approaches.

Mr. Skeen: What is the impact of the ESA on private farmland that is enrolled in federal crop programs?

Respondent: Private landowners are responsible for complying with the ESA whether or not they participate in federal crop programs. However, landowners sometimes hesitate to participate in these programs because of privacy issues. Many fear if FWS identifies threatened or endangered species or critical habitat on private land, land uses will be restricted and land values will drop. Landowners have similar concerns about species being listed in the future. In addition to these concerns, landowners with listed species or critical habitat on their property must wait to get their payments until USDA obtains FWS or NMFS concurrence that the proposed action is not likely to adversely affect listed species. The length of this delay varies extensively from case to case. USDA is very aware of these concerns and will seek to protect and enhance the value of fish and wildlife on private lands when compatible with the landowners objectives and in accordance with Federal, State, Tribe and local laws and ordinances.

Mr. Skeen: Again, looking at Mountain Plover existing research it would appear that current grazing regimes seem to have adverse impacts on Plover habitat. In some cases, it appears that grazing forage extremely low is very beneficial to the Plover. Is that correct?

Respondent: Yes, the research that we have reviewed agrees that the plover prefers bare ground or areas of short grass or areas that are sparsely vegetated. However research shows that grazing rotations do not adversely impact the plover as the bird nests in the most recently grazed pasture.

Mr. Skeen: Can CRP lands be grazed in order to benefit endangered species?

Respondent: The CRP statute and regulation make allowance for grazing of CRP acreage only in response to a drought or other similar emergency with an appropriate financial offset.

Mr. Skeen: What is the USDA position on grazing of CRP lands for ESA purposes?

Respondent: Presently, the Secretary may only allow grazing for a drought or other similar emergency.

Mr. Skeen: Do you know of any other instances or species where the conventional science/wisdom regarding best management practices may run counter to the survival of a species?

Respondent: Other wildlife species in the Short Grass Prairie ecosystem may not benefit from program requirements of USDA programs such as CRP which allowed seeding of dense stands of introduced grass species. However, USDA feels that native plants and animal species are not in jeopardy when conventional science/wisdom regarding best management practices are well planned and used properly in the Short Grass Prairie Region of the U.S.

FORESTRY INCENTIVES PROGRAM SUPPLEMENTAL FUNDING

Mr. Skeen: The fiscal year 1999 emergency supplemental appropriations bill provided $10 million for the Forestry Incentives Program. Please provide a table showing how those funds were allocated to the states.

[The information follows:]

	Financial Assistance	Technical Assistance*	Total Allowance
Alabama	$135,000	$15,000	$150,000
Arkansas	225,000	25,000	250,000
California	216,000	24,000	240,000
Florida	2,700,000	300,000	3,000,000
Florida Reserve	900,000	100,000	1,000,000
Georgia	657,000	73,000	730,000
Idaho	63,000	7,000	70,000
Louisiana	729,000	81,000	810,000
Mississippi	720,000	80,000	800,000
New Hampshire	18,000	2,000	20,000
North Carolina	135,000	15,000	150,000
Oklahoma	639,000	71,000	710,000
Oregon	36,000	4,000	40,000
South Carolina	180,000	20,000	200,000
Tennessee	216,000	24,000	240,000
Texas	990,000	110,000	1,100,000
Washington	180,000	20,000	200,000
Wisconsin	261,000	29,000	290,000
Total	9,000,000	1,000,000	10,000,000

*Technical assistance provided by the Forest Service

PRIVATE LANDS ENROLLED IN CONSERVATION PROGRAMS

Mr. Skeen: According to written testimony, 70 percent of the contiguous land in the U.S. is privately owned. How much of that privately owned land is enrolled in some conservation program?

Respondent: During the past couple of years, as NRCS transitions to a new accountability system, it has not kept records of the proportion of the privately held land that has received assistance through the Conservation Technical Assistance program or financial assistance through programs like EQIP and PL-566. There are, however, definitive acreage enrollment figures for programs like CRP and WRP because the authorizing legislation is based on acreage goals. Beginning next fiscal year, the accountability system that NRCS has designed and implemented will provide detailed information regarding the assistance provided through all conservation programs. The following table, based on information from 1994 and updated to 1996, displays by land use, an estimate of the number of acres assisted by conservation programs. Over the long-term, nearly all private agricultural land has been benefited by a conservation program over the past 60 years. But, as crops, technology, and laws change, there is an ongoing need for continuing conservation assistance.

Acreage Benefiting from Conservation Programs

Land Use	Acres (Millions)	Estimated Acres (Millions) Treated in FY-96
Cropland	382	23
Conservation Reserve	36	NA
Pasture	125	5
Rangeland	399	30
Forest Land	395	5
Miscellaneous	55	3
Rural Developed Land	92	NA
Total	1,484	66

Although conservation programs such as Conservation Technical Assistance, Soil Survey, Environmental Quality Incentives Program, Wetlands Reserve Program, Conservation Reserve Program, Small Watershed Program, the Great Plains Conservation Program, Colorado Salinity Program, Agriculture Conservation Program, Emergency Watershed Program, Resource Conservation and Development Program, Farmland Protection Program, Wildlife Habitat Incentive Program, and Conservation Farm Option all have direct effects on the Nation's private lands, they also have indirect effects. One example of the secondary effects of conservation programs is the adoption of crop residue management practices where direct NRCS technical assistance was not involved. Moreover, additional acreage is benefited by state and local conservation programs that use NRCS science and technology. Finally, the Conservation Technical Assistance program is unique in that it not only serves as the foundation for the conservation partnership with local conservation districts enabling NRCS to leverage staff and financial assistance, it serves as the foundation for the science and technology that underwrites all conservation programs.

BACKYARD CONSERVATION CAMPAIGN

Mr. Skeen: How much did NRCS spend in fiscal year 1998 on the "Backyard Gardening" campaign? How much do you plan to spend in fiscal years 1999 and 2000?

Respondent: In fiscal year 1998, NRCS spent $499,000 on the Backyard Conservation national public awareness campaign. The campaign is intended to inform audiences of the conservation work carried out by farmers and ranchers and encourage urban and suburban people to use miniature versions of conservation practices to improve the environment in their own backyards. NRCS funds were leveraged with $160,000 in support from our private sector partners, primarily the National Association of Conservation Districts and the Wildlife Habitat Council.

Results of this public-private partnership include distribution of nearly 700,000 copies of a color booklet and conservation articles in major national magazines such as Parade, Sunset magazine, and Country Living. A television public service announcement was distributed to more than 1,100 stations which resulted in more than 8,000 showings in 43 states for an estimated value of $977,000. Radio public service announcements were distributed to nearly 3,000 stations which resulted in an estimated $300,000 worth of exposure. In the last year, 40,000 people have called NRCS regarding Backyard Conservation and the agency has experienced a 1,000 percent increase in the number of volunteer inquiries.

For fiscal year 1999, we estimate approximately $280,000 is needed to support the Backyard Conservation Campaign. Our partners estimate expenditures in excess of $300,000 this year.

For fiscal year 2000, depending on demand and increased partnering, we estimate that $250,000 will be needed. The difficulty in projecting future expenses is due to private sector involvement.

INCREASING WORKLOAD

Mr. Skeen: Based upon your prepared testimony you report that "as workload increases and our customers demand more services." Provide some specific examples where customers are demanding more services notwithstanding regulations placed on them that require them to do so.

Respondent: The reason for increased services is three-fold. The first reason, is that we offer more tools, and programs than ever before. The 1996 Farm Bill created new activities such as the Wildlife Habitat Incentives Program, Farmland Protection Program, and the Environmental Quality Incentives Program, just to name a few. Secondly, issues affecting agriculture and the environment are of ever increasing concern across the country. Even in the absence of specific legislation mandating permits or other regulations, we

have found that more farmers and ranchers are in need of basic conservation technical assistance, to meet their future goals for production, to ensure sustainability of their operation, or to take preventative steps to ensure that future regulatory action will not be a problem. Lastly, our field staffs are under increasing demand, especially with respect to the resource information that they provide. We have a great deal of request for data, and interpretation of data associated with the Natural Resources Inventory (NRI) soils surveys, and watershed plans. As was referenced in the testimony, we have sought creative ways to make this information available to the public with the least impact on field staff as possible. But ultimately, what people really need is the advice and the expertise of the field conservationists. As we look toward the future, these NRCS field positions will likely be in ever-increased demand.

WETLANDS DETERMINATIONS

Mr. Skeen: How much did NRCS spend on wetland determinations and certifications in fiscal year 1998? What are the estimates for fiscal years 1999 and 2000 on these items?

Respondent: We do not keep separate data regarding the funds necessary to conduct wetland determinations. NRCS expended approximately $40 million in fiscal year 1998 to implement the wetland conservation provisions of the Food Security Act and the tasks in the wetlands memorandum of agreement. The funds supported activities to meet client needs for wetland determinations/delineations, appeal processing and resolution, mitigation and restoration plans, exemption determinations, and scope-and-effect evaluations for installation of new drainage systems and maintenance of existing systems. NRCS estimates similar funding for the wetland conservation provisions for fiscal years 1999 and 2000.

Mr. Skeen: What is the reason that certified wetland determinations are expected to increase?

Respondent: The number of certified wetland determinations has increased from approximately 30,000 in FY 1997 to approximately 40,000 in FY 1998 primarily due to the changes in the 1996 amendments to the Food Security Act; increased participation in other USDA programs (i.e., loans) requiring certified wetland determinations; and the 1994 interagency memorandum of agreement--MOA--regarding wetland determinations. The 1996 amendments modified the MOA to provide for NRCS to conduct wetland determinations on native pasture, rangeland, and other areas used to support livestock and small tree farms. In some states, we estimate that this has increased the wetland determination workload over 50 percent. The MOA requires NRCS to provide wetland determinations for non-USDA program participants and for non-agricultural activities.

GRAZING LAND CONSERVATION INITIATIVE

Mr. Skeen: How much did NRCS spend on the Grazing Lands Conservation Initiative in fiscal year 1998? What are the estimated amounts for fiscal year 1999 and 2000?

Respondent: NRCS spent $15 million in 1998 on Grazing Land Conservation Initiative activities in 1998. NRCS estimates $15 million for fiscal year 1999 and $15 million for fiscal year 2000.

Mr. Skeen: I read where a grazing land conservation coordinator position is provided in each State. Is a coordinator needed in each State? What is the cost of providing a coordinator in each State?

Respondent: The grazing land conservation coordinator positions are collateral duties in each State. Individuals that are assigned these positions work with regional coordinators and with local, State, and regional grazing organizations, sharing information regarding needs of grazing land

owners and managers, the public and the availability of technical assistance to meet the needs from NRCS and other agencies.

URBAN CONSERVATION

Mr. Skeen: How much of the conservation technical assistance funding is spent on urban conservation?

Respondent: We do not have a national reporting tracking system in place at present to capture actual time spent directly assisting communities. Once the workload analysis has been completed, we will have improved information available about conservation assistance to communities.

Mr. Skeen: What is the funding level provided by State and Local entities in the Watershed and Flood Prevention Operations program for fiscal years 1996-2000?

[The information follows:]

STATE AND LOCAL FUNDING OF WATERSHED AND FLOOD PREVENTION OPERATIONS

FY	State-Government	Local-Government	Private
1996	$265,261,154	$44,198,113	0
1997	51,010,264	49,031,945	$4,231,229
1998	63,288,271	61,532,169	6,415,864
1999	57,687,152	52,559,812	9,266,471
2000	N/A	N/A	N/A

N/A - Not available at this time.

WATERSHED AND FLOOD PREVENTION OPERATIONS FUNDING

Mr. Skeen: Why do you propose a decrease in the W&FPO account while at the same time you indicate that by fiscal year 2000 approximately 2,000 of the aging structures could require significant restoration?

Respondent: The problem of deteriorating structures is serious. However, it is our current position that the sponsors--local communities--of dams built under the Small Watershed Program are responsible and liable for the operations, maintenance, rehabilitation as well as compliance with all state and federal laws involving dam safety and environmental permits. As a condition of federal funding, the sponsors entered into a contract with the agency to operate and maintain the structures. Currently, USDA has no statutory authority to provide financial assistance for operations, maintenance nor rehabilitation. Therefore, the FY 2000 budget requires that USDA provide educational assistance to sponsors.

Mr. Skeen: According to the prepared testimony, landowners are provided with the continuous opportunity to seek enrollment in the WRP. How does this differ from previous sign-ups? What is the impact on the program as a result of this change?

Respondent: Since fiscal year 1997, WRP has been implemented through a continuous sign-up. This basically allows a landowner to file an application for enrollment in the WRP at any time throughout the year. The application can then be evaluated, ranked, and placed on the unfunded backlog list. States are then able to select from the backlog list the best projects for funding. Although most of the available funding is assigned to landowner offers by the end of the second quarter, some funding is generally available to apply toward the enrollment of a few of the best offers during the third and fourth quarters. Prior to fiscal year 1997, the sign-up period was specifically set and limited in duration to a 30 to 60 day period, generally during the first quarter of the year. Projects were then selected for funding and there was no way for a landowner to file an application until the fiscal year. The impact of this continuous sign-up process is to ensure that landowners have more timely access to seek enrollment and to ensure that the

agency has the highest quality restoration opportunities available on the list for funding. Because projects are being funded throughout the year, and not just in an initial batch early in the year, it does extend the period of time in which funding can be obligated. Thus it is not always possible for all funds to be obligated in the year in which they are made available.

TOTAL COST AND ACCOUNTABILITY SYSTEM

Mr. Skeen: Please explain how the Total Cost and Accountability System works.

Respondent: The Total Cost Accounting System-TCAS--which was implemented on September 27, 1999, is a Windows-95 based software application designed primarily to be implemented in a server--i.e., shared computer resource--environment. This software can also be installed in a stand-alone Windows environment.

TCAS replaces PC-TARE as the automated tool for recording time. It provides a mechanism for employees to enter their own data instead of having a timekeeper enter data for each individual employee. The system stores and reports data on hours worked by project code--program and activity--and performs pre-defined timekeeping policy edits that the employee must correct prior to submission. After the user locks their timesheet for submissions, the timesheet is electronically transferred to the group or master timekeeper. After the group and master timekeeper perform several on-line system verifications, the master timekeeper will transmit the pay file to the National Finance Center. The actual hours worked by program and activity are transmitted and filed in NRCS' national database. TCAS also provides miscellaneous reporting options--leave summary, leave audit--and performs corrected Time and Attendance reports.

ADMINISTRATIVE TASKS MINIMIZATION

Mr.. Skeen: I read in your testimony that you have taken steps to minimize administrative tasks. Please provide for the record what these have been and how they have affected program operations.

Respondent: Our efforts to minimize administrative tasks are designed to relieve the paperwork burden on all of our employees and specifically to increase the productive time available to our field employees in order to deliver higher quantity and quality program benefits to natural resource customers. A few examples of these administrative efforts are: printable and fileable forms placed on the web to reduce ordering, filing, storage, and retrieval time; simplified work performance and measurement system to reduce the amount of paperwork and coordination time required of both supervisors and subordinates; integrated human resources management system to reduce the amount of time required for data gathering and eliminate data reentry; electronic travel reimbursements to reduce mailing and follow-up process time and to assist in timely filing of documents; reduction in the amount of record keeping and reporting for accountable property officers for the equipment they are assigned; printing request for standard items can be ordered on a web based ordering system in order to reduce both communication time for ordering basic products and to make available online status of the product towards delivery; organizational policy and procedures in a web based directives systems reduces the filing and storage time once required of these documents; and satellite broadcasts (uplink - downlink) for training courses and other program information reduces the amount of time employees would normally be away from their field customers.

DEMONSTRATION PROJECT LANGUAGE

Mr. Skeen: Why does the appropriations language for conservation operations propose to delete the prohibition on demonstration projects in the conservation operations account?

Respondent: This change is proposed to allow NRCS the flexibility needed to efficiently and effectively implement its Civil Rights Outreach program. Demonstration projects are often the most effective way to work with groups of underserved farmers and ranchers. However, the current language in the

Conservation Operations appropriation account prevents us from conducting demonstration projects, and our lawyers tell us authorities granted under other NRCS programs are inadequate to carry out this type of demonstration project.

OBJECT CLASS BREAK OUT BY PROGRAM

Mr. Skeen: Please provide for the record object class tables reflecting fiscal years 1998 - 2000 for each account requested in the fiscal year 2000 budget request.

[The information follows:]

CONSERVATION OPERATIONS
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	411,859	416,057	413,629
11.3..Other than FTP	14,550	14,965	15,514
11.5..Other personnel comp	4,413	4,580	4,786
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	430,822	435,602	433,929
12.1..Personnel benefits	100,988	105,725	111,084
13.0..Bene.former person	3,774	3,808	2,943
21.0..Travel & trans. per.	17,808	18,332	18,725
22.0..Transpor. of things	3,738	3,849	3,938
23.1..SLUC	0	0	0
23.2..Rental pay to others	18,849	18,204	17,981
23.3..Comm, util & misc	20,806	21,336	21,752
24.0..Print & reproduction	3,165	3,257	3,275
25.1..Consulting services	0	25	25
25.2..Other services	105,542	123,853	154,011
25.2..Contracts	0	0	0
26.0..Supplies & materials	15,242	15,746	16,143
31.0..Equipment	37,968	39,091	33,024
32.0..Land and structures	103	111	109
33.0..Investments & loans	0	0	0
41.0..Grants	702	612	569
42.0..Insurance & Indem.	455	471	486
43.0..Interest & dividends	40	41	42
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	531,810	541,327	545,013
Support	227,387	248,013	272,345
Subtotal, T/A	759,197	789,340	817,358
Financial assistance	805	723	678
TOTAL, OBLIGATIONS	760,002	790,063	818,036

WATERSHED SURVEYS AND PLANNING
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	6,462	6,318	7,263
11.3..Other than FTP	141	133	150
11.5..Other personnel comp	75	71	80
11.8..Spec. pers svcs pay	0	0	1
11.9.. Total per. comp	6,678	6,522	7,494
12.1..Personnel benefits	1,430	1,378	1,540
13.0..Bene.former person	38	36	38
21.0..Travel & trans. per.	342	326	340
22.0..Transpor. of things	27	26	27
23.1..SLUC	0	0	0
23.2..Rental pay to others	293	277	269
23.3..Comm, util & misc	288	272	285
24.0..Print & reproduction	27	26	27
25.1..Consulting services	110	3	3
25.2..Other services	1,696	2,117	2,297
25.2..Contracts	0	0	0
26.0..Supplies & materials	262	248	259
31.0..Equipment	353	337	353
32.0..Land and structures	0	0	0
33.0..Investments & loans	0	0	0
41.0..Grants	0	0	0
42.0..Insurance & Indem.	0	0	0
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	8,108	7,900	9,034
Support	3,436	3,668	3,898
Subtotal, T/A	11,544	11,568	12,932
Financial assistance	0	0	0
TOTAL, OBLIGATIONS	11,544	11,568	12,932

WATERSHED AND FLOOD PREVENTION OPERATIONS
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	44,374	47,173	26,795
11.3..Other than FTP	950	886	561
11.5..Other personnel comp	1,544	1,867	452
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	46,868	49,926	27,808
12.1..Personnel benefits	9,763	10,554	5,804
13.0..Bene.former person	254	251	184
21.0..Travel & trans. per.	2,277	2,519	1,159
22.0..Transpor. of things	126	84	62
23.1..SLUC	0	0	0
23.2..Rental pay to others	1,502	1,397	1,072
23.3..Comm, util & misc	1,401	1,202	958
24.0..Print & reproduction	-93	-71	119
25.1..Consulting services	200	141	174
25.2..Other services	8,330	10,677	6,623
25.2..Contracts	96,910	97,868	34,675
26.0..Supplies & materials	1,530	1,467	923
31.0..Equipment	3,941	4,332	2,768
32.0..Land and structures	18,358	17,242	0
33.0..Investments & loans	0	0	0
41.0..Grants	57,770	52,786	22,527
42.0..Insurance & Indem.	4	6	3
43.0..Interest & dividends	13	20	7
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	56,631	60,480	33,612
Support	38,832	41,308	14,860
Subtotal, T/A	95,463	101,788	48,472
Financial assistance	157,830	157,575	59,951
TOTAL, OBLIGATIONS	253,293	259,363	108,423

FORESTRY INCENTIVES PROGRAM
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	0	0	0
11.3..Other than FTP	0	0	0
11.5..Other personnel comp	0	0	0
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	0	0	0
12.1..Personnel benefits	0	0	0
13.0..Bene.former person	0	0	0
21.0..Travel & trans. per.	0	0	0
22.0..Transpor. of things	0	0	0
23.1..SLUC	0	0	0
23.2..Rental pay to others	0	0	0
23.3..Comm, util & misc	0	0	0
24.0..Print & reproduction	0	0	0
25.1..Consulting services	0	0	0
25.2..Other services	0	633	0
25.2..Contracts	0	0	0
26.0..Supplies & materials	0	0	0
31.0..Equipment	0	0	0
32.0..Land and structures	0	0	0
33.0..Investments & loans	0	0	0
41.0..Grants	5,851	5,692	0
42.0..Insurance & Indem.	0	0	0
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	0	0	0
Support	0	633	0
Subtotal, T/A	0	633	0
Financial assistance	5,851	5,692	0
TOTAL, OBLIGATIONS	5,851	6,325	0

RESOURCE CONSERVATION AND DEVELOPMENT
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	17,598	17,794	19,048
11.3..Other than FTP	956	970	1,041
11.5..Other personnel comp	93	89	98
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	18,647	18,853	20,187
12.1..Personnel benefits	4,389	4,453	4,723
13.0..Bene.former person	15	9	11
21.0..Travel & trans. per.	633	621	667
22.0..Transpor. of things	198	205	205
23.1..SLUC	0	0	0
23.2..Rental pay to others	733	803	760
23.3..Comm, util & misc	696	578	713
24.0..Print & reproduction	625	661	638
25.1..Consulting services	519	50	50
25.2..Other services	6,919	7,882	6,306
25.2..Contracts	0	0	0
26.0..Supplies & materials	549	760	795
31.0..Equipment	1,091	1,161	1,245
32.0..Land and structures	0	0	0
33.0..Investments & loans	0	0	0
41.0..Grants	461	262	262
42.0..Insurance & Indem.	3	2	3
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	23,036	23,306	24,910
Support	11,981	12,732	11,393
Subtotal, T/A	35,017	36,038	36,303
Financial assistance	461	262	262
TOTAL, OBLIGATIONS	35,478	36,300	36,565

WETLANDS RESERVE PROGRAM
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	11,373	2,173	1,288
11.3..Other than FTP	131	25	15
11.5..Other personnel comp	43	8	5
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	11,547	2,206	1,308
12.1..Personnel benefits	2,534	485	287
13.0..Bene.former person	42	8	5
21.0..Travel & trans. per.	307	59	35
22.0..Transpor. of things	64	12	7
23.1..SLUC	0	0	0
23.2..Rental pay to others	545	104	62
23.3..Comm, util & misc	0	0	0
24.0..Print & reproduction	29	6	3
25.1..Consulting services	0	0	0
25.2..Other services	1,793	342	203
25.2..Contracts	0	0	0
26.0..Supplies & materials	327	62	37
31.0..Equipment	467	89	53
32.0..Land and structures	1,053	645	0
33.0..Investments & loans	0	0	0
41.0..Grants	0	0	0
42.0..Insurance & Indem.	1	0	0
43.0..Interest & dividends	1	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	14,081	2,691	1,595
Support	3,576	682	405
Subtotal, T/A	17,657	3,373	2,000
Financial assistance	1,053	645	0
TOTAL, OBLIGATIONS	18,710	4,018	2,000

WILDLIFE HABITAT INCENTIVES PROGRAM
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	3,124	3,083	1,427
11.3..Other than FTP	43	42	20
11.5..Other personnel comp	16	16	7
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	3,183	3,141	1,454
12.1..Personnel benefits	796	785	364
13.0..Bene.former person	4	4	2
21.0..Travel & trans. per.	168	164	77
22.0..Transpor. of things	29	28	13
23.1..SLUC	0	0	0
23.2..Rental pay to others	87	85	40
23.3..Comm, util & misc	110	108	50
24.0..Print & reproduction	12	12	5
25.1..Consulting services	0	0	0
25.2..Other services	290	371	351
25.2..Contracts	0	0	0
26.0..Supplies & materials	119	116	54
31.0..Equipment	198	192	90
32.0..Land and structures	0	0	0
33.0..Investments & loans	0	0	0
41.0..Grants	21,119	18,881	7,500
42.0..Insurance & Indem.	0	0	0
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	3,979	3,926	1,818
Support	1,017	1,080	682
Subtotal, T/A	4,996	5,006	2,500
	1998	1999	2000
Financial assistance	21,119	18,881	7,500
TOTAL, OBLIGATIONS	26,115	23,887	10,000

FARMLAND PROTECTION PROGRAM
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	0	0	1,144
11.3..Other than FTP	0	0	0
11.5..Other personnel comp	0	0	0
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	0	0	1,144
12.1..Personnel benefits	0	0	253
13.0..Bene.former person	0	0	11
21.0..Travel & trans. per.	0	0	71
22.0..Transpor. of things	0	0	9
23.1..SLUC	0	0	0
23.2..Rental pay to others	0	0	76
23.3..Comm, util & misc	0	0	81
24.0..Print & reproduction	0	0	3
25.1..Consulting services	0	0	0
25.2..Other services	0	0	177
25.2..Contracts	0	0	0
26.0..Supplies & materials	0	0	109
31.0..Equipment	0	0	66
32.0..Land and structures	0	0	48,000
33.0..Investments & loans	0	0	0
41.0..Grants	0	0	0
42.0..Insurance & Indem.	0	0	0
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	0	0	1,397
Support	0	0	603
Subtotal, T/A	0	0	2,000
Financial assistance	0	0	48,000
TOTAL, OBLIGATIONS	0	0	50,000

TRUST FUNDS
(Dollars in Thousands)

TOTAL OBLIGATIONS:	1998	1999	2000
11.1..Full-time permanent	123	42	44
11.3..Other than FTP	-1	1	1
11.5..Other personnel comp	0	0	0
11.8..Spec. pers svcs pay	0	0	0
11.9.. Total per. comp	122	43	45
12.1..Personnel benefits	47	17	18
13.0..Bene.former person	0	0	0
21.0..Travel & trans. per.	1	0	0
22.0..Transpor. of things	0	0	0
23.1..SLUC	0	0	0
23.2..Rental pay to others	0	0	0
23.3..Comm, util & misc	1	0	0
24.0..Print & reproduction	3	1	1
25.1..Consulting services	0	0	0
25.2..Other services	190	65	67
25.2..Contracts	0	0	0
26.0..Supplies & materials	3	1	1
31.0..Equipment	0	0	0
32.0..Land and structures	597	9,204	131
33.0..Investments & loans	0	0	0
41.0..Grants	20	9,700	7
42.0..Insurance & Indem.	0	0	0
43.0..Interest & dividends	0	0	0
44.0..Refunds	0	0	0
Summary of Obligations:			
Salary & Benefits	169	60	63
Support	795	67	69
Subtotal, T/A	964	127	132
Financial assistance	20	9,700	7
TOTAL, OBLIGATIONS	984	9,827	139

UNOBLIGATED EMERGENCY SUPPLEMENTAL BALANCES

Mr. Skeen: Please provide for the record all current unobligated balances, by account, provided in the fiscal year 1998 supplemental appropriations bill.

Respondent: All of the $80 million has been allocated to Emergency Watershed Program--EWP--efforts around the nation. All funds are committed, but in some cases NRCS is waiting on weather conditions, sponsors having difficulties obtaining permits, or site conditions requiring special design, to name a few. However, specific information as to how much of the 1998 supplemental is unobligated is not available since all EWP funds are put into one account.

Mr. Skeen: Please provide for the record any documentation that illustrates NRCS' commitments for unobligated emergency watershed program funding.

[The information follows:]

NATURAL RESOURCES CONSERVATION SERVICE
STATUS OF DIRECT FUNDS BY SUBFUND
AS OF 03/01/99

FISCAL MONTH 05
PORTION OF YEAR EXPIRED 41.60%

FUNDING YEAR X
FUND 72 WATERSHED & FLOOD PREVENTION OPERATIONS
SUBFUND 016 EMERGENCY WATERSHED OPERATIONS

STATE	TA ALLOWANCE	TA DIRECT OBLIG.	TA UNOBLIG. BALANCE	% USED	FA ALLOWANCE	FA DIRECT OBLIG	FA UNOBL BALANCE	% USED
ALABAMA	498,000.00	186,716.12	311,283.88	37.4	4,644,000.00	4,608,757.44	35,242.56	99.2
ALASKA	0.00	0.00	0.00		0.00	0.00	0.00	
ARIZONA	9,500.00	99.51	9,400.49	1.0	71,000.00	720.90	70,279.10	1.0
ARKANSAS	8,000.00	144.40	7,855.60	1.8	38,000.00	0.00	38,000.00	
CALIFORNIA	3,030,000.00	341,108.87	2,688,891.13	11.2	2,134,778.00	1,130,474.99	1,004,303.01	52.9
COLORADO	0.00	5,728.08	-5,728.08		341,000.00	0.00	341,000.00	
CONNECTICUT	16,900.00	16,900.00	0.00	100.0	108,800.00	58,878.33	49,921.67	54.1
FLORIDA	2,340,000.00	31,833.04	2,308,166.96	1.3	12,450,000.00	6,339,632.41	6,110,367.59	50.9
GEORGIA	166,000.00	43,319.79	122,680.21	26.0	1,949,000.00	185,153.00	1,763,847.00	9.4
HAWAII	0.00	0.00	0.00		0.00	0.00	0.00	
IDAHO	56,400.00	56,000.00	400.00	99.2	0.00	0.00	0.00	
ILLINOIS	3,895,100.00	2,196,556.58	1,698,543.42	56.3	844,000.00	371,351.63	472,648.37	43.9
INDIANA	795,000.00	747,045.15	47,954.85	93.9	0.00	-10,681.00	10,681.00	
IOWA	2,583,000.00	1,335,718.50	1,247,281.50	51.7	5,750,000.00	5,190,377.14	559,622.86	90.2
KANSAS	100,000.00	0.00	100,000.00		200,000.00	0.00	200,000.00	
KENTUCKY	159,000.00	101,296.45	57,703.55	63.7	163,000.00	81,359.11	81,640.89	49.9
LOUISIANA	950,000.00	355,504.92	594,495.08	37.4	3,425,000.00	1,032,722.25	2,392,277.75	30.1
MAINE	33,000.00	5,590.94	27,409.06	16.9	136,500.00	5,975.00	130,525.00	4.3
MARYLAND	0.00	0.00	0.00		0.00	0.00	0.00	
MASSACHUSETTS	0.00	0.00	0.00		0.00	0.00	0.00	
MICHIGAN	0.00	0.00	0.00		0.00	0.00	0.00	

STATE	TA ALLOWANCE	TA DIRECT OBLIG.	TA UNOBLIG. BALANCE	% USED	FA ALLOWANCE	FA DIRECT OBLIG	FA UNOBL BALANCE	% USED
MINNESOTA	0.00	0.00	0.00		0.00	0.00	0.00	
MISSISSIPPI	746,000.00	61,540.11	684,459.89	8.2	6,005,000.00	3,214,933.86	2,790,066.14	53.5
MISSOURI	1,180,000.00	13,147.94	1,166,852.06	1.1	765,000.00	3,365.70	761,634.30	0.4
MONTANA	66,000.00	14,519.92	51,480.08	21.9	230,000.00	157,750.00	72,250.00	68.5
NEBRASKA	0.00	0.00	0.00		101,000.00	100,265.76	734.24	99.2
NEVADA	596,000.00	236,553.45	359,446.55	39.6	7,900,000.00	2,232,636.11	5,667,363.89	28.2
NEW HAMPSHIRE	0.00	-4,734.12	4,734.12		0.00	0.00	0.00	
NEW JERSEY	0.00	0.00	0.00		0.00	0.00	0.00	
NEW MEXICO	0.00	0.00	0.00		0.00	0.00	0.00	
NEW YORK	287,000.00	235,657.08	51,342.92	82.1	1,000,000.00	1,317,103.25	-317,103.25	131.7
N CAROLINA	60,000.00	108.05	59,891.95	0.1	0.00	0.00	0.00	
N DAKOTA	2,000,000.00	12,768.92	1,987,231.08	0.6	120,000.00	30,689.70	89,310.30	25.5
OHIO	2,100,000.00	306,628.34	1,793,371.66	14.6	18,700,000.00	2,963,823.79	15,736,176.21	15.8
OKLAHOMA	298,000.00	56,266.08	241,733.92	18.8	950,000.00	425,333.84	524,666.16	44.7
OREGON	0.00	0.00	0.00		0.00	0.00	0.00	
S CAROLINA	0.00	0.00	0.00		0.00	0.00	0.00	
S DAKOTA	3,201,100.00	1,856,159.99	1,344,940.01	57.9	0.00	0.00	0.00	
TENNESSEE	298,000.00	112,360.43	185,639.57	37.7	1,078,000.00	-56,859.63	1,134,859.63	-5.2
TEXAS	2,102,000.00	241,841.22	1,860,158.78	11.5	7,436,500.00	1,083,793.45	6,352,706.55	14.5
UTAH	0.00	10,467.08	-10,467.08		0.00	0.00	0.00	
VERMONT	173,000.00	38,584.95	134,415.05	22.3	1,444,000.00	894,918.98	549,081.02	61.9
VIRGINIA	20,000.00	12,962.50	7,037.50	64.8	0.00	0.00	0.00	
WASHINGTON	100,000.00	12,280.00	87,720.00	12.2	600,000.00	287,185.00	312,815.00	47.8
WEST VIRGINIA	236,000.00	93,432.99	142,567.01	39.5	60,000.00	60,000.00	0.00	100.0
WISCONSIN	0.00	0.00	0.00		0.00	0.00	0.00	
WYOMING	0.00	0.00	0.00		84,000.00	59,659.99	24,340.01	71.0
CENTRAL OFFICE	0.00	0.00	0.00		0.00	0.00	0.00	
NORTHEAST NTC	0.00	0.00	0.00		0.00	0.00	0.00	
SOUTH NTC	0.00	0.00	0.00		0.00	0.00	0.00	
MIDWEST NTC	0.00	0.00	0.00		0.00	0.00	0.00	
WEST NTC	0.00	0.00	0.00		0.00	0.00	0.00	
PACIFIC BASIN	0.00	0.00	0.00		0.00	0.00	0.00	

STATE	TA ALLOWANCE	TA DIRECT OBLIG.	TA UNOBLIG. BALANCE	% USED	FA ALLOWANCE	FA DIRECT OBLIG	FA UNOBL BALANCE	% USED
PUERTO RICO	800,000.00	277,088.32	522,911.68	34.6	7,362,000.00	7,302,792.20	59,207.80	99.1
NATL HEADQUART	220,000.00	56,321.28	163,678.72	25.6	0.00	0.00	0.00	
FCCC	0.00	0.00	0.00		0.00	0.00	0.00	
WEST REGION	0.00	0.00	0.00		0.00	0.00	0.00	
SUBFUND	29,123,000.00	9,067,516.88	20,055,483.12	31.1	86,090,578.00	39,072,113.20	47,018,464.80	45.3
FUND	29,123,000.00	9,067,516.88	20,055,483.12	31.1	86,090,578.00	39,072,113.20	47,018,464.80	45.3
FUNDING YR	29,123,000.00	9,067,516.88	20,055,483.12	31.1	86,090,578.00	39,072,113.20	47,018,464.80	45.3

EWP - COMMITMENTS VERSUS OBLIGATIONS

Mr. Skeen: Please describe the process of getting committed emergency watershed program funds to show up as obligated emergency watershed program funds.

Respondent: When reviewing prior funding for EWP, it is paramount to understand the differences between obligated and committed funds. The U.S. Standard General Ledger allows agencies to use commitment accounting to help control the use of authority. A commitment is defined as a firm administrative reservation of funds, which authorizes the creations of an obligation. Commitments are normally based upon some firm procurement directive, order, requisition or request that authorizes the creation of an obligation without further recourse to the official responsible for the administrative control of the funds. In essence, this authority is set aside so it is available to an authorized official to obligate the government when that official executes a contract. While commitments are not a legally binding contract, the Office of the General Counsel has advised NRCS that backing out on such commitments would likely result in litigation and require us to buy our way out if we default without just cause.

How does this relate to EWP? Following a storm event, the State Conservationist sends a team to review damages. The team prepares damage survey reports—DSRs--for each eligible site. These DSRs are reviewed by local sponsors to determine if they want to pursue resolving them and committing their 25 percent of the costs. The DSRs, with sponsor support, are submitted to National Headquarters--NHQ--for funding. NHQ allocates dollars, if available, to the states for solving the problem. NRCS considers this allocation as a commitment of resources to the local sponsor. Obligation of these funds doesn't happen until a formal contract or agreement is signed. The time frame depends on the design complexity, land right permits, volume of projects, etc.

An obligation is the use of the EWP authority through a binding legal transaction, resulting in a valid charge against an appropriation. Thus, NRCS considers funds committed when we agree to do a project and also when we proceed with the purchase of perpetual easements and the landowner accepts. NRCS does not actually consider funds obligated until the landowner signs the purchase agreement.

Thus, the seemingly large amount of unobligated funds are actually committed and must remain available until all the paperwork is completed and NRCS employees are available to get the job done.

FLOOD PLAIN EASEMENTS

Mr. Skeen: Did NRCS use any emergency watershed program funds in fiscal year 1998 to purchase floodplain easements?

Respondent: NRCS allocated $13,335,000 of emergency funds in FY 1998 for enrollment of floodplain easements.

AIR QUALITY COMPLIANCE

Mr. Skeen: In the budget request and agency programming, what plans do you have to work with American farmers who face air quality compliance problems?

Respondent: Both the Environmental Quality Incentive Program—EQIP--and the Conservation Reserve Program--CRP--help American farmers who face air quality problems. EQIP enables NRCS to direct financial assistance to farmers with air quality problems. For example, in California there are four serious PM-10 non-attainment areas. In FY 1998, NRCS' California State Office addressed air quality problems in the following ways: $15,000 for education grants to local Resource Conservation Districts--RCDs--and Air Quality Management Districts that helped publicize methods for controlling on-farm road dust; $300,000 for statewide concerns cost-shared at 75% with farmers for dust suppression on

farm roads and chipping almond residues as an alternative to burning; and within geographic priority areas, local work groups supported cost sharing on air quality mitigation practices. Similar levels of spending are planned for FY99. The CRP has also mitigated air quality problems on thousands of acres across the nation.

Mr. Skeen: What funding are you requesting for this purpose, if any, and what amount of funding is needed to get the job done?

Respondent: NRCS is not requesting funds in the current budget cycle to address air quality compliance. In response to the question regarding the funding needed to get the job done, NRCS estimates that about $25 million will be needed to begin addressing compliance issues through the Conservation Operations Program. These funds would be used to train existing field staff and to employ new staff to increase specialized technical assistance available to agency customers in defined air quality non-attainment areas.

Mr. Skeen: How is your office working in cooperation with both the Environmental Protection Agency and USDA's Air Quality Task Force in representing the needs and interests of the American farmer on air quality issues?

Respondent: Pearlie Reed, Chief, NRCS, chairs the Agricultural Air Quality Task Force--AAQTF. The AAQTF is comprised of representatives of agricultural production, agricultural industry, science, and health, including a representative of EPA's Office of Air Quality Planning and Standards. AAQTF recommendations regarding oversight, coordination, and science of agricultural air quality are transmitted to the Secretary of Agriculture and the Administrator of EPA. To date, the AAQTF developed a Memorandum of Understanding, signed by Secretary Glickman and Administrator Browner, to facilitate cooperation on agricultural air quality between USDA and EPA and has recommended priorities for air quality research. NRCS has also located a liaison with EPA's Office of Air Quality Planning and Standards in North Carolina.

HYDROLOGIC UNIT AREAS

Mr. Skeen: Last year you reported that 31 hydrologic unit areas started in 1990 would be completed in 1998. Have these projects been completed? Please provide a summary of these projects for the record.

Respondent: These projects are complete and we are in the process of preparing final project closeout reports. A national summary will be developed and forwarded in the near future.

RURAL ABANDONED MINE PROGRAM

Mr. Skeen: What is the reason that no funds have been transferred from the Abandoned Mine Reclamation Trust Fund since 1996?

Respondent: The Office of Management and Budget has declined to include funds for RAMP based on their concern that the RAMP duplicates other reclamation programs administrated by the Office of Surface Mining through the individual state Abandoned Mine Land--AML--program.

However, the two programs were developed to meet different types of reclamation needs. RAMP was designed to work with smaller local groups and communities to remove the scars from past mining that impacts these communities. The AML program was designed to solve much larger problems dealing with health and safety programs. OSM has chosen to only fund the AML program.

WRP TECHNICAL ASSISTANCE

Mr. Skeen: What is the cost for the NRCS to carry out the conservation technical assistance for the Wetlands Reserve Program in fiscal years 1999 and 2000?

Respondent: For FY 1999, the total cost for technical assistance for WRP is estimated at $13.2 million. Of this amount, an estimated $3.4 million is funded from unobligated balances of WRP appropriations, and $9.8 million is from transfers under CCC Charter Act, section 11 authority. Total other costs, in FY 1999 to administer this program are estimated to be $118.1 million. This funding enables NRCS to enroll an additional 120,000 acres.

For fiscal year 2000, $18.288 million is needed in technical assistance funding to complete the proposed WRP acreage enrollment, to provide for the monitoring of previously enrolled acreage, and to make any necessary modifications to existing contracts. Of this amount, the budget proposes to fund $2 million from unobligated balances of WRP appropriations and $9.8 million through transfers under CCC Charter Act, section 11 authority. This results in the need for $6.4 million in additional technical assistance above the section 11 cap.

IMPROVING ACCOUNTABILITY OF NRCS FUNDS

Mr. Skeen: Please provide for the record any progress you have made on improving the accountability of NRCS funds.

Respondent: During 1998, the Natural Resources Conservation Service (NRCS) began implementing a new integrated accountability system. This integrated system has three major components and is still being fully developed.

First, the Workload Analysis System is to be conducted along with the Conservation Partnership every 3 years, or as needed, to consistently document the baseline conservation needs for each county in the nation. This national process replaces the various incompatible workload assessments previously conducted in States, and projects workload and staff needed to accomplish agency goals.

Second, starting in fiscal year 1999, NRCS is monitoring how its staff time is used, by specific program and activity, for all employees through its new Total Cost Accounting System. This process replaces the cumbersome time and attendance system previously used, and allows NRCS to determine the full cost of programs using cost accounting methodology.

Third, NRCS is transitioning during 1999 to its new Performance and Results Measurement System to document agency progress toward its strategic and performance plan goals. This new system will not only result in more accurate performance data, but also reduce the time required by field staff to report progress by almost 70 percent over the previous reporting system. Data from this effort will be available via the World Wide Web in "real time," to allow appropriate management actions as needed to achieve agency goals.

PROPOSED STAFFING REDUCTIONS

Mr. Skeen: How will the staffing reduction proposed in the budget affect current conservation programs?

Respondent: The staffing reduction will have the most significant effect on the basic level of services that NRCS provides through conservation technical assistance at the field level and on reducing the $1.5 billion backlog of construction under the Small watershed protection and flood prevention program. Among the major workload activities of the field are: supporting locally-led conservation efforts; assisting private landowners voluntarily develop, implement and maintain conservation plans; developing partnerships to leverage USDA funds; collecting and interpreting natural resource data; and responding to natural disasters. With the staff reductions

in the fiscal year 2000 budget the ability of NRCS to provide this assistance will be substantially reduced, particularly in those States that have had a significant Conservation Reserve Program workload. With regard to the small watershed protection and flood prevention program, there will be about a 20 percent decrease in the amount of construction activity relative to fiscal year 1999 and our ability to respond to help alleviate the hardships associated with natural disasters will essentially be eliminated.

Mr. Skeen: What types of personnel actions would have to be considered by NRCS to reduce the staff by over 1,000 people?

Respondent: Actions required would include offering buyouts and reduction in force, if buyouts alone do not achieve needed reductions.

ADMINISTRATIVE SERVICES ESTIMATES

Mr. Skeen: The Administration had eighteen months to formulate this budget. Yet we keep reading that estimates to be transferred from FSA, NRCS, and RD for administrative services are not yet available. At what point in the process will these estimates be available?

Respondent: Preliminary FY 1999 budget estimates for each agency involved or excluded in this activity were developed in July 1998. These estimates were formally presented to the Department in the Administrative Convergence Comprehensive Final Report on October 1, 1998. All agencies continue to refine their original base estimates leading to the Department's actual implementation date now scheduled for FY 2000.

Mr. Skeen: Do you know what the NRCS estimate is going to be for administrative services?

Respondent: NRCS along with the other involved agencies are currently in the process of calculating these costs. However, NRCS provided a preliminary FY 1999 budget estimate of about $47 million for Administrative Convergence for the Department's Comprehensive Final Report based on included positions of the Support Services Bureau (SSB).

The comprehensive Final Report also provides for an initial estimate of 13% support costs to be added to salary and benefit estimates. Average support costs across the three mission areas were not calculated. Cost estimates in the final report excluded any costs for SSB capital investments and inflation. No employee relocation costs were provided for or anticipated by NRCS during the planning phase of administrative convergence.

FARMLAND PROTECTION PROGRAM

Mr. Skeen: The budget proposes $77.5 million for the Farmland Protection Program. What kind of demand is out there in the country for this program?

Respondent: Requests for Farmland Protection Program (FPP) funds have been much higher than funds available since the program launched in 1996. We will provide a breakdown of the request for assistance and fund availability for the record.

[The information follows:]

FISCAL YEAR	FPP Amount Requested	FPP Amount Available
1996	$130 million	$14.3 million
1997	$6.5 million	$1.9 million
1998	$61 million	$17.2 million

Mr. Skeen: Does the demand justify the proposed $77.5 million in the budget request?

Respondent: In the past three years, FPP funds requested by the States and local government entities have far exceeded the FPP funding available (see response above). In addition, we are aware that State and local governments who conduct comparable programs at their level also have demands far in excess of the funds they have available. According to a survey conducted by the American Farmland Trust, as of March 1998, State and local government entities invested more than $939 million to protect 4,096 farms and 603,253 acres from urban development. In addition, they had about 2,600 outstanding applications. The proposed $77.5 million can be effectively used to leverage the State and local programs to protect strategically important farmland nationwide.

QUESTIONS SUBMITTED BY MS. KAPTUR

Ms. Kaptur: I am interested in the partnership of NRCS and other agencies to reduce the sediment load of the Maumee River into the Toledo Harbor. Could you give us your views on this effort and the future actions?

Respondent: Each year, the U.S. Army Corps spends about $2.2 million to dredge the sediment from Toledo Harbor. The dredging is costly, and the dredged materials present environmental problems. In 1995, NRCS and the Corps entered into a pilot project to demonstrate the benefits of an extensive land treatment erosion control project to reduce the amount of sediment.

The goal was to reduce the amount of dredging by 15%. Over 22 counties in the Maumee Watershed participated. During that phase, we found that we were successful in reducing dredging by about 8%. A report filed on the project concluded that widespread implementation of conservation buffer practiced within the watershed could provide 29,000 cubic yards of sediment reduction to help meet project goals. The report also concludes that two years is not enough time to effect the long-term changes needed to see better results in the Harbor. The report suggests that a six year project funded at the levels originally proposed, with additional funding to accelerate the Conservation Buffer Initiative within the watershed, would more likely reach the goal of 15% sediment reduction. If we are successful in meeting that goal, it would mean an estimated $1.3 million annually in reduced federal dredging costs.

CLIMATE CHANGE RESEARCH

Ms. Kaptur: The budget proposes a modest amount of funding for research related to climate change within the Conservation Operations account. Could you please explain this research program and why it is relevant to the mission of the Agricultural Department?

Respondent: NRCS' ongoing projects on the greenhouse effect, funded at $1.5 million in earlier years and at $1.2 million in FY98 and FY99, focused on the impacts of climate on the soil environment. Soil moisture and temperature data collection networks were established and real-time data collection is being maintained. One component of this effort is comprehensive data collection on wetlands in eight states, which include rates of change in carbon stocks. Databases are made available for global climate change models, in particular, circulation models. The data is applied to understanding soil processes, wetland dynamics, and the impacts of climate change on agriculture.

In 1998, attention was directed at assessing carbon storage potential in agricultural soils. Working with the USDA Agricultural Research Service and university partners, a number of initiatives have been pursued. A synthesis and analysis of the literature was conducted, several conferences were organized and a number of volumes of literature were released, including the summary volume, The Potential for U.S. Cropland to Sequester Carbon. Upcoming volumes include parallel assessments for grazing and forest lands. A preliminary map of soil carbon for North America was generated based on average ranges of soil organic carbon that occur in the various soil types that are found across the landscape. The impact of erosion on carbon loss and gain is being assessed. Field investigations were also initiated and will be maintained to monitor soil carbon levels in Wetlands and Conservation Reserve Program lands.

The increase to $15 million in the budget request will allow the agency to begin to develop a soil carbon database that represents actual local and regional soil carbon levels under the various management and conservation systems that farmers and ranchers apply across the nation. This effort will establish the foundation for models and inventories that can track actual changes in soil carbon stocks, and anticipate changes that might result from potential conservation policies.

Specific activities include: development and testing of standardized field carbon data collection protocols; directed field collection of soil carbon data; utilization and analysis of historic soil carbon data; verification of carbon prediction model outputs for local application; acceleration of digital

on-line soil data product delivery systems; and, enhanced soil data linkages to cropland, rangeland, and forestland management systems. In addition, modeling and inventory protocols and scaling techniques will be tested and evaluated for regional and national carbon stock assessments.

Organic matter in the soil, composed primarily of soil organic carbon, is the one factor associated most with soil quality. Years of tillage have depleted soil organic matter and released soil carbon into the atmosphere. Increased soil organic matter increases rainfall infiltration and water-holding capacity, soil fertility, microbial activity and soil structure. These factors improve water quality, reduce erosion, reduce the amount of fertilizer inputs required to produce a crop and increase resistance to drought and flood. Enhanced soil carbon not only reduces atmospheric levels of carbon, it also contributes to other environmental benefits and sustainable agricultural systems that are central to the mission of the Department of Agriculture.

FARMLAND PROTECTION PROGRAM

Ms. Kaptur: I believe that under the Farmland Protection Policy Act, your agency is responsible for compiling reports from other agencies regarding the amount of farmland being converted to other uses through the operations of various Federal programs. Can you tell me what this data shows (or supply that information for the record)? Do reports from other agencies indicate that they are taking steps to lessen the adverse effects on Federal programs on preservation of farmland?

Respondent: Information from the NRCS Farmland Protection Policy Act Annual Report shows that a total of 149,269 acres were proposed to be converted to nonagricultural uses by Federal agencies in fiscal year 1997. Of that, 48,946 acres--33 percent--were prime and unique farmland, and 12,226--8 percent--were State or locally important farmland. Data on the total acres actually converted and quality of such land are not available since the Federal agencies are not required to furnish that information to NRCS.

QUESTIONS SUBMITTED BY MR. WALSH

ENROLLMENT STATUS OF CONSERVATION RESERVE AND WETLANDS RESERVE PROGRAMS

Mr. Walsh: What will be the status of enrollment in the Conservation Reserve Program (CRP) and Wetlands Reserve Program (WRP) by the end of FY 2000 based on the Administration's budget?

Respondent: The WRP enrollment level will reach the full authorized 975,000 acre cap in FY 2000, and unless additional authorization is provided, the program will be completed. There will be approximately 34.4 million acres in CRP at the end of FY 2000.

LANDOWNER DEMAND FOR CRP AND WRP

Mr. Walsh: How has landowner demand for enrollment in CRP and WRP compared with acreage available for enrollment?

Respondent: Since 1992, the average level of demand for WRP has exceeded our enrollment cap by a five to one ratio of offered versus enrolled acres. In FY 1998, the ratio dropped to 2.5 to one. In FY 1998, we had a relatively large cap of 212,000 acres and this made it possible for us to better keep up with enrollment offers. In FY 1999, the ratio is presently approaching the five to one ratio, and we project that it will reach seven or eight to one by the end of the year. The large unfunded to funded ratio in FY 1999 is the product of two factors. The enrollment cap is relatively modest--120,000 acres--and the level of landowner interest for the program is continuing to expand into many areas where landowners are just now becoming familiar with the program.

Approximately 270 million acres currently meet one or more of the CRP eligibility requirements. Accounting for the 25 percent county limitation and other factors, approximately 100 million acres would be eligible for enrollment. Of the 100 million eligible, the Department estimates that 72 million acres are likely to bid. In sign-up 15, 16, and 18, approximately 39.8 million acres were offered for enrollment.

ENROLLMENT CAPS FOR CRP AND WRP

Mr. Walsh: What is the Administration's position on restoring CRP's enrollment cap to its original level of 45 million acres and on expanding WRP's enrollment cap to 2 million acres to meet landowner demand?

Respondent: The Administration supports the enrollment of 36.4 million, but is willing to meet and discuss with Congress the merits of increasing the CRP cap to 45 million acres.

The Administration plans to work with the Congress to obtain additional authority for future WRP enrollment. Discussions are presently focusing on the range of up to 200,000 to 250,000 acres per year, the level recommended in Clean Water Action Plan.

ADDITIONAL FUNDING FOR CRP AND WRP

Mr. Walsh: What additional funding would NRCS need for technical assistance in order to properly service CRP at the 45 million acre level and WRP at the 2 million acres level?

Respondent: NRCS would need approximately $59.0 million for technical assistance in order to properly service CRP at the 45 million acre level. This amount assumes technical assistance cost from the 36.4 million acre level to the 45 million acre level. Technical assistance cost from the 30.6 million acre level--acreage enrollment at the end of FY 1999--to the 36.4 million acre level--acreage enrollment at the end of FY 2003--is approximately $43.4 million.

Additional WRP technical assistance funding needs for a total 2 million acre WRP enrollment would be approximately $76,000,000. The need would be spread

over the period of time in which the acres are to be enrolled. The funding would provide for agency expenses associated with all aspects of the program.

LISTENING SESSIONS FOR EQIP

Mr. Walsh: Chief, I understand that NRCS conducted a series of listening sessions at the end of 1998 to hear from farmers and ranchers and others about the Environmental Quality Incentives Program (EQIP). What were some of the things you learned from farmers and what does NRCS plan to do with the feedback?

Respondent: In September and October 1998, eight roundtables were conducted by NRCS to provide a forum for oral and written comments on the Environmental Quality Incentives Program--EQIP. Roundtable locations were held in Greenwood, Mississippi, Albany, New York, West Friendship, Maryland, Denver, Colorado, Kearney, Nebraska, Texarkana, Arkansas, Window Rock Arizona, Columbia, Missouri.

Total session attendance included 775 individuals, interest groups, farm organizations and agency representatives with 196 providing verbal testimony. Approximately, 200 additional written comments brought total testimony in the regions to nearly 400 responses.

Background and How Input Will be Used

Before and during the development of EQIP, farmers, ranchers, Federal, State, tribal, local and private partners nationwide, informed Congress and USDA that the old top-down way in which the conservation programs traditionally operated could be improved. More flexibility, more local input into the decision-making process, and more program diversity would promote and accelerate the adoption of conservation at the farm and ranch level. An existing dialogue with the public and conservation partnership was expanded by NRCS at the onset of program development to gather this public input. Listening forums and Civil Rights Action Team--CRAT--hearings were held in 1996 and 1997. The continuation of this open dialogue is essential as EQIP progresses into its third year of implementation. Roundtable sessions were organized to provide an opportunity to report on EQIP successes and gather input regarding program areas that need improvement. Feedback was used to make adjustments in current program procedure and policy, funding decisions for FY 1999, and in preparation of the FY 2000 budget. The input will also be used to make future program changes.

Common Themes

Most respondents agreed that voluntary, incentive-driven programs such as EQIP are the most effective tools for accomplishing conservation on the land, and protection of the environment. Many appreciated the comprehensive resource protection focus of EQIP, and saw it as an important program to help agricultural producers comply with environmental laws and provide benefits, such as providing clean water and other public amenities. Many felt that the right balance was being placed on various natural resource concerns, but wildlife habitat improvements were noted by several commentors as needing greater emphasis. A number of respondents expressed their appreciation of NRCS local service center staff, noting the dedication and expertise that added significant value to USDA financial, technical, and education assistance.

Many positive examples of EQIP education benefits were provided. Most agreed that education was an important program component that should be emphasized and expanded. Education activities also seemed to be effective in bringing together various agencies and organizations in a way that strengthened and reinforced partnerships. Some questioned, though, whether education and technical assistance funds should be offered at the expense of already lacking financial assistance funds and expressed an interest in providing primarily financial assistance, as with some repealed conservation programs.

The value and importance of locally led processes were also common points of agreement, although there was some disagreement on how best to achieve a truly local approach to setting priorities, ranking applications, and carrying out

effective conservation work. The largest number of comments made concerned program funds. Most noted that overall EQIP funds available were far below that needed--on average a 3:1 to 4:1 ratio was mentioned. Many indicated that changes were necessary to reach a wider sector of the farm community.

Most comments relating to priority areas supported this programmatic approach and agreed that serious natural resource problems will be addressed. Some felt that priority areas were too restrictive and arbitrarily established, particularly in cases where lands with similar resource concerns bordered priority areas, but lacked status for funding due to geography. In several instances commentors noted that state, regional, county, tribal boundaries and watershed lines were often out of sync with jurisdictional EQIP policy on priorities, accepted practices, and ranking criterion.

Most regional roundtables included comments on "buy-down" aspects of the program limiting the competitive abilities of producers with limited income and resources. The "buy-down" process was frequently referred to as a program aspect that created a competitive disadvantage for producers with limited means to accept lower cost share rates. Some felt that "wealthier" farm owners who often had adequate second incomes were able to accept lower payment percentages, and thus edge out their less able neighbors. Many respondents were not aware that the "buy-down" aspect was actually addressed in the EQIP regulation in response to the Statute requirement to "maximize environmental benefits per dollar expended". Staff in attendance at the roundtables addressed this requirement and explained that the NRCS is reviewing the impact of the "buy-down" based on internal EQIP evaluations. Staff also presented several examples where participants are improving their offer index by providing additional environmental benefits without reducing cost share rates. Some participants indicated that they were not fully aware of this method to improve environmental benefits and were enthusiastic to take advantage of this at the next opportunity. Several participants indicated that the ranking formula was inherently biased toward the financially able, but several acknowledged that improving environmental benefits without reducing cost-shares could offset this impact in some regard. Several suggested that funds be set aside for limited resource producers to compete for, and others felt that higher USDA cost-share percentages should be offered to these producers.

Another concern noted was the need for payment in the first year of the contract, and up-front USDA funds. The delayed payment provision in the first fiscal year of contracts causes a financial burden on producers who must pay vendors immediately but want to receive USDA reimbursement. Some felt that too much emphasis was placed on funds requested, making it more difficult for costlier "hard installations," such as animal waste systems, to rank competitively against offerings applying lower cost agronomic management practices.

Many of the concerns voiced for limited resource producers were also heard from farmers on American Indian lands. Where competition for funds was limited to tribal peers, the "buy-down" aspect didn't appear to be a major concern. Most commentors felt that services and access to funds should be consistent across tribal lands.

The Federal role in Indian land trust responsibilities was often cited, with the admonition that treaties and sovereignty be honored. Government-to-government relations were emphasized, and several suggested that non-tribal local work groups and county FSA committees do not have appropriate jurisdiction on Indian lands. Most felt that project planning, review, and approval should rest with NRCS, and that NRCS should continue to enhance local services and training to empower tribes, and maximize program participation. Despite their concerns, most were very appreciative of efforts being made by NRCS to provide services and programs. Indian commentors noted that EQIP is the first conservation program to address the natural resource needs instead of focusing on the individual producer.

The need for more flexible contracting procedures were often mentioned. Many felt that first fiscal year payment restriction, and quicker payment procedures are needed to assist producers with limited resources. Also mentioned was the need to open application periods in the early fall to allow for the ranking and

funding process to better match spring conservation practice installation timing. This was also noted by USDA staff as a more realistic option to allow for developing better quality conservation plans and more accurate cost estimates for ranking and contract assembly.

Processing time and paperwork procedures were often mentioned as impediments for both USDA staffs and clients. Some clients felt that their applications had been unduly held up, and that others were discouraged from applying because of confusing paperwork requirements. Often mentioned was the concern was that too much staff and client time was required to develop conservation plans and rank applications, particularly when tight funding deadlines were being pushed in the spring or summer. An associated concern was that too much time was being devoted to processing conservation plans and applications that had little chance of receiving funds in such competitive conditions.

Another fairly common request was that conservation practice offerings be expanded, or that conservation practice standards and specifications be made more flexible to tailor practical, cost-effective conservation treatments. This comment was frequently mentioned in settings where limited resource producers needed to reduce costs to apply the conservation work and rank competitively. Others noted this need where more wildlife habitat management options were desired.

Some commentors either directly or indirectly called for a return to a cost-share system similar to the repealed Agricultural Conservation Program--ACP. They contended that the single annual practice approach was simpler to apply for, and that it put funds in the hands of more producers. Some respondents also favored a return to the county FSA committee system to administer the program, expressing that the local work group process wasn't working as intended, or that greater county FSA committee decisions were more locally responsive than EQIP's ranking process.

Commentors in several regions suggested that adequate, consistent access to EQIP could only be achieved by designating national priority areas. It was their sense that entire watersheds or regional land units needed to be designated nationally for comprehensive treatment to fully benefit downstream water quality needs. Areas cited for such designation included tribal lands, the Colorado River Basin, and the Mississippi Delta.

MISSION ON CONSERVATION ON PRIVATE LANDS

Mr. Walsh: Chief, some far-reaching and ambitious goals have been laid out for your agency. I would like to hear some remarks on how well you believe the federal government is doing in meeting the mission on Conservation on Private lands, and please share with the Committee your philosophy on conservation.

Respondent: I believe that soil and water conservation are as important to our country as education, health care and national defense. I also believe that every acre of land and every bucket of water must be used wisely. We need to have a strong package of incentives--technical, financial, and educational--to make sure our customers have the tools they need. And, the technical service we provide should be one-on-one. We should have a respect for private property rights and do everything we can to build and keep the trust of private landowners.

I believe that we are doing well in meeting the mission of conservation on private lands, but far more attention and resources need to be made available, if we are to continue our success.

WETLANDS POLICY

Mr. Walsh: I understand there are some problems between the federal agencies on wetland policy. What are they?

Respondent: There are several issues where NRCS, Department of Army, U.S. Army Corps of Engineers, Environmental Protection Agency, Department of the Interior, and U.S. Fish and Wildlife Service have not been able to reach

consensus among the Federal agencies regarding USDA wetland conservation--Swampbuster--provisions and Section 404 of the Clean Water Act--CWA.

The problems are a result of the differing statutory requirements, and policies developed under the two programs. While the 1996 amendments to the Food Security Act provided increased flexibility under Swampbuster, these amendments did not change the statutory requirements of the CWA. The areas regulated between the two programs do not overlap precisely creating uncertainty for landowners that receive an NRCS certified wetland determination. Swampbuster only regulates wetlands and the CWA regulates all waters of the United States. Swampbuster also uses the conditions of the land on December 23, 1985, as the baseline for determining whether wetlands exist, whereas, the CWA policy dictates that the jurisdictional determination is based on current conditions. Both programs have exemptions but in many cases they conflict (i.e., constructing a house in a wetland is exempt under Swampbuster but is regulated under the CWA). In cases where an activity is regulated by both programs, the methods and thresholds for decisions are quite different, frequently resulting in conflicting decisions between the two programs. Mitigation requirements vary greatly between the two programs, often resulting in conflicting decisions. The CWA also has more flexibility to resolve violations or there is simply no action taken (discretionary), while resolution of Swampbuster violations must be achieved to regain USDA program eligibility. Finally, USDA appeals decisions may not be accepted for CWA purposes. When more than one of these problems is involved with the same project it is easy to understand the frustration landowners are experiencing. As we recently heard in a local hearing held by Congressman Berry, in many cases these differences cause landowners significant delays in the pursuit of their projects due to the length of time necessary to obtain CWA permits. To illustrate further the complexity and differences between the two programs, we will provide a table comparing Swampbuster with Section 404 of the CWA for the record.

[The table follows:]

SWAMPBUSTER AND SECTION 404 COMPARISON

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Jurisdiction	• all wetlands • except those areas hydrogolically manipulated and meeting prior converted cropland (PC) criteria on Dec 23, 1985 • no PC abandonment • abandonment only applies to farmed wetland (FW) and farmed wetland pasture (FWP) when baseline conditions have not been documented • wetland determination valid as long as land is devoted to ag use • responsible for making wetland determinations on ag land, including native pasture, rangeland and small tree farms in accordance with the 1994 AG MOA, as modified by 1996 FSA amendments • 1994 AG MOA, NRCS lead on ag land and for program participants	• all waters of the US, including wetlands • except those waters not subject to interstate commerce • recaptures abandoned PC • certain ditches and channelized waters bodies • wetland and other waters determinations (Jurisdictional Determinations (JDs)) valid for 5 years • responsible for making jurisdictional determinations on all lands • 1994 AG MOA, Corps lead for non-ag land	• NRCS wetland determination may not include all waters of the US (NRCS does not have the statutory authority to make other water determinations for section 404 purposes) • Corps will assert jurisdiction over abandoned PC • Corps may assert jurisdiction over certain ditches • NRCS does assert jurisdiction over areas not regulated under 404 (i.e., waters with no interstate commerce nexus, (4th circuit decision)) • unclear agency lead for conducting wetland determination when ag use changing • potential conflicts between statutory changes to Swampbuster regarding lead agency and validity of wetland determinations • in some cases the Corps has not been accepting NRCS certified wetland determinations

ISSUE	NRCS, Swampbuster	CORPS, Section 404	PROGRAM IMPACTS
Activities regulated	only those activities that result in a manipulation for the purpose of or having the effect of making production of a commodity crop possible, includes activities that may not be located within wetlands (e.g., water diversion terraces)	dredge and fill activities, but does not include incidental fall back[1]	• NRCS may regulate activities outside of wetlands • NRCS will regulate excavation projects with only incidental fallback that result in a manipulation for the purpose of or having the effect of making production of a commodity crop possible
Activities not regulated	• Conversion to a non-ag use (e.g., farm and stock ponds, buildings, roads, etc.) • Maintenance of drainage systems provided plans indicate previously existing conditions or condition as of Dec 23, 1985 • Removal of additional waters • Farming wetlands by normal tillage without fill, leveling or conversion *when no woody vegetation is removed* and no water regime manipulation	• normal farming, plowing, seeding, harvesting, cultivating, minor drainage, that are part of an established, on-going farming or ranching operation • ditch maintenance (*i.e., discharge of* dredged material into a water) allowed only for currently serviceable ditches • maintenance, including emergency reconstruction of dikes, dams, levees, groins, riprap • construction or maintenance of farm or stock ponds or irrigation ditches • activities only involving incidental fall back	Corps may regulate ditch maintenance when considered reconstruction
Authorized activities	Activities subject to categorical minimal effect, minimal effect, mitigation, or Corps individual permit exemptions	activities may qualify for general permits (GPs) (nationwide (NWP), regional (RGP), state (SPGP)), standard individual permits (IP), letter of permissions (LOP), provided the state 401 certification is issued or waived	no consistency between NRCS and Corps

[1] Based upon July 9, 1998 three-judge panel vacating the stay on the Tulloch Rule District Court decision, the Gov't did not appeal this decision

ISSUE	NRCS, Swampbuster	CORPS, Section 404	PROGRAM IMPACTS
Evaluation process	• review project in accordance with the National Food Security Act Manual (NFSAM) • some NFSAM definitions tied to 12/23/85 estimated conditions regardless of current on-site conditions • checklist type of approach--red and yellow flags (i.e., threatened and endangered species, cultural resources) • categorical minimal effects and excluded wetland types must be published in the *Federal Register* (not completed)	• National Environmental Policy Act (NEPA) environmental assessment or environmental impact statement (EIS) required • based on current field conditions • 404(b)(1) analysis (alternative analysis presuming other options available unless water dependent) • requires public notice--initially for GPs and for all IPs • 404(q) process to elevate decisions when disagreements arise between Corps and, EPA, DOI, DOC • 404(c) EPA veto	no consistency between NRCS and Corps
Mitigation requirements	• utilizing functional assessment methodology (i.e., in many cases interim hydrogeomorphic wetland functional assessment (HGM) • based upon what is offered by landowner • easements required	• various methods, ratios, best professional judgment, etc. • state 401 agency requirements can prevail over Corps • requires sequencing • may require consideration of other mitigation alternatives • permit conditions or deed restrictions	• very limited consistency between NRCS, Corps and state 401 mitigation requirements • NRCS easement requirements are typically costly • clients experiencing large time delays due to program/agency implementation differences
Decisions	• provides for USDA program eligibility • only applicable or necessary to remain eligible	• required for all activities regulated under section 404 • state 401 water quality certification can provide additional requirements, including compensatory mitigation	very limited consistency between NRCS and Corps decisions

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Enforcement	• enforcement not discretionary • no statute of limitations unless converted prior to 12/23/85 • potentially loose eligibility • no size limitation • limited options for regaining eligibility--restore or mitigate	• enforcement discretionary • 5 year Corps policy on statute of limitations • minor acreage/activity violations may not be pursued • fines can resolve violation • civil and criminal penalties, prison an option • restoration or processing of after-the-fact permit may resolve	Corps has more flexibility to resolve violations
USDA Appeals	Provides opportunity to appeal wetland determinations and other "decisions" by NRCS	Corps currently has no appeal of jurisdictional determinations or decisions	Corps is not required to accept the findings of a USDA appeal that modifies an NRCS wetland determination or any other WC exemption

Mr. Walsh: How can they be resolved?

Respondent: NRCS is developing guidance to more fully utilize a statutory provision under Swampbuster to accept U.S. Army Corps of Engineers (COE) permit decisions. By using this exemption, NRCS can reduce confusion and delays by directing landowners, requiring authorization under both programs, to seek a COE permit. NRCS would conduct the wetland determination and, when the COE reaches a decision regarding mitigation requirements, NRCS could again assist by developing the mitigation plan. While this change could address many of the problems, the other differences listed above would require statutory changes to one or both programs if the goal is to treat landowners the same, regardless of which program applies.

WETLANDS DETERMINATIONS

Mr. Walsh: Is NRCS going to go back out and do determinations on all lands?

Respondent: No, the 1996 amendments to the Food Security Act provide for NRCS to conduct wetland determinations upon request.

CURRENT STATUS ON JOINT STRATEGY ON ANIMAL FEEDING OPERATIONS

Mr. Walsh: What is the current status of the joint strategy being developed by USDA and EPA on Animal Feeding Operations? What is the impact on the NRCS for developing Nutrient Management Plans for the farmers who need them?

Respondent: The current status of the USDA-EPA Unified National Strategy for Animal Feeding Operations (Strategy) is that it is nearing completion and should be released in March, 1999. The public comment period ended on January 19, 1999, and over 1800 comments were received. These comments have been read and analyzed by two independent USDA teams and EPA. The comment analysis revealed several opportunities to improve and clarify the draft Strategy. Revisions have been incorporated into the final Strategy.

The Strategy establishes a national performance expectation that all AFOs should develop and implement technically sound, economically feasible, and site-specific Comprehensive Nutrient Management Plans (CNMP). Only farmers in a regulatory program will be required to have a CNMP. Other farmers are encouraged, but not required, to have a CNMP. NRCS has experience in developing nutrient management plans, but the CNMP is a new, more comprehensive plan. This will require NRCS to develop new guidance, update or develop new conservation practice standards, and train and certify its employees. It is anticipated to take up to two years to fully prepare to do CNMPs. Some components of the CNMP will also require other USDA, State or private sector consultant involvement. In the interim, NRCS will continue to provide quality nutrient management plans for farmers that will consider the components of the new CNMPs.

A major area of concern is a lack of adequate funding for technical and financial assistance to complete the work by 2009. There is a potential need to develop and implement CNMPs for nearly 450,000 AFOs. NRCS estimates it can help producers develop and implement with producers about 12,000 plans per year with the proposed funding.

AGING WATERSHED INFRASTRUCTURE

Mr. Walsh: Chief Reed, the Committee recognizes some of the fine work that NRCS has done for over four decades, in putting in flood prevention structures and other watershed projects which benefit communities and the environment. Please explain to the committee the situation with the Aging Watershed Infrastructure issue. What public safety and health issues are involved and where do these structures exist?

Respondent: Between 1948 and 1995, NRCS assisted communities to construct over 10,400 dams, with a primary purpose of flood control. Though the largest number of structures occurs in the South Central and Midwest Regions, every region of the country has many dams and other structural components that have been installed over the years. Fifty-two percent of the dams installed are

over thirty years old. Like all man-made items, dams and other structures do not last forever. In the year 2000, thirty-five of these dams will reach the evaluated life span, as determined by the criteria used at the time of installation. By the year 2010, the number of dams that will have exceeded their designed life expectancy will increase to 1,300.

There are several factors to consider in discussing the evaluated life span of these structures, and the hazard to health and property that they pose. First, the quality of materials used in construction has improved significantly over the years. Many of the older dams contain components of uncoated steel, or corrugated metal pipe which has begun to corrode and fail. The design for every dam also includes a storage capacity for sediment. When this storage capacity reached over time, the structure simply fails to meet the objectives of the project. In other cases, structures fail due to geologic subsidence, earthquakes, large floods, and other natural conditions beyond the scope of their design.

To further complicate the issue of aging dams and other infrastructure, changing land uses and development have added a new the hazards to life and property in the event of a failure. These structures were designed in accordance with the upstream and downstream land uses and development present or envisioned at that time. A significant percentage of the drainage on which dams were installed were classified as "low hazard," at the time they were designed, now fall into the "high hazard" category due to development subsequent to the installation. Many communities that have grown in response to the flood protection, recreational opportunities and other benefits afforded, are now threatened by these structures as their effectiveness declines and the threat of failure increases.

We simply don't have the staff resources to develop the information necessary to conduct an in-depth evaluation of the condition of all structures. Nor do we have the resources to conduct detailed intensive engineering investigation. Last July, I appointed a work group to take the lead in conducting a preliminary analysis of the situation. I authorized NRCS in Oklahoma to establish a pilot project for the rehabilitation of an aging watershed project. The Sergeant Major Watershed was selected from a list of 16 similar watershed projects in the State. We will use the experiences gained from this rehabilitation to provide insights as to the larger workload. Additionally, USDA/NRCS is currently conducting a "Rapid Assessment of Known Rehabilitation Needs" of dams built under the Small Watershed Program in the states of Arkansas, Alabama, Colorado, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Missouri, Mississippi, Nebraska, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia and Wisconsin. While this assessment is strictly a compilation of known rehabilitation needs, it will provide stakeholders valuable information on future direction. Early findings of this assessment disclose the magnitude of the problem. We will provide a summary of these findings for the record.

[The information follows:]

Advance Data Estimates: Subject to change upon detailed on-site assessment
Rapid Assessment of Known Dam Rehabilitation Needs
[Includes only dams built under PL-534, PL-566, Pilot Projects, and Resource Conservation and Development authorities of USDA]

State**	Number of Dams Needing Immediate Rehabilitation	Estimated Cost* ($millions)
Alabama	71	$24
Arkansas	77	21
Colorado	49	28
Georgia	334	92
Illinois	36	11
Indiana	41	18
Iowa	284	20
Kansas	97	20
Kentucky	101	20
Mississippi	608	34
Missouri	244	21
Nebraska	294	4
New Mexico	17	23
New York	53	2
Ohio	46	7
Oklahoma	190	53
Pennsylvania	7	1
Tennessee	43	13
Texas	283	84
Virginia	16	10
West Virginia	34	53
Wisconsin	42	3
Total for these states only	2,967	$562*

*Does not include Operations and Maintenance costs.
**These 22 states have 10,188 of project dams

FIELD CONSERVATIONISTS NEEDS

Mr. Walsh: What are the needs of the field conservationists? What does it take to adequately support the field delivery system?

Respondent: Field conservationists need support of financial and technical resources, and the best science and technology available. It would be very difficult, if not impossible to implement the programs that the Budget recommends if we don't have adequate support for the field. Already, our customers face delays in getting services. And our field staff work nights, weekends, and holidays to get the job done.

Without support for the Conservation Technical Assistance portion of the NRCS budget, which is where our work with farmers is really supported, then the suggested goals contained in the budget cannot be delivered.

CARBON SEQUESTRATION

Mr. Walsh: It is our understanding that there are many opportunities for agriculture in the area of Carbon Sequestration. Please share with the committee some of your thoughts on how farmers can contribute toward removing greenhouse gases from the atmosphere and what can NRCS do in this?

Respondent: Farmers can contribute to removing greenhouse gases from the atmosphere by sequestering carbon in the soil or in trees or other perennial vegetation on their land. Most conservation systems to reduce erosion, improve water quality, and enhance wildlife habitat, also sequester carbon or reduce emissions. Practices include: conservation tillage, residue management, cover crops, organic amendments, improved water and nutrient management and crop rotation on cropland; wetland restoration, and planting trees and grasses in buffer strips and on highly erodible or otherwise marginal cropland; and

improving forage production and availability on grazing land. The added carbon is, in fact, responsible for most of the benefits derived from these conservation practices.

Farmers can also contribute to reducing greenhouse gases in the environment by growing biofuels on marginal or degraded land. Biofuels can offset fossil fuel use and will recycle atmospheric CO2 when grown.

NRCS can contribute by helping farmers to plan and implement conservation systems that will optimize environmental benefits that can be derived from sustainable, productive agricultural enterprises. Pilots proposed in the 2000 budget request will test new farm level planning tools and conservation systems for enhanced soil carbon. The effectiveness of carbon storage enhancement program delivery options, and the appropriateness of planned systems for traditionally underserved, limited resource farmers will also be evaluated. Through these pilots, NRCS can develop and demonstrate systems that can then form the basis of a variety of incentive mechanisms.

CONCERN FOR THE FAMILY FARM

Mr. Walsh: The family farm is of concern to Secretary Glickman and to this committee. Please explain to us how we can continue our commitment to conservation when it looks like we need to concentrate on keeping families in the farming business.

Respondent: Conservation and the support of family farms are very compatible objectives. USDA conservation programs support producers, including family farms, through financial, technical, and educational assistance to:

- attain conservation goals for their operation while maintaining sustainable resource use;
- achieve cost savings through reduced reliance on purchased inputs by adopting resource conserving conservation measures;
- satisfy certain environmental requirements promulgated under state and local laws that may be difficult for family farms to attain without some assistance;
- enhance longer term sustainability and income potential through reduced soil erosion, water quality protection, wildlife habitat restoration, and better management of grazing lands;
- implement cost reducing conservation methods where the investment and risk of yield loss during transition would preclude many family farms from adoption; and
- maintain eligibility for other USDA assistance programs through satisfying highly erodible land and wetland conservation provisions for their operations

A few specific examples follow:

In Wyoming, thirty landowners in one country entered into WHIP agreements for land surrounding two state wildlife management areas. The State's wildlife areas are rich in water and wetlands, yet lacked upland bird habitat and nesting cover, and thus limited overall wildlife benefits. The land enrolled in WHIP provides the missing habitat for pin tails, mallards, pheasant and sharptails as well as neotropical migratory birds. In addition, the participants can lease their land during hunting season as a source of additional income and enterprise diversification. This, in turn, benefits the local economy.

The Passamaquoddy Tribe in Maine is using EQIP for forest and wildlife habitat conservation and management purposes that will ultimately improve their forestland income. They are also establishing integrated crop and pest management techniques with EQIP assistance that reduce reliance on costly agrochemicals while maintaining yields on their blueberry lands.

The economic stresses stemming from adverse market conditions can often impact small, limited resource, and minority farmers more severely than larger operations with more capital. Limited resource farmers in Mississippi were found to have a higher percentage of their forest lands being inadequately managed or not reforested after harvesting because they had to invest their

limited funds in farm operations with a quicker income return. EQIP has provided financial assistance to these limited resource producers for reforestation purposes that will primarily improve the local natural resources while helping longer term economic returns.

In summary, investments in conservation of natural resources on the nation's private lands will not only help family farms achieve environmental benefits, it supports their longer term productivity and viability.

IMPACT OF SECTION 11 CAP ON CRP

Mr. Walsh: If the Section 11 cap isn't fixed what would be the impact on CRP implementation?

Respondent: We estimate that on or about May 15, 1999 we will have earned all available funds for CRP technical assistance. If a change is not made to the Section 11 cap or if other funds are not made available, NRCS will potentially cease implementation of CRP at this time and/or take steps to direct these NRCS employees to other activities or assignments.

QUESTIONS SUBMITTED BY MR. BONILLA

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

Mr. Bonilla: NRCS conducted a series of listening sessions at the end of 1998 to hear from farmers and ranchers and others on the EQIP. What was learned from the session and how will the information be used to improve the program?

Respondent: In September and October 1998, eight roundtables were conducted NRCS to provide a forum for oral and written comments on the Environmental Quality Incentives Program--EQIP. Roundtable locations were: Greenwood, Mississippi; Albany, New York; West Friendship, Maryland; Denver, Colorado; Kearney, Nebraska; Texarkana, Arkansas; Window Rock Arizona; and Columbia, Missouri.

Total session attendance included 775 individuals, interest groups, farm organizations and agency representatives with 196 providing verbal testimony. Approximately, 200 additional written comments brought total testimony in the regions to nearly 400 responses.

Background and How Input Will be Used

Before and during the development of EQIP, farmers, ranchers, Federal, State, tribal, local and private partners nationwide, informed Congress and USDA that the old top-down way in which the conservation programs traditionally operated could be improved. More flexibility, more local input into the decision-making process, and more program diversity would promote and accelerate the adoption of conservation at the farm and ranch level. An existing dialogue with the public and conservation partnership was expanded by NRCS at the onset of program development to gather this public input. Listening forums and Civil Rights Action Team--CRAT--hearings were held in 1996 and 1997. The continuation of this open dialogue is essential as EQIP progresses into its third year of implementation. Roundtable sessions were organized to provide an opportunity to report on EQIP successes and gather input regarding program areas that need improvement. Feedback was used to make adjustments in current program procedure and policy, funding decisions for FY 1999, and in preparation of the FY 2000 budget. The input will also be used to make future program changes.

Common Themes

Most respondents agreed that voluntary, incentive-driven programs such as EQIP are the most effective tools for accomplishing conservation on the land, and protection of the environment. Many appreciated the comprehensive resource protection focus of EQIP, and saw it as an important program to help agricultural producers comply with environmental laws and provide benefits, such as providing clean water and other public amenities. Many felt that the right balance was being placed on various natural resource concerns, but wildlife habitat improvements were noted by several commentors as needing greater emphasis. A number of respondents expressed their appreciation of NRCS local service center staff, noting the dedication and expertise that added significant value to USDA financial, technical, and education assistance.

Many positive examples of EQIP education benefits were provided. Most agreed that education was an important program component that should be emphasized and expanded. Education activities also seemed to be effective in bringing together various agencies and organizations in a way that strengthened and reinforced partnerships. Some questioned, though, whether education and technical assistance funds should be offered at the expense of already lacking financial assistance funds and expressed an interest in providing primarily financial assistance, as with some repealed conservation programs.

The value and importance of locally led processes were also common points of agreement, although there was some disagreement on how best to achieve a truly local approach to setting priorities, ranking applications, and carrying out

effective conservation work. The largest number of comments made concerned program funds. Most noted that overall EQIP funds available were far below that needed, (on average a 3:1 to 4:1 ratio was mentioned). Many indicated that changes were necessary to reach a wider sector of the farm community.

Most comments relating to priority areas supported this programmatic approach and agreed that serious natural resource problems will be addressed. Some felt that priority areas were too restrictive and arbitrarily established, particularly in cases where lands with similar resource concerns bordered priority areas, but lacked status for funding due to geography. In several instances commentors noted that state, regional, county, tribal boundaries and watershed lines were often out of sync with jurisdictional EQIP policy on priorities, accepted practices, and ranking criterion.

Most regional roundtables included comments on "buy-down" aspects of the program limiting the competitive abilities of producers with limited income and resources. The "buy-down" process was frequently referred to as a program aspect that created a competitive disadvantage for producers with limited means to accept lower cost share rates. Some felt that "wealthier" farm owners who often had adequate second incomes were able to accept lower payment percentages, and thus edge out their less able neighbors. Many respondents were not aware that the "buy-down" aspect was actually addressed in the EQIP regulation in response to the Statute requirement to "maximize environmental benefits per dollar expended". Staff in attendance at the roundtables addressed this requirement and explained that the NRCS is reviewing the impact of the "buy-down" based on internal EQIP evaluations. Staff also presented several examples where participants are improving their offer index by providing additional environmental benefits without reducing cost share rates. Some participants indicated that they were not fully aware of this method to improve environmental benefits and were enthusiastic to take advantage of this at the next opportunity. Several participants indicated that the ranking formula was inherently biased toward the financially able, but several acknowledged that improving environmental benefits without reducing cost-shares could offset this impact in some regard. Several suggested that funds be set aside for limited resource producers to compete for, and others felt that higher USDA cost-share percentages should be offered to these producers.

Another concern noted was the need for payment in the first year of the contract, and up-front USDA funds. The delayed payment provision in the first fiscal year of contracts causes a financial burden on producers who must pay vendors immediately but want to receive USDA reimbursement. Some felt that too much emphasis was placed on funds requested, making it more difficult for costlier "hard installations," such as animal waste systems, to rank competitively against offerings applying lower cost agronomic management practices.

Many of the concerns voiced for limited resource producers were also heard from farmers on American Indian lands. Where competition for funds was limited to tribal peers, the "buy-down" aspect didn't appear to be a major concern. Most commentors felt that services and access to funds should be consistent across tribal lands.

The Federal role in Indian land trust responsibilities was often cited, with the admonition that treaties and sovereignty be honored. Government-to-government relations were emphasized, and several suggested that non-tribal local work groups and county FSA committees do not have appropriate jurisdiction on Indian lands. Most felt that project planning, review, and approval should rest with NRCS, and that NRCS should continue to enhance local services and training to empower tribes, and maximize program participation. Despite their concerns, most were very appreciative of efforts being made by NRCS to provide services and programs. Indian commentors noted that EQIP is the first conservation program to address the natural resource needs instead of focusing on the individual producer.

The need for more flexible contracting procedures were often mentioned. Many felt that first fiscal year payment restriction, and quicker payment procedures are needed to assist producers with limited resources. Also mentioned was the need to open application periods in the early fall to allow

for the ranking and funding process to better match spring conservation practice installation timing. This was also noted by USDA staff as a more realistic option to allow for developing better quality conservation plans and more accurate cost estimates for ranking and contract assembly.

Processing time and paperwork procedures were often mentioned as impediments for both USDA staffs and clients. Some clients felt that their applications had been unduly held up, and that others were discouraged from applying because of confusing paperwork requirements. Often mentioned was the concern was that too much staff and client time was required to develop conservation plans and rank applications, particularly when tight funding deadlines were being pushed in the spring or summer. An associated concern was that too much time was being devoted to processing conservation plans and applications that had little chance of receiving funds in such competitive conditions.

Another fairly common request was that conservation practice offerings be expanded, or that conservation practice standards and specifications be made more flexible to tailor practical, cost-effective conservation treatments. This comment was frequently mentioned in settings where limited resource producers needed to reduce costs to apply the conservation work and rank competitively. Others noted this need where more wildlife habitat management options were desired.

Some commentors either directly or indirectly called for a return to a cost-share system similar to the repealed Agricultural Conservation Program--ACP. They contended that the single annual practice approach was simpler to apply for, and that it put funds in the hands of more producers. Some respondents also favored a return to the county FSA committee system to administer the program, expressing that the local work group process wasn't working as intended, or that greater county FSA committee decisions were more locally responsive than EQIP's ranking process.

Commentors in several regions suggested that adequate, consistent access to EQIP could only be achieved by designating national priority areas. It was their sense that entire watersheds or regional land units needed to be designated nationally for comprehensive treatment to fully benefit downstream water quality needs. Areas cited for such designation included tribal lands, the Colorado River Basin, and the Mississippi Delta.

CURRENT STATUS OF THE JOINT STRATEGY ON AFO

Mr. Bonilla: What is the current status of the joint strategy being developed by USDA and EPA on Animal Feeding Operations? What is the impact on NRCS for developing Nutrient Management Plans for the farmers who need them?

Respondent: The current status of the USDA-EPA Unified National Strategy for Animal Feeding Operations is that it is nearing completion and should be released in March, 1999. The public comment period ended on January 19, 1999, and over 1,800 comments were received. These comments have been read and analyzed by two independent USDA teams and EPA. The comment analysis revealed several opportunities to improve and clarify the draft Strategy. Revisions have been incorporated into the final Strategy.

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A major area of concern is a lack of adequate funding for technical and financial assistance to complete the work by 2009. There is a potential need to develop and implement CNMPs for nearly 450,000 AFOs. NRCS estimates it can develop and implement with producers about 12,000 plans per year with the proposed funding.

ECONOMIC IMPACT ASSESSMENT OF KYOTO GLOBAL CLIMATE CHANGE TREATY

Mr. Bonilla: Has USDA conducted an assessment of the economic impact that the Kyoto Global Climate Change treaty could have on agriculture? If not, when do you anticipate conducting such an analysis?

Respondent: USDA is currently conducting an analysis of the Kyoto Protocol on U.S. agriculture. The analysis is in review and will be released shortly. This work is coordinated by the USDA Global Change Program Office.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM FUNDING AND ACTIVITIES

Mr. Bonilla: What percentage of EQIP funding is spent on education and administrative activities? What type of activities are classified as educational?

Respondent: In FY 1997, 2.5 percent, and in FY 1998, 1.9 percent was spent on education assistance. In FY 1999, it is estimated that 2.2 percent will be spent on education assistance. There are no EQIP funds used for administrative expenses.

Education assistance includes those activities related to delivering technical information, knowledge, and facts to producers to help them identify and understand their natural resource and environmental conditions, and to know how to develop, implement, and maintain a conservation plan and conservation management systems. Such activities could include training sessions and workshops, on-farm conservation practice demonstrations, other educational events, and publication of education materials.

Mr. Bonilla: Last year NRCS indicated that they have provided funds to education groups such as Food, Land, and People and other organizations. What does NRCS do to ensure that all educational groups would have an opportunity to apply for these funds and what would other interested groups need to do to apply for this funding?

Respondent: NRCS makes its decisions about use of education assistance funds primarily at the local and State level. The NRCS State conservationists work with their respective State technical committee, and its members, to develop a coordinated education plan that maximizes the use of existing educational resources. The education plan includes: identification of customers and their educational needs; educational goals and objectives; design of appropriate educational responses; delivery of educational programs; evaluation of educational outcomes.

The State conservationists and the State technical committee identify the education providers that are able to fulfill the education assistance. Education providers may include cooperative extension, conservation districts, State agricultural and natural resources agencies, and private groups and organizations. Although not required, some State conservationists select education providers through advertised requests for proposals. Education providers should communicate their interest to the State conservationist so they may be considered if education assistance funding is available in the future.

LEGITIMACY OF EQIP CONTRACTS

Mr. Bonilla: What does NRCS do to ensure that EQIP contracts are awarded to legitimate farmers and ranchers, not just weekend ranchers or people who own land for recreational purposes to hunt on the weekends? We have heard from a lot of ranchers who have not been able to get contracts that are in a priority area, but a guy who has 150 acres is able to get a contract. In my district, you are not ranching if you only have 150 acres.

Respondent: The final rule for EQIP, published in the Federal Register by the Commodity Credit Corporation on May 22, 1997. The rule contained the eligibility requirements of farmers and ranchers. As with most USDA programs, the EQIP eligibility requirements do not make a distinction between full-time producers and those who may have off-farm income. Additionally, there are no farm or ranch size limitations; what may be small for one agricultural purpose may be considered to be large for another purpose.

The program is available to a farmer or rancher who has an interest in a farm or ranch, and the farm or ranch is used to produce crops, livestock and other animals for food or fiber, other livestock or animals that contribute to significant natural resource concerns, other agricultural commodities, and other crops used for subsistence. There is no programmatic bias for or against large-scale producers, small-scale producers, limited resource producers, underserved groups and those historically unaccustomed to conservation programs, or to producers practicing alternative or non-traditional forms of agriculture.

NRCS develops application ranking criteria, in consultation with local work groups and State technical committees, to prioritize applications. Applications selected are those which are consistent with the statutory requirement to maximize overall environmental benefits per program dollar expended.

EQIP PRIORITY AREAS

Mr. Bonilla: In Texas earlier this year, a proposal was made to focus all of the resources of the EQIP program in designated priority areas and provide absolutely no funding to any landowners in areas outside these priority areas. I understand that after discussion at the meeting of the State Technical Committee this proposal did not go forward. Even though we understand that a much greater demand for EQIP dollars exists than the amount of available funding, wouldn't it be very unfair to the needs of landowners living in non-priority areas to totally exclude them from applying for this cost share assistance?

Respondent: The 1996 Farm Bill authorized the Secretary of Agriculture to designate watersheds, multistate areas, or regions of special environmental sensitivity as conservation priority areas, and to assist agricultural producers within the conservation priority areas to comply with Federal nonpoint source pollution requirements and other Federal and State environmental laws, and to meet other conservation needs. The statute further authorized the Secretary to accord a higher priority to technical and financial assistance to producers in the priority areas based on the significance of the soil, water, wildlife habitat, and other related natural resource problems.

NRCS believes that primarily offering the program in priority areas throughout the Nation is needed to help assure that the most environmentally sensitive areas are considered and funds are directed to the areas in most need. The use of the priority areas concept focuses assistance on those areas that pose the most serious threats to soil, water, and related natural resources, including wildlife habitat and natural resources on grazing land and wetland, and to make environmental enhancements.

The program will also provide the most important natural resource benefits in a cost-effective manner. Implementation of conservation measures will be accelerated in these areas. Past experience has shown that by focusing program assistance, greater environmental benefits are derived.

Providing program assistance to significant statewide natural resource concerns outside of funded priority areas will result in widespread eligibility of producers. About 25 percent of the FY 1998 funds were expended on these concerns; a similar percentage is expected for these concerns in FY 1999.

QUESTIONS SUBMITTED BY MR. LATHAM

Mr. Latham: The Iowa Drainage District Association submitted wetlands mitigation plans to the NRCS in September of 1998. In January 1999, the district was notified the rules for wetlands mitigation were going to change. The drainage district was told it would have to double prior converted mitigation accordingly. Why was the mitigation plan that was submitted to the agency in September deemed insufficient after the January announcement?

Respondent: The proposed project by the Iowa Drainage District Number 176 requires authorization under Section 404 of the Clean Water Act--CWA. Initially, the NRCS State office was working with the Drainage District to ensure compliance with swampbuster and began discussion of the potential acreage required for wetlands mitigation. The U.S. Army Corps of Engineers determined that the activity would require Section 404 authorization and advised NRCS and the Drainage District regarding requirements under Section 404. The Corps is now the lead Federal agency to authorize the activity, including the wetland mitigation requirements. The issuance of a Section 404 permit will also satisfy swampbuster requirements. Governor Thomas J. Vilsack received a recent letter from the Council on Environmental Quality stating a meeting would be held with Secretary Judge and Director Johnson of the Drainage District and the federal agencies to address the outstanding concerns from the State of Iowa.

QUESTIONS SUBMITTED BY MS. DELAURO

Ms. DeLauro: There are reported to be many opportunities for agriculture in the area of Carbon Sequestration. Would you provide details on how farmers across the country can contribute towards removing greenhouse gases from the atmosphere? What can the NRCS do in this area -- with farmers, or in an independent effort?

Respondent: Farmers can contribute to removing greenhouse gases from the atmosphere by sequestering carbon in the soil or in trees or other perennial vegetation on their land. Most conservation systems to reduce erosion, improve water quality, and enhance wildlife habitat, also sequester carbon or reduce emissions. Practices include: conservation tillage, residue management, cover crops, organic amendments, water and nutrient management, and crop rotation on cropland; wetlands restoration and planting trees and grasses in buffer strips and on highly erodible or otherwise marginal cropland; and improving forage production and availability on grazing land. The added carbon is, in fact, responsible for most of the benefits derived from these conservation practices.

NRCS can contribute by helping farmers to plan and implement conservation systems that will optimize environmental benefits that can be derived from sustainable, productive agricultural enterprises. Pilots proposed in the FY2000 budget request will test new farm level conservation systems and planning tools for enhanced soil carbon sequestration. The effectiveness of carbon storage enhancement program delivery options and outreach to underserved, limited resource farmers will also be evaluated. NRCS works effectively with farmers and ranchers through cooperative agreements with local Conservation Districts to provide the technical and financial assistance needed to help achieve common public and private conservation goals.

Enhanced carbon storage is simply a new performance measure, which aims at a higher standard than established conservation objectives, for this successful partnership. NRCS's appropriate role is to provide the best, scientifically grounded conservation technology to farmers, and to ensure that conservation program delivery is driven by those same high scientific and technical standards.

Ms. DeLauro: In the NRCS' mission to preserve wetlands, does the agency's efforts ever come in conflict with the efforts of other federal agencies?

Respondent: Yes, the problems are a result of the differing statutory requirements, and policies developed under the two programs. While the 1996 amendments to the Food Security Act provided increased flexibility under Swampbuster, these amendments did not change the statutory requirements of the Clean Water Act (CWA). The areas regulated between the two programs do not overlap precisely creating uncertainty for landowners that receive an NRCS certified wetland determination. Swampbuster only regulates wetlands and the CWA regulates all waters of the United States. Swampbuster also uses the conditions of the land on December 23, 1985, as the baseline for determining whether wetlands exist, whereas, the CWA policy dictates that the jurisdictional determination is based on current conditions. Both programs have exemptions but in many cases they conflict (i.e., constructing a house in a wetland is exempt under Swampbuster but is regulated under the CWA). In cases where an activity is regulated by both programs, the methods and thresholds for decisions are quite different, frequently resulting in conflicting decisions between the two programs. Mitigation requirements vary greatly between the two programs, often resulting in conflicting decisions. The CWA also has more flexibility to resolve violations or there is simply no action taken (discretionary), while resolution of Swampbuster violations must be achieved to regain USDA program eligibility. Finally, USDA appeals decisions may not be accepted for by the other federal agencies for CWA purposes. When more than one of these problems is involved with the same project it is easy to understand the frustration landowners are experiencing. As we recently heard in a local hearing held by Congressman Berry, in many cases these differences cause landowners significant delays in the pursuit of their projects due to the length of time necessary to obtain CWA permits. To illustrate further the complexity and differences between the two programs, we have attached a table comparing Swampbuster with Section 404 of the CWA.

[The table follows:]

SWAMPBUSTER AND SECTION 404 COMPARISON

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Jurisdiction	• all wetlands • except those areas hydrogolically manipulated and meeting prior converted cropland (PC) criteria on Dec 23, 1985 • no PC abandonment • abandonment only applies to farmed wetland (FW) and farmed wetland pasture (FWP) when baseline conditions have not been documented • wetland determination valid as long as land is devoted to ag use • responsible for making wetland determinations on ag land, including native pasture, rangeland and small tree farms in accordance with the 1994 AG MOA, as modified by 1996 FSA amendments • 1994 AG MOA, NRCS lead on ag land and for program participants	• all waters of the US, including wetlands • except those waters not subject to interstate commerce • recaptures abandoned PC • certain ditches and channelized waters bodies • wetland and other waters determinations (Jurisdictional Determinations (JDs)) valid for 5 years • responsible for making jurisdictional determinations on all lands • 1994 AG MOA, Corps lead for non-ag land	• NRCS wetland determination may not include all waters of the US (NRCS does not have the statutory authority to make other water determinations for section 404 purposes) • Corps will assert jurisdiction over abandoned PC • Corps may assert jurisdiction over certain ditches • NRCS does assert jurisdiction over areas not regulated under 404 (i.e., waters with no interstate commerce nexus, (4th circuit decision)) • unclear agency lead for conducting wetland determination when ag use changing • potential conflicts between statutory changes to Swampbuster regarding lead agency and validity of wetland determinations • in some cases the Corps has not been accepting NRCS certified wetland determinations

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Activities regulated	only those activities that result in a manipulation for the purpose of or having the effect of making production of a commodity crop possible, includes activities that may not be located within wetlands (e.g., water diversion terraces)	dredge and fill activities, but does not include incidental fall back[2]	• NRCS may regulate activities outside of wetlands • NRCS will regulate excavation projects with only incidental fallback that result in a manipulation for the purpose of or having the effect of making production of a commodity crop possible
Activities not regulated	• Conversion to a non-ag use (e.g., farm and stock ponds, buildings, roads, etc.) • Maintenance of drainage systems provided plans indicate previously existing conditions or condition as of Dec 23, 1985 • Removal of additional waters • Farming wetlands by normal tillage without fill, leveling or conversion when no woody vegetation is removed and no water regime manipulation	• normal farming, plowing, seeding, harvesting, cultivating, minor drainage, that are part of an established, on-going farming or ranching operation • ditch maintenance (i.e., discharge of dredged material into a water) allowed only for currently serviceable ditches • maintenance, including emergency reconstruction of dikes, dams, levees, groins, riprap • construction or maintenance of farm or stock ponds or irrigation ditches • activities only involving incidental fall back	Corps may regulate ditch maintenance when considered reconstruction
Authorized activities	Activities subject to categorical minimal effect, minimal effect, mitigation, or Corps individual permit exemptions	activities may qualify for general permits (GPs) (nationwide (NWP), regional (RGP), state (SPGP)), standard individual permits (IP), letter of permissions (LOP), provided the state 401 certification is issued or waived	no consistency between NRCS and Corps

[2] Based upon July 9, 1998 three-judge panel vacating the stay on the Tulloch Rule District Court decision, the Gov't did not appeal this decision

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Evaluation process	• review project in accordance with the National Food Security Act Manual (NFSAM) • some NFSAM definitions tied to 12/23/85 estimated conditions regardless of current on-site conditions • checklist type of approach--red and yellow flags (i.e., threatened and endangered species, cultural resources) • categorical minimal effects and excluded wetland types must be published in the *Federal Register* (not completed)	• National Environmental Policy Act (NEPA) environmental assessment or environmental impact statement (EIS) required • based on current field conditions • 404(b)(1) analysis (alternative analysis presuming other options available unless water dependent) • requires public notice--initially for GPs and for all IPs • 404(q) process to elevate decisions when disagreements arise between Corps and, EPA, DOI, DOC • 404(c) EPA veto	no consistency between NRCS and Corps
Mitigation requirements	• utilizing functional assessment methodology (i.e., in many cases interim hydrogeomorphic wetland functional assessment (HGM) • based upon what is offered by landowner • easements required	• various methods, ratios, best professional judgment, etc. • state 401 agency requirements can prevail over Corps • requires sequencing • may require consideration of other mitigation alternatives • permit conditions or deed restrictions	• very limited consistency between NRCS, Corps and state 401 mitigation requirements • NRCS easement requirements are typically costly • clients experiencing large time delays due to program/agency implementation differences
Decisions	• provides for USDA program eligibility • only applicable or necessary to remain eligible	• required for all activities regulated under section 404 • state 401 water quality certification can provide additional requirements, including compensatory mitigation	very limited consistency between NRCS and Corps decisions

ISSUE	*NRCS, Swampbuster*	*CORPS, Section 404*	*PROGRAM IMPACTS*
Enforcement	• enforcement not discretionary • no statute of limitations unless converted prior to 12/23/85 • potentially loose eligibility • no size limitation • limited options for regaining eligibility--restore or mitigate	• enforcement discretionary • 5 year Corps policy on statute of limitations • minor acreage/activity violations may not be pursued • fines can resolve violation • civil and criminal penalties, prison an option • restoration or processing of after-the-fact permit may resolve	Corps has more flexibility to resolve violations
USDA Appeals	Provides opportunity to appeal wetland determinations and other "decisions" by NRCS	Corps currently has no appeal of jurisdictional determinations or decisions	Corps is not required to accept the findings of a USDA appeal that modifies an NRCS wetland determination or any other WC exemption

Ms. DeLauro: If so, what are the issues and how do you think they could be resolved?

Respondent: NRCS is developing guidance to more fully utilize a statutory provision under Swampbuster to accept U.S. Army Corps of Engineers (COE) permit decisions. By using this exemption, NRCS can reduce confusion and delays by directing landowners, requiring authorization under both programs, to seek a COE permit. NRCS would conduct the wetland determination and, when the COE reaches a decision regarding mitigation requirements, NRCS could again assist by developing the mitigation plan. While this change could address many of the problems, the other differences listed above would require statutory changes to one or both programs if the goal is to treat landowners the same, regardless of which program applies.

Ms. DeLauro: Is the NRCS completing determinations on all lands?

Respondent: Yes, the 1996 amendments to the Food Security Act provide for NRCS to conduct wetland determinations upon request only.

Ms. DeLauro: What is the current status of the joint USDA-EPA strategy being developed on Animal Feeding Operations? What do you expect the impact will be on NRCS for the development of Nutrient Management Plans for the farmers who need them?

Respondent: The current status of the USDA-EPA Unified National Strategy for Animal Feeding Operations (Strategy) is that it is nearing completion and should be released in March, 1999. The public comment period ended on January 19, 1999, and over 1800 comments were received. These comments have been read and analyzed by two independent USDA teams and EPA. The comment analysis revealed several opportunities to improve and clarify the draft Strategy. Revisions have been incorporated into the final Strategy.

The Strategy establishes a national performance expectation that all AFOs should develop and implement technically sound, economically feasible, and site-specific Comprehensive Nutrient Management Plans (CNMP). Only farmers in a regulatory program will be required to have a CNMP. Other farmers are encouraged, but not required, to have a CNMP. NRCS has experience in developing nutrient management plans, but the CNMP is a new, more comprehensive plan. This will require NRCS to develop new guidance, update or develop new conservation practice standards, and train and certify its employees. It is anticipated to take up to two years to fully prepare to do CNMPs. Some components of the CNMP will also require other USDA, State or private sector consultant involvement. In the interim, NRCS will continue to provide quality nutrient management plans for farmers that will consider the components of the new CNMPs.

A major area of concern is a lack of adequate funding for technical and financial assistance to complete the work by 2008. There is a potential need to develop and implement CNMPs for nearly 450,000 AFOs. NRCS estimates it can develop and implement with producers about 12,000 plans per year with the proposed funding.

Ms. DeLauro: I would like to take a moment to commend you on the excellent work that NRCS has done over four decades in developing flood prevention structures and other watershed projects that benefit local communities and the environment. What is the status of the Aging Watershed Infrastructure issues, especially as it relates to Connecticut? What public safety and health issues are involved and where do these structures exist?

Respondent: The Small Watershed Program has assisted Connecticut communities address natural resource concerns in twelve watersheds. The projects provide approximately $4 million in benefits each year. Thirty-one dams have been installed in cooperation with local sponsors. While we have not conducted an assessment of these dams, some are reaching an age where sponsors should be closely monitoring their condition.

Between 1948 and 1995, NRCS assisted communities to construct over 10,400 dams, with a primary purpose of flood control. Though the largest number of structures occurs in the South Central and Midwest Regions, every region of the country has many dams and other structural components that have been installed over the years. Fifty-two percent of the dams installed are over thirty years old. Like all man-made items, dams and other structures do not last forever. In the year 2000, thirty-five of these dams will reach the evaluated life span, as determined by the criteria used at the time of installation. By the year 2010, the number of dams that will have exceeded their designed life expectancy will increase to 1,300.

There are several factors to consider in discussing the evaluated life span of these structures, and the hazard to health and property that they pose. First, the quality of materials used in construction has improved significantly over the years. Many of the older dams contain components of un-coated steel, or corrugated metal pipe, which has begun to corrode and fail. The design for every dam also includes a storage capacity for sediment. When this storage capacity reached over time, the structure simply fails to meet the objectives of the project. In other cases, structures fail due to geologic subsidence, earthquakes, large floods, and other natural conditions beyond the scope of their design.

To further complicate the issue of aging dams and other infrastructure, changing land uses and development have added a new the hazards to life and property in the event of a failure. These structures were designed in accordance with the upstream and downstream land uses and development present or envisioned at that time. A significant percentage of the drainage on which dams were installed were classified as "low hazard," at the time they were designed, now fall into the "high hazard" category due to development subsequent to the installation. Many communities that have grown in response to the flood protection, recreational opportunities and other benefits afforded are now threatened by these structures as their effectiveness declines and the threat of failure increases.

We simply don't have the staff resources to develop the information necessary to evaluate the condition of all structures. Nor do we have the resources to conduct an detailed intensive investigation. Last July, I appointed a work group to take the lead in conducting a preliminary analysis of the situation. I authorized NRCS in Oklahoma to establish a pilot project for the rehabilitation of an aging watershed project. The Sergeant Major Watershed was selected from a list of 16 similar watershed projects in the State. We will use the experiences gained from this rehabilitation to provide insights as to the larger workload. Additionally, USDA/NRCS is currently conducting a "Rapid Assessment of Known Rehabilitation Needs" of dams built under the Small Watershed Program in the states of Arkansas, Alabama, Colorado, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Missouri, Mississippi, Nebraska, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia and Wisconsin. While this assessment is strictly a compilation of known rehabilitation needs, it will provide stakeholders valuable information on future direction. Early findings of this assessment disclose the magnitude of the problem. We will provide a table that shows the early findings of this assessment.

[The table follows:]

Advance Data Estimates: Subject to change upon detailed on-site assessment
Rapid Assessment of Known Dam Rehabilitation Needs
[Includes only dams built under PL-534, PL-566, Pilot Projects, and Resource Conservation and Development authorities of USDA]

State**	Number of Dams Needing Immediate Rehabilitation	Estimated Cost* ($millions)
Alabama	71	$24
Arkansas	77	21
Colorado	49	28
Georgia	334	92
Illinois	36	11
Indiana	41	18
Iowa	284	20
Kansas	97	20
Kentucky	101	20
Mississippi	608	34
Missouri	244	21
Nebraska	294	4
New Mexico	17	23
New York	53	2
Ohio	46	7
Oklahoma	190	53
Pennsylvania	7	1
Tennessee	43	13
Texas	283	84
Virginia	16	10
West Virginia	34	53
Wisconsin	42	3
Total for these states only	2,967	$562*

*Does not include Operations and Maintenance costs.
**These 22 states have 10,188 of project dams

[The justifications of the budget estimates follow:]

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NATURAL RESOURCES CONSERVATION SERVICE

Purpose Statement

The Natural Resources Conservation Service (NRCS) was established pursuant to Public Law 103-354, the Department of Agriculture Reorganization Act of 1994, (7 U.S.C. 6962). The mission of NRCS is to provide national leadership in a partnership effort to help people conserve, improve, and sustain the Nation's natural resources and environment.

NRCS technical experts help land managers and communities take a comprehensive approach in planning the use and protection of soil, water, and related resources on private and non-Federal lands, in rural, suburban, urban, and developing areas. NRCS assistance to individual landowners is provided through conservation districts, which are units of local government created by state law. NRCS works in partnership with the State conservation agency and other State and local agencies such as resource conservation and development councils and locally elected farmer committees, Federal agencies, tribal governments, and private sector organizations.

Agency activities help to sustain agricultural productivity and provide broader benefits such as cleaner, safer, and more dependable water supplies; reduced damages caused by floods and other natural disasters; and an enhanced natural resource base to support continued economic development and recreation.

NRCS helps people to achieve these outcomes through activities conducted under the following programs of the Department of Agriculture.

Conservation Operations is authorized by the Soil Conservation and Domestic Allotment Act of 1935, P.L. 74-46 (16 U.S.C. 590a-590f) and the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009). The purpose of the program is to sustain agricultural productivity and protect and enhance the natural resource base. Activities include:

1. Conservation Technical Assistance (CTA). The purpose of the program is to assist land-users, communities, units of state and local government, and other Federal agencies in planning and implementing conservation systems to reduce erosion, improve soil and water quality, improve and conserve wetlands, enhance fish and wildlife habitat, improve air quality, improve pasture and range condition, reduce upstream flooding, and improve woodlands.

   Objectives of the program are to:
   - Assist individual landusers, communities, conservation districts, and other units of State and local government and Federal agencies to meet their goals for resource stewardship and assist individuals to comply with State and local requirements. NRCS assistance to individuals is provided through conservation districts in accordance with the memorandum of understanding signed by the Secretary of Agriculture, the governor of the state, and the conservation district. Assistance is provided to land users voluntarily applying conservation and to those who must comply with local or State laws and regulations.
   - Assist agricultural producers to comply with the highly erodible land (HEL) and wetland (Swampbuster) provisions of the 1985 Food Security Act as amended by the Food, Agriculture, Conservation and Trade Act of 1990 (16 U.S.C. 3801 et. seq.) and the Federal Agriculture Improvement and Reform Act of 1996 and wetlands requirements of Section 404 of the Clean Water Act. NRCS makes HEL and wetland determinations and helps land users develop and implement conservation plans to comply with the law.
   - Provide technical assistance to participants in USDA cost-share and conservation incentive programs. (Assistance is funded on a reimbursable basis from the CCC.)

- Collect, analyze, interpret, display, and disseminate information about the condition and trends of the Nation's soil and other natural resources so that people can make good decisions about resource use and about public policies for resource conservation.
- Develop effective science-based technologies for natural resource assessment, management, and conservation.

2. Soil Surveys. The purpose of the program is to help people understand soils. Soils surveys provide the public with local information on the capabilities and conservation treatment needs of their soil. Soil surveys are based on scientific analysis and classification of the soils. The soil survey for a county or designated area includes maps and interpretations with explanatory information; it is the foundation of resource planning by land users and for policy making for Federal, State, county, and local community programs. The surveys are conducted cooperatively with other Federal agencies, land grant universities, State agencies, and local units of government.

   The major objectives of the program are to:
   - Provide a basic inventory of soil information for the entire country, produced according to consistent standards and procedures.
   - Provide soils information to the public.
   - Provide technical services to help people use soils information.

   The program was a GPRA pilot project for performance measurement.

3. Snow Survey and Water Supply Forecasts. The purpose of the program is to provide western states and Alaska with information on future water supplies. NRCS field staff collect and analyze data on depth and water equivalent of the snowpack at more than 1,200 mountain sites and estimate annual water availability, spring runoff, and summer streamflows. These forecasts are used by individuals, organizations, and state and Federal agencies for decisions relating to agricultural production, fish and wildlife management, municipal and industrial water supply, urban development, flood control, recreation power generation, and water quality management. The National Weather Service includes the forecasts in their river forecasting function.

   The objectives of the program are to :
   - Provide water users with accurate forecasts of surface water supply within the first 5 working days of each month, Jan.-June.
   - Efficiently obtain, manage, and disseminate high quality information on snow, water, climate, and hydrologic conditions.
   - Develop and apply new technology to meet changing needs of water users.

   The program was a GPRA pilot project for performance measurement.

4. Plant Material Centers. The purpose of the program is to provide native plants that can help solve natural resource problems. Beneficial uses for which plant material may be developed include biomass production, carbon sequestration, erosion reduction, wetland restoration, water quality improvement, streambank and riparian area protection, coastal dune stabilization, and other special conservation treatment needs. Scientists at the centers seek out plants that show promise for meeting an identified conservation need and test their performance. After species are proven, they are released to the private sector for commercial production. The work at the 26 centers is carried out cooperatively with state and Federal agencies, commercial businesses, and seed and nursery associations.

5. Watershed Surveys and Planning. This program is authorized by the Watershed and Flood Prevention Act, P.L. 83-566, August 4, 1954, (16 U.S.C. 1001-1008). Prior to fiscal year 1996,

small watershed planning activities and the cooperative river basin surveys and investigations authorized by Section 6 of the Act were operated as separate programs. The 1996 appropriations act combined the activities into a single program entitled the Watershed Surveys and Planning program. Activities under both programs are continuing under this authority.

The purpose of the program is to assist Federal, State, and local agencies and tribal governments to protect watersheds from damage caused by erosion, floodwater, and sediment and to conserve and develop water and land resources. Resource concerns addressed by the program include water quality, opportunities for water conservation, wetland and water storage capacity, agricultural drought problems, rural development, municipal and industrial water needs, upstream flood damages, and water needs for fish, wildlife, and forest-based industries.

Types of surveys and plans include watershed plans, river basin surveys and studies, flood hazard analyses, and flood plain management assistance. The focus of these plans is to identify solutions that use land treatment and nonstructural measures to solve resource problems.

Watershed and Flood Prevention Operations. Activities under this program include:

Watershed Operations authorized by P.L. 78-534, the Flood Control Act of 1944 (33 U.S.C. 701b-1), and

Small Watersheds authorized by P.L. 83-566, as amended, (16 U.S.C. 1001-1008)

The purpose of these programs is to cooperate with State and local agencies, tribal governments, and other Federal agencies to prevent damages caused by erosion, floodwater, and sediment and to further the conservation, development, utilization, and disposal of water and the conservation and utilization of land.

The 566 program is available nationwide to protect and improve watersheds up to 250,000 acres in size. There are currently about 531 small watershed projects underway throughout the country. PL-534 is available only in 11 areas authorized by Congress; the areas cover about 35 million acres in 11 states.

The objectives of the programs are to assist local sponsors in assessing conditions in their watershed, developing solutions to their problems, and installing necessary measures to alleviate the problems. Measures may include land treatment and structural and nonstructural measures. Federal cost sharing for installation of the measures is available. The amount depends upon the purposes of the project. Loans are available to help finance the local share of the cost.

Rural and urban residents, working through local organizations, such as county or municipal governments, soil and water conservation districts, not-for-profit organizations, or tribal governments, initiate a project by requesting assistance to solve a problem that is important to them. State agencies review and approve local proposals and may provide financial and other assistance.

Emergency Operations authorized by Section 216, P.L. 81-516, (33 U.S.C. 701b-1) and Sections 403-405, P.L. 95-334, (16 U.S.C. 2203-2205). The purpose of the Emergency Watershed Protection (EWP) program is to reduce hazards to life and property in watersheds damaged by severe natural events. An emergency is considered to exist when a watershed is suddenly impaired by flood, fire, drought, or other natural causes that results in life and property being endangered by flooding, erosion, or sediment discharge. The emergency area need not be declared a national disaster area to be eligible for assistance. During the past 8 years, the program has been used in a average of 26 states per year.

Objectives of the program are to provide technical and financial assistance for disaster cleanup and subsequent rebuilding; stream corridor, wetland and riparian area restoration; and for urban planning and site location assistance to FEMA when relocating communities out of floodplains. Local people are generally employed on a short term basis to assist with disaster recovery. Activities include establishing quick vegetative cover on denuded land, sloping steep land, and eroding banks; opening dangerously restricted channels; repairing diversions and levees; and other emergency work.

Forestry Incentives Program (FIP). This program is authorized under the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313), as amended by Title XII of the Food, Agriculture, Conservation, and Trade Act of 1900 (Public Law 101-624), as amended by the Federal Agriculture Improvement and Reform Act of 1996. The 1996 Act extended the program through the year 2002. The purpose of the program is to increase production of sawtimber and pulpwood on nonindustrial private forest lands; to decrease, over time, expected shortages and rising prices of timber; and to help ensure effective use of available forest lands. The objective is to provide cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.

Resource Conservation and Development Program (RC&D). This program is authorized by Section 102 of the Food and Agriculture Act of 1962 (P.L. 87-703), (7 U.S.C. 1010-1011) and Sections 1528-1538 of the Agriculture and Food Act of 1981 (P.L. 97-98). The Federal Agriculture Improvement and Reform Act of 1996 extended the program through the year 2002. The purpose of the program is to 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 resource conservation and development. RC&D plans may address land conservation, water management, community development, or other elements including energy conservation, protection of agricultural land, or protection of fish and wildlife habitat.

RC&D is initiated and directed at the local level by volunteers. An RC&D area encompasses multiple communities, various units of government, municipalities, and grassroots organizations. The program serves as a catalyst for these civic groups to share knowledge and resources in a collective attempt to solve common problems facing their region. RC&D councils obtain assistance from the private sector, corporations, foundations, and all levels of government. A total of 315 RC&D areas have been authorized covering 2,302 counties across the country.

Wetlands Reserve Program (WRP). This program is authorized under Section 1237 of the Food Security Act of 1985, as added under Title XIV, Section 1438, of the 1990 Act, and amended under the Omnibus Budget Reconciliation Act of 1993 and the 1996 Act. The 1996 Act re-authorized the funding of WRP through the Commodity Credit Corporation (CCC) beginning in FY 1997. Account balances existing within the account from FY 1996 and prior years will remain until expended. These funds will be used to maintain pre-1996 Act WRP contracts. The WRP is one component of the Environmental Conservation Acreage Reserve Program (ECARP), which also includes the Conservation Reserve Program (CRP) and the Environmental Quality Incentives Program (EQIP).

The purpose of the WRP is to preserve, protect, and restore valuable wetlands. Wetland protection will improve wildlife and migratory bird habitat, improve water quality, and provide flood water retention, ground water recharge, open space, and aesthetic values.

The objective of the program is to enroll up to 975,000 acres in a balance of permanent easements, 30-year easements, and voluntary restoration agreements by the end of calendar year 2002. The 1996 Act requires that, beginning in FY 1997, one-third of the enrolled acres be in permanent easements, one-third in 30-year easements, and one third in wetlands restored under cost-share agreements. NRCS enters into easement contracts with landowners who operate farmed or converted wetlands, farmed wetlands, or prior converted

wetlands and adjoining land in CRP or riparian corridors. NRCS and the Fish and Wildlife Service provide technical assistance.

Environmental Quality Incentives Program (EQIP). This program was established by the Federal Agriculture Improvement and Reform (FAIR) Act of 1996. EQIP brings the functions of the Agricultural Conservation Program (ACP), the Water Quality Incentives Program (WQIP), the Great Plains Conservation Program (GPCP), and the Colorado River Basin Salinity Control Program (CRSC) into a single program. EQIP is a component of the Environmental Conservation Acreage Reserve Program (ECARP).

The purpose of the program is to achieve solutions to local community concerns related to farms, ranches, and rural lands. The objective of the program is to provide technical and financial assistance to farmers and ranchers who face the most serious threats to soil, water, and related natural resources, assisting them to make changes in cropping systems; grazing management; manure, nutrient, pest, or irrigation management; land use, or other measures needed to conserve soil, water, and related natural resources. Technical assistance, cost-share payments, incentive payments, and education are provided to producers who enter into 5- to 10-year contracts based on conservation plans. At least 50 percent of funding must be targeted to practices relating to livestock production.

NRCS, with concurrence from the Farm Services Agency, establishes policies, priorities, and guidelines for the program and provides technical leadership and technical and financial assistance. Conservation districts and FSA county committees share responsibility for local implementation. State technical committees, which include membership of the FSA state committee, offer advice on criteria and priorities at the state level. FSA provides administrative support for contracting, payment reporting, and financial matters.

Farmland Protection Program (FPP). The program is authorized by Section 388 of Title III of the Federal Agriculture Improvement and Reform Act of 1996. The purpose of the program is to protect soil by limiting nonagricultural use of prime and unique farmland. The objective is to purchase conservation easements or other interests in not less than 170,000 nor more than 340,000 acres of prime and unique farmland. To be eligible, land must be subject to a pending offer from a state or local government. A conservation plan must be developed for any highly erodible cropland for which an easement or other interest is purchased. The plan may require that the land be converted to less intensive use. Total funding for the program, from the Commodity Credit Corporation, through FY 2002 is not to exceed $35 million.

Wildlife Habitat Incentives Program (WHIP). The program is authorized by Section 387 of Title III of Federal Agriculture Improvement and Reform (FAIR) Act of 1996. The purpose of the program is to develop habitat for upland wildlife, wetlands wildlife, threatened and endangered species, fish, and other types of wildlife. Objectives of the program are to provide technical, educational, and financial assistance to eligible farmers and ranchers to address protection of wetlands, wildlife habitat, and related concerns on their lands. To carry out the program, a total of $50 million is available for fiscal years 1996 through 2002 from funds available to carry out the Conservation Reserve Program.

Conservation Farm Option (CFO). The program is authorized by Section 335 of Title III of the Federal Agriculture Improvement and Reform Act of 1996 as a pilot program for eligible producers of wheat, feed grains, cotton, and rice. The purpose of the program is to address the conservation of soil, water, and related resources; water quality; wetlands; wildlife habitat; and other purposes. Producers who have contract acreage under production flexibility contracts are provided an option of a 10-year contract as a single annual payment equivalent to the amount of the combined payments under CRP, WRP, and EQIP. Authorized funding totals $197.5 million over a 6-year period and increases from $7.5 million in fiscal year 1997 to $62.5 million in fiscal year 2002. Funding is from the CCC.

Terminated programs. The Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Act) directed that the program functions of two NRCS programs and two Farm Service Agency programs be conducted under authority of the Environmental Quality Incentives Program. The NRCS programs are the Colorado River Basin Salinity Control Program (CRSC) and the Great Plains Conservation Program (GPCP). The purpose of the Colorado River Basin Salinity Control Program was to reduce the salinity content in the upper Colorado River basin in support of the 1973 International Boundary and Water Commission treaty, to improve water quality delivered to downstream users in the U.S. and Mexico. The purpose of the Great Plains Conservation Program was to bring about a long-term solution to natural resource problems in the 10 States comprising the Great Plains region. In addition, the Water Bank Program has not been funded with new appropriations in recent years. The purpose of the program is to preserve and improve migratory waterfowl and wildlife-related resources; conserve surface water and reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; enhance landscape aesthetics; and promote comprehensive water management planning.

Program Administration As of September 30, 1997, NRCS had staffing levels of 10,988 permanent full-time employees and 1,648 part-time, intermittent, and other employees. These numbers consist of: 334 full-time employees and 12 other employees were located in Headquarters, Washington, D.C.; 411 full-time employees and 49 other employees were in offices that provide agency-wide support; 149 full-time employees and 4 other employees were in regional offices; and, 10,094 full-time employees and 1,583 other employees were in state offices or below.

Front-line offices. Most of the agency's activities are carried out in approximately 3,050 field offices in the 50 States, Puerto Rico, and the Pacific Basin Area serving Guam, the Northern Mariana Islands, and American Samoa. NRCS employees in the field offices provide personalized service to local citizens, helping them to solve or prevent natural resources problems on their land and in their communities. NRCS employees provide information and technical assistance, that is, they work one-on-one with individual land managers to apply that information to the practical problems of land users on an individual farm or ranch. NRCS employees in the field offices work side-by-side with employees of the local conservation district and state conservation agency. Field office staff serve as a clearing-house for natural resources information, helping people gain access to knowledge and assistance available from local, state, regional, and national sources. RC&D coordinators provide similar services to local councils representing communities, units of government and other organizations in an area.

State technical support. Local NRCS employees are supported by technical teams of specialists in a wide range of disciplines. These specialists generally are not assigned to a single field office. They service multi-county or multi-state areas and are available to provide specialized technical expertise to help individual land managers and communities solve problems. Their presence ensures that people in all areas have access to the specialized knowledge required to manage natural resources well.

In addition to providing on-the-ground technical assistance to the field, NRCS state office technical experts develop technical standards and review, inspect and evaluate work. The state office also provides administrative support, allowing front-line employees to focus on direct services to customers.

The delivery system in some states includes area offices, which provide administrative and technical support to a group of Service Centers and districts. In addition, project offices may be established to serve as a headquarters for watershed or river basin planning and construction activities.

Regional offices. In 1995, NRCS adopted a regional structure to be better able to help people solve natural resource problems that affect wide areas as part of an overall agency reorganization. This decision was made for a number of reasons, including the Reorganization Act of 1994 which called for realigning some agency programs and streamlining the Department's field office structure; the National Performance Review which called for cutting red tape and improving efficiencies; budget reductions; declining staff at

the customer service level; increasing demand for USDA environmental assistance; the need to provide customer service particularly to underserved segments of the population; and the need to improve accountability at all levels. The establishment of regional offices allowed the agency to maintain a higher percentage of its staff at the field customer service level while eliminating four technical centers and significantly reducing staffing at Headquarters and State offices.

The Regional Offices were established to move operational functions from National Headquarters closer to the field; tailor programs to better serve regional needs; consolidate administrative support services; provide more accountability and consistency between States in regions; reduce operating costs; and improve program delivery and services.

Overall Headquarters functions include:

1. planning, formulation, and direction of NRCS programs and activities;
2. development of program policy, procedures, guidelines and standards;
3. leadership and coordination with other agencies, constituent groups, and organizations;
4. strategic planning and development of strategic initiatives.

NRCS has six regional offices, each headed by a Regional Conservationist, who is the line officer reporting to the Chief, and who has responsibility for implementing agency programs and overseeing the operations of the States under its supervision. The NRCS regional offices are located in Beltsville, Maryland; Atlanta, Georgia; Fort Worth, Texas; Madison, Wisconsin; Lincoln, Nebraska; and Sacramento, California.

Regional conservationists are responsible for:

1. providing agency leadership, guidance, coordination and partnering for solutions to regional resource issues;
2. program implementation, consistency and accountability;
3. strategic planning, performance measurement and operations management;
4. administrative operations and support;
5. fund integrity and accountability;
6. technical quality of work; and
7. all NRCS activities in the region.

In addition to supervising State operations, Regional Conservationists are also responsible for providing direction to a strategic planning and operations management staff and to an administrative staff. The strategic planning staff ensures that the natural resource needs of the region are addressed in overall agency planning, budgeting and operations, and monitors State progress in meeting goals contained in the agency's strategic and annual plans. That staff also conducts regionwide conservation needs assessments to identify priority environmental concerns; establishes regionwide goals and measures performance; and develops, maintains, and utilizes partnerships to address natural resource problems. The administrative staff provides overall planning, management, and administrative services to States in the region. They provide regional budget requests and analyses; employee relations counseling and civil rights; personnel, contracting, and realty/property services, and ensure fund integrity and accountability.

As an extension of the Chief, regional conservationists are responsible for working closely with State conservationists as well as with Headquarters staffs to ensure that programs are administered effectively and efficiently and that local and regional concerns are addressed in the agency's strategic and performance plans.

Evolving regional role. In FY 1998, the agency implemented actions to strengthen agency accountability systems and processes. These actions were a continuation of the reengineering effort initiated with the 1995 reorganization. They included realigning national headquarters functions, developing a new system for collecting and analyzing performance information, fine-tuning the process for internal allocation of

resources, and reengineering the program evaluation and oversight function. These actions involved some fine-tuning of the relationships between the activities conducted at the regional offices and those at the Washington Headquarters office.

As part of the agency restructuring in 1995, an oversight and evaluation staff was created in each of the regional offices. These staffs conduct oversight activities to ensure that NRCS employees comply with all program laws, regulations, and agency policies and procedures. As originally organized, the oversight and evaluation staffs spent a portion of their time on reviews of activities within states in their region to provide regional conservationists information needed to meet their management responsibility. They also conducted national program evaluations to improve the quality and delivery of services. These staffs were realigned to the Operations Management and Oversight Division (OMOD) in the Washington Headquarters office beginning in FY1999. Revisions to oversight and evaluation policy and development of a standard procedures handbook will be implemented by the second quarter of the year.

The role of the regional offices will continue to be fine-tuned as other decisions internal and external to the agency are made to streamline administrative functions and improve efficiencies.

Service Center Agency Coordination

Service Center Implementation. The Department is making major changes in the county-based field offices in order to efficiently use declining resources and to improve customer service. USDA is implementing a field office-streamlining plan that co-locates the county-based agencies (Farm Service Agency, the Natural Resources Conservation Service and the Rural Development mission area) in one-stop USDA Service Centers. This collocation effort has resulted in reducing the total number of field office locations from more than 3,700 to about 2,550. Collocation is a critical first step in developing a team approach to program delivery in which the agencies share administrative resources to maximize customer service. NRCS has moved and/or closed about 655 field office locations since December 1994. NRCS will maintain a presence in 2,469 of the Service Centers.

Common Computing Environment (CCE). In FY 1999, the Department will complete the installation of the Local Area Network/Wide Area Network/Voice System, which provides connectivity within and between USDA Service Centers and other support offices. All USDA Service Center agency offices throughout the country will share a common telecommunications platform allowing efficient e-mail, file transfer, and voice communications. The CCE will enable USDA to: optimize the sharing of data, equipment, and staff at the service centers; overcome the extreme limitations of the current legacy systems; and enhance customer service into the 21st Century. The goal is to achieve complete migration from legacy systems to the CCE by 2002. Sharing information by the agencies will reduce the duplicative information requests made of program participants, reduce the number of visits customers have to make to service centers, and reduce the workload for staff.

Business Process Reengineering (BPR). The Service Center agencies are conducting a collective reengineering of business processes for administrative services and program delivery, along with testing information technology alternatives to support the new processes. In FY 1998, a business integration center was established to facilitate developing reengineered business applications and pilot testing at nine USDA Service Centers, as well as testing and evaluation of information technology alternatives. Development, testing, and initial deployment of enhanced networking and shared office automation will allow the agencies to implement reengineered business applications in FY 1999.

Support Services Bureau. Plans are underway to consolidate the administrative functions of the Farm Service Agency, the Natural Resources Conservation Agency, and the Rural Development mission area into a single Support Services Bureau. The Administrative Convergence Implementation Planning Team has completed the implementation planning process and is waiting for the Secretary's approval to begin

implementation. Upon approval of the plan, staff and funding will be made available to this Bureau to conduct administrative support functions for these agencies at the headquarters and State levels. Implementation is scheduled to begin in FY 1999 and to be completed by FY 2002.

OIG Audits Closures

Closure means that OIG, and OCFO, concur that NRCS has completed the final actions agreed to by OIG and NRCS in the Management Decision

Watershed Protection and Flood Protection Program in Texas (#10801-1-Te).
Closed on March 27, 1998. Audit objectives were to determine whether funds spent on the selected projects were proper, used for the intended purpose, and properly accounted for.

Emergency Watershed Protection Program-Pilot Program for the Purchase of Floodplain Easements (#10601-2-KC).
Closed on September 29, 1998. Audit objectives were to determine the adequacy of program administration and whether program provisions had been properly implemented.

Great Plains Conservation Program in Texas (#10801-2-Te).
Closed on August 12, 1998. Audit objectives were to determine 1) whether contractors were accepting the Government's portion of the cost-share payments as full payment for the GPCP construction practices, and 2) whether NRCS employees knew about the contractors' activities and were not reporting them or were involved in them.

OMB Circular A-128 - State of ND for Years 1995 and 1996.
Closed on March 26, 1998. Audit objective was to conduct a desk review of the statewide audit report on the State of North Dakota for the period July 1,, 1994 through June 30, 1996.

Effectiveness of Water Quality Incentive Projects.
Closed on September 4, 1998. Audit objectives were to provide insight into the administration & operation of the WQIP program which could be used in the development and implementation of EQIP.

Natural Resources Conservation Service
Available Funds and Staff-Years
1998 Actual and Estimated, 1999 and 2000

ITEM	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	2000 Estimated Amount	2000 Estimated Staff Years
Conservation Operations	$632,842,299	7,907	$641,243,000	8,044	$680,679,000	8,059
Watershed Surveys & Planning	11,190,000	133	10,368,000	124	11,732,000	136
Watershed and Flood Prevention Operations	181,036,000	996	99,443,000	930	83,423,000	543
Forestry Incentives	6,325,000	--	16,325,000	--	--	--
Resource Conservation and Development	34,377,000	410	35,000,000	409	35,265,000	397
Debt for Nature	--	--	--	--	5,000,000	12
Farmland Protection Program (Discretionary)	--	--	--	--	50,000,000	24
Total, Appropriated Funds	865,770,299	9,446	802,379,000	9,507	866,099,000	9,171
Add Carryover Funds:						
Conservation Operations	9,383,548	--	13,864,252	--	--	--
Wetlands Reserve Program	20,728,108	238	4,017,580	44	2,000,000	25
Watershed and Flood Prevention Operations	189,395,658		134,918,488	--	--	--
Colorado River Salinity	357,883	--	648,157	--	--	--
Water Bank Program	386,105	--	596,992	--	--	--
Forestry Incentives Program	275,295	--	130,580	--	--	--
Great Plains Conservation Program	594,945	1	1,984,120	--	--	--
Resource Conservation and Development	1,152,000		676,268	--	--	--
Transfer from CCC:						
Wildlife Habitat Incentives	26,112,678	67	23,887,322	62	10,000,000	30
Total, Available Funds	1,114,156,519	9,752	983,102,759	9,613	878,099,000	9,226
Deduct allotments to other agencies:						
Forest Service	-3,216,321	-24	-637,000	-7	-626,700	-7
Net	1,110,940,198	9,728	982,465,759	9,606	877,472,300	9,219
Obligations under other USDA appropriations:						
Reimbursements for technical services to:						
Agricultural Conservation Program (FSA)	95,437	1	--	--	--	--
Wetlands Reserve Program[1/]	--	--	9,800,000	127	16,288,000	198
Emergency Conservation Program (FSA)	1,228,018	25	--	--	--	--
CCC-Conservation Reserve Prog[1/]	49,128,342	1,005	86,076,168	1,425	17,162,647	278
CCC-CREP	104,312	2	--	--	--	--
CCC-Farmland Protection[1/]	716,000	12	--	--	1,650,000	26
CCC-EQIP	38,000,000	746	33,060,000	547	57,000,000	916
CCC-EQIP-Ed. Assistance	429,993	2	--	--	--	--
Foreign Details & Assign. (OICD)	7,490	--	50,000	1	50,000	1

Available Funds and Staff-Years
1998 Actual and Estimated 1999 and 2000 - Continued

ITEM	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Soil Survey (FS)	111,123:	2:	120,000:	2:	120,000:	2
Accelerate Soil Survey	338,049:	5:	400,000:	6:	400,000:	6
Snow Survey & Water Forecast	36,011:	--:	50,000:	--:	50,000:	--
Other planning & application	207,090:	2:	514,600:	10:	514,600:	10
Hazardous Waste Management	280:	--:	236:	--:	--:	--
Cartographic job work	150:	--:	--:	--:	--:	--
Reimbursement for other services:	:	:	:	:	:	
Facilities: Rent, phone, utilities, etc	7,269,157:	--:	6,810,000:	--:	6,810,000:	--
Miscellaneous	3,736,942:	21:	11,351,000:	57:	28,401,000:	152
Total, Other USDA Approp.	101,408,394:	1,823:	148,232,004:	2,175:	128,446,247:	1,589
Total, Agriculture Approp.	1,212,348,592:	11,551:	1,130,697,763:	11,781:	1,005,918,547:	10,808
Obligations under other Federal appropriations:	:	:	:	:	:	
Reimbursement for technical services for:	:	:	:	:	:	
Soil surveys (Interior)	272,000:	5:	300,000:	5:	300,000:	5
Accelerate Soil Survey	1,892,250:	31:	2,000,000:	31:	2,000,000:	31
Other: planning and application	3,186,849:	53:	7,895,400:	93:	7,895,400:	71
Snow Survey & Water Forecast	31,880:	--:	50,000:	--:	50,000:	--
Plant Materials Center Operations	142,475:	--:	100,000:	--:	100,000:	--
Flood Insurance Studies (HUD)	70,000:	2:	--:	--:	--:	--
Reimbursement for other services:	:	:	:	:	:	
Facilities: Rent, phone, utilities, etc	57,458:	--:	70,000:	--:	70,000:	--
Cartographic job work	44,400:	--:	50,000:	--:	50,000:	--
Financial assistance	13,710,781:	--:	11,770,500:	--:	11,770,500:	--
Miscellaneous	8,012,820:	60:	10,937,100:	75:	10,937,100:	56
Allocation from Other Federal Agencies:	:	:	:	:	:	
Rural Abandoned Mine Program (DOI-OSM)	862,375:	6:	459,142:	--:	--:	--
Obligations under non-Federal Funds:	:	:	:	:	:	
Reimbursement for technical services for:	:	:	:	:	:	
Planning & application	2,570,232:	54:	3,688,800:	70:	3,688,800:	53
Accelerate Soil Surveys	2,208,130:	43:	2,200,000:	41:	2,200,000:	41
Snow Survey and Water Forecasting	198,254:	1:	240,000:	2:	240,000:	2
Plant Material Center Operations	165,468:	--:	200,000:	--:	200,000:	--
Cartographic job work	137,203:	5:	140,000:	5:	140,000:	5
Reimbursement for other non-federal services:	:	:	:	:	:	
Facilities: Rent, phone, utilities, etc	919,643:	--:	1,130,000:	--:	1,130,000:	--

Available Funds and Staff-Years
1998 Actual and Estimated 1999 and 2000 - Continued

ITEM	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Proceeds of sales	1,051,481	--	1,338,600	--	1,338,600	--
Financial Assistance	8,106,376	--	8,938,700	--	8,938,700	--
Miscellaneous	6,969,091	103	10,605,300	145	10,605,300	121
Trust funds:						
Small Watershed & RC&D						
projects and soil surveys	984,072	2	19,030,820	1	270,000	1
Total Reimbursements and						
Other Funds	153,001,632	2,187	229,376,366	2,643	190,370,647	1,975
Total, Natural Resources						
Conservation Service	$1,263,941,830	11,916	$1,211,842,125	12,249	$1,067,842,947	11,194

1/ Funding and staff years are amounts actually used or anticipated to be needed.

NATURAL RESOURCES CONSERVATION SERVICE

Permanent Positions by Grade and Staff Year Summary

1998 and Estimated 1999 and 2000

Grade	1998 Head-qtrs	1998 Field	1998 Total	1999 Head-qtrs	1999 Field	1999 Total	2000 Head-qtrs	2000 Field	2000 Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	2	0	2	3	0	3	3	0	3
ES-4	3	1	4	6	3	9	6	3	9
ES-3	4	2	6	5	1	6	5	1	6
ES-2	5	1	6	2	1	3	2	1	3
ES-1	4	3	7	3	2	5	3	2	5
SL	0	1	1	0	1	1	0	1	1
GS-15	76	100	176	76	100	176	70	86	156
GS-14	98	178	276	98	178	276	87	156	243
GS-13	74	528	602	74	529	603	68	476	544
GS-12	20	2,466	2,486	20	2,470	2,490	18	2,253	2,271
GS-11	21	3,161	3,182	21	3,167	3,188	19	2,888	2,907
GS-10	4	26	30	4	26	30	4	24	28
GS-9	29	1,518	1,547	29	1,520	1,549	27	1,386	1,413
GS-8	15	465	480	15	466	481	14	425	439
GS-7	19	1,340	1,359	19	1,342	1,361	17	1,224	1,241
GS-6	4	520	524	4	521	525	4	475	479
GS-5	2	427	429	2	428	430	2	390	392
GS-4	1	226	227	1	226	227	1	206	207
GS-3	0	41	41	0	41	41	0	37	37
GS-2	0	12	12	0	12	12	0	11	11
GS-1	0	1	1	0	1	1	0	1	1
Other Graded Positions	0	0	0	0	0	0	0	0	0
Ungraded Positions	0	11	11	0	11	11	0	11	11
Total Permanent Positions	382	11,028	11,410	383	11,046	11,429	351	10,057	10,408
Unfilled Positions end-of-year	-37	-153	-190	--	--	--	--	--	--
Total, Permanent Employment, end-of-year	345	10,875	11,220	383	11,046	11,429	351	10,057	10,408
Staff-Years Ceiling	370	11,546	11,916	371	11,878	12,249	351	10,843	11,194

NATURAL RESOURCES CONSERVATION SERVICE
CLASSIFICATION BY OBJECTS
1998 and Estimated 1999 and 2000

Personnel Compensation:		1998	1999	2000
Washington, D.C.		$23,556,000	$24,262,000	$24,989,000
Field		413,606,000	420,185,000	399,273,000
11	Total personnel compensation	437,162,000	444,447,000	424,262,000
12	Personnel benefits	103,466,000	107,421,000	108,412,000
13	Benefits for former personnel	4,127,000	4,116,000	3,194,000
	Total pers. comp. & benefits	544,755,000	555,984,000	535,868,000
Other Objects:				
21	Travel	20,994,000	21,547,000	20,632,000
22	Transportation of things	4,080,000	4,115,000	4,178,000
23.2	Rental payments to others	14,090,000	13,959,000	13,831,000
23.3	Communications, utilities, and misc. charges	22,114,000	22,461,000	22,876,000
24	Printing and reproduction	3,740,000	3,868,000	4,049,000
25.1	Advisory and assistance services	546,000	219,000	252,000
25.2	Other services	100,745,000	106,986,000	122,238,000
25.2	Construction contracts	85,277,000	83,550,000	17,703,000
26	Supplies and materials	17,778,000	17,948,000	17,872,000
31	Equipment	41,788,000	42,994,000	34,943,000
32	Land and structures	20,111,000	27,202,000	48,240,000
41	Grants	84,505,000	86,726,000	30,146,000
42	Insurance and loans	463,000	479,000	492,000
43	Interest and dividends	54,000	61,000	49,000
44	Refunds	--	--	--
	Total other objects	416,285,000	432,115,000	337,501,000
Total, direct obligations		$961,040,000	$988,099,000	$873,369,000
Position Data:				
Average Salary, ES positions		$107,081	$110,293	$113,601
Average Salary, GS positions		$47,430	$48,852	$50,317
Average Grade, GS positions		10.39	9.98	9.98

NATURAL RESOURCES CONSERVATION SERVICE

Passenger Motor Vehicles

Passenger motor vehicles of the Natural Resources Conservation Service (NRCS) are distributed among 50 State Offices, Puerto Rico and Guam, area offices, 6 regional offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1998, the NRCS had 1,665 passenger vehicles in a total fleet of 10,052 vehicles. The fleet includes pickup trucks, light trucks, jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. The FY 2000 estimates provide for the replacement of 130 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement have been driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes.

NRCS is continuing a sound and effective replacement program. During FY 1998, 123 replacement vehicles were ordered and 56 replacements were received. Economy of operations and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for NRCS passenger motor vehicles on hand September 30, 1998, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (Thousands)	Number of Vehicles	Percent of Total
1993 and older	955	57.4	80 to over 100	304	18.3
1994	228	13.6	60-80	294	17.7
1995	97	5.8	40-60	378	22.7
1996	133	8.0	20-40	379	22.7
1997	196	11.8	Under 20	310	18.6
1998	56	3.4	TOTAL	1,665	100.0
TOTAL	1,665	100.0			

NATURAL RESOURCES CONSERVATION SERVICE
Conservation Operations

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

Conservation Operations

For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f), including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands, water and interests therein for use in the plant materials program by donation, exchange, or purchase at a nominal cost not to exceed $100 pursuant to the Act of August 3, 1956 (7 U.S.C. 428a); purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, [$641,243,000] $680,679,000 to remain available until expended (7 U.S.C. 2209b) of which not less than [$5,990,000] $6,124,000 is for snow survey and water forecasting and not less than [$9,025,000] $9,238,000 is for operation and establishment of the plant materials centers: Provided, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250 for construction and improvement of buildings and public improvements at plant materials centers, except that the cost of alterations and improvements to other buildings and other public improvements shall not exceed $250,000: Provided further, That when buildings or other structures are erected on non-Federal land, that the right to use such land is obtained as provided in 7 U.S.C. 2250a: Provided further, that this appropriation shall be available for technical assistance and related expenses to carry out programs authorized by section 202(c) of title II of the Colorado River Basin Salinity Control Act of 1974, (43 U.S.C. 1592(c)): [Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects:]Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work of the Service (16 U.S.C. 590e-2).

This language change reflects the deletion of the prohibition on demonstration projects in order to provide the ability to have demonstration projects which would help educate and share conservation techniques to small farmers and financially limited landowners.

NATURAL RESOURCES CONSERVATION SERVICE

Conservation Operations Program

Appropriations Act, 1999	$641,243,000
Budget Estimate, 2000	680,679,000
Increase in Appropriation	+$39,436,000

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Technical Assistance	$545,701,000	+$16,897,000	+$19,950,000	$582,548,000
American Heritage Rivers	204,000	--	--	204,000
Urban Resources Partnership	2,000,000	--	--	2,000,000
Soil Survey	78,323,000	+2,242,000	--	80,565,000
Snow Survey and Water Supply Forecasting	5,990,000	+134,000	--	6,124,000
Plant Materials Centers	9,025,000	+213,000	--	9,238,000
Total Available	$641,243,000	+$19,486,000	+$19,950,000	$680,679,000

Project Statement
(On basis of appropriation)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease		2000 estimated Amount	2000 estimated Staff Years
Conservation Operations:								
Technical Assistance	$539,638,299	6,813	$545,701,000	6,930	+$36,847,000	(1)	$582,548,000	6,990
American Heritage Rivers	135,000	--	204,000	--	--		204,000	--
Urban Resources Partner.	2,000,000	--	2,000,000	--	--		2,000,000	--
Soil Surveys	76,409,000	907	78,323,000	914	+2,242,000	(2)	80,565,000	887
Snow Survey and Water Supply Forecasting	5,835,000	69	5,990,000	72	+134,000	(3)	6,124,000	67
Plant Materials Centers	8,825,000	118	9,025,000	128	+213,000	(4)	9,238,000	115
Total adj. appropriation	$632,842,299	7,907	$641,243,000	8,044	+$39,436,000		$680,679,000	8,059
Transfer from rent	-189,900	--						
Transfer from Civil Rights EEO Counselors	-133,399	--						
Transfer to DA	+482,000	--						
Total, appropriation	$735,647,400	7,907						

Project Statement
(On basis of available funds)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
Conservation Operations:							
Technical Assistance	$534,557,253	6,813	$557,250,905	6,930	+$25,297,095	$582,548,000	6,990
American Heritage Rivers	225,000	--	204,000	--	--	204,000	--
Urban Resources Partner.	2,000,000		2,000,000		--	2,000,000	
Soil Surveys	76,853,334	907	79,405,045	914	+1,159,955	80,565,000	887
Snow Survey and Water							
Supply Forecasting	5,906,214	69	6,384,984	72	-260,984	6,124,000	67
Plant Materials Centers	8,819,794	118	9,862,318	128	-624,318	9,238,000	115
Total direct obligations	628,361,595	7,907	655,107,252	8,044	+25,571,748	680,679,000	8,059
Unobligated balance							
brought forward	(-9,383,548)	--	(-13,864,252)	(--)	(+13,864,252)	--	--
Unobligated balance							
carried forward	(+13,864,252)		(--)	(--)	(--)	--	--
Adjusted Appropriation	(632,842,298)	7,907	(641,243,000)	8,044	(+39,436,000)	(680,679,000)	8,059
Reimbursable obligations:							
Technical Assistance[1/]	122,921,666	1,997	172,943,168	2,446	-20,330,521	152,612,647	1,779
Soil Surveys	6,466,551	105	7,000,000	108	--	7,000,000	108
Snow Survey & Water							
Supply Forecasting	394,300	3	500,000	5	--	500,000	5
Plant Materials Centers	1,858,149	21	2,000,000	21	--	2,000,000	21
Total Reimbursable Oblig.	131,640,666	2,126	182,443,168	2,580	-20,330,521	162,112,647	1,913
Total obligational auth.	$760,002,261	10,033	$837,550,420	10,624	+$5,241,227	$842,791,647	9,972

SOURCES OF REIMBURSEMENTS

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimate Amount	1999 Estimate Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Within USDA:							
OICD/FAS	$7,490	--	$50,000	1	--	$50,000	1
CCC (EQIP)	38,429,993	748	33,060,000	547	+$23,940,000	57,000,000	916
CCC (CRP)[1/]	49,234,944	1,008	86,076,168	1,425	-68,913,521	17,162,647	278
CCC (WRP)[1/]	--	--	9,800,000	127	+6,000,000	15,800,000	198
CCC (FPP)[1/]	716,000	12	--	--	+1,650,000	1,650,000	26
Other Federal	28,887,602	166	36,427,000	240	+16,993,000	53,420,000	294
Non-Federal:							
States & Counties							
for Soil Surveys	2,208,130	43	2,200,000	41	--	2,200,000	41
Other	12,156,507	149	14,830,000	199	--	14,830,000	159
Total reimbursement.	$131,640,666	2,126	$182,443,168	2,580	-$20,330,521	$162,112,647	1,913

1/ Funding and staff years are amounts actually used or anticipated to be needed.

OUTLAYS

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Technical Assistance	$508,891,615:	$580,965,000:	+$2,860,000:	$583,825,000
Soil Surveys	72,860,119:	82,567,000:	-1,826,000:	80,741,000
Snow Survey and Water Forecasting	5,599,335:	6,594,000:	-420,000:	6,174,000
Plant Materials Centers	8,361,529:	10,136,000:	-801,000:	9,335,000
Total Outlays	$595,712,598:	$680,262,000:	-$187,000:	$680,075,000

Justification of Increases and Decreases

(1) A net increase of $36,847,000 for Conservation Technical Assistance ($545,701,000 available in 1999) consisting of:

(a) An increase of $31,000,000 for the Conservation Technical Assistance program activities in support of the Clean Water Action Plan for competitive partnership grants, environmental monitoring, and Animal Feeding Operations related workload.

In support of the President's Clean Water Action Plan, each State was asked to convene a process to prioritize watersheds statewide according to the need for water quality and natural resource restoration or protection. These priority areas would be used to focus the use of new Federal funding in FY 1999 and beyond. This process, called the Unified Watershed Assessment (UWA), provides the foundation for watershed restoration strategies developed by States in those priority watersheds. All States completed their draft UWA strategies and final priority lists late in August and September 1998. The watershed restoration strategies will have broad watershed-wide planning components and more specific targeted components to improve water quality and restore natural resources through voluntary conservation efforts.

The budget proposes a $20 million increase to use for competitive partnership grants. These grants will be used to enhance the technical capacity of locally-based organizations, including soil and water conservation districts, RC&D councils, watershed councils, cooperatives, etc. and increase technical assistance to landowners. In particular, funds would be used to provide coordination of locally initiated conservation efforts and direct technical assistance to private landowners. This would result in the development of watershed partnerships, including all stakeholders in the local areas; resolution of differences and production and implementation of action plans that addressed locally-identified resource needs. The selection process for the grants would be locally led and focus on three basic goals: effective nutrient management, water quality and quantity improvement, and natural resource protection.

The budget also proposes a $3 million increase for additional environmental monitoring and research work. Data and information analyses are key elements for decision makers in implementing water quality assessment actions and setting watershed priorities. The process begun with the Unified Watershed Assessments in FY 1998 will need more data and information developed through imagery analysis and remote sensing technologies in order to be able to establish base information and evaluate the program outcomes properly. This would also enable more accurate targeting of Federal resources to the watersheds in most need of restoration.

An increase of $8 million and 97 staff years is requested to provide increased support of the Animal Feeding Operations (AFO) draft strategy that was published jointly by USDA and EPA as called for in the Clean Water Action Plan.

EPA estimates that there are 450,000 AFOs and 6,600 Concentrated Animal Feeding Operations (CAFO) in this country and a large number will need to develop or revise their waste management plans. NRCS has been involved with developing the voluntary approaches related to addressing the conservation needs of the draft AFO strategy. This involvement includes developing standards for producers and the industry to meet and assisting in the design of waste management plans. The process of developing and implementing a waste management plan is complex. The plan must address the manure from the time it leaves the animal until it is properly absorbed back into the environment. This usually involves a combination of structures and management practices which are influenced by animal diets, weather patterns, animal number, animal type, community issues, local, state, and Federal regulations and technology availability.

Under this account NRCS will help agricultural producers by providing technical assistance without cost-share assistance. The animal feeding operations voluntary strategy will depend on two components: 1) trained technical staff who will either directly assist operators or will train and certify private sector consultants who would provide direct assistance and 2) maintenance of technical standards that are responsive to new innovative technology developments. The workload analysis study recently completed by the NRCS and national partnership by conservation district identified 29,700 staff years of work to complete the voluntary technical assistance component of the AFO strategy. We anticipate that the workload will be addressed through both public and private sector participation. For FY 2000, NRCS is proposing to address a portion of the workload in two components; through technical assistance without cost-share for the smaller operations and through EQIP for medium sized operations. This does not include follow-up or changes due to management innovations, technology updates, or weather and price cycles.

The achievement of the NRCS strategic plan objective of healthy watersheds that provide clean and abundant water supplies is also supported by this increase. It will enable the agency to achieve annual performance goals relating to management of animal waste. This $8 million will be combined with approximately $1 million in climate change-related AFO pilot projects and $11 million in redirected conservation technical assistance funds, increasing CTA AFO funding by $20 million. This combination of new and redirected funds will bring total CTA funding for AFOs to $57 million in FY 2000. These funds are critical to demonstrating that farmers and ranchers can help protect the Nation's water without resorting to costly and burdensome regulations.

(b) An increase of $15,000,000 for funding activities supporting improvements in Global Climate Change:

This $15 million increase will enable NRCS to help farmers verifiably increase their soil carbon and reduce greenhouse gas emissions from their operations. Of the $15 million increase, $12 million will be used to expand soil carbon studies in support of the U.S. Global Change Research Program by providing validated soil carbon inventories and assess alternative soil management impacts on soil carbon stocks at national, regional, and field level scales. In order to accomplish this objective, monitoring, inventory, planning, and incentive programs need to be tailored to these benefits, while maintaining other established program benefits. This increase will establish baseline soil carbon levels, test planning tools to connect conservation systems to enhanced carbon sequestration rates (planning tool being

developed by ARS), establish a national inventory of soil carbon (sensitive to land management activities), and pilot test incentive options to encourage adoption of enhanced conservation plans.

Additionally, $3 million is requested as part of the Climate Change Technology Initiative. These funds will be used to carry out research pilot projects on AFO and livestock management issues and cropland management.

Assessments and their related research play an integrative role across the Global Change Research Program (USGCRP) program areas. Assessments assemble and synthesize scientific results, help increase interaction among scientists and the public, and help identify gaps in knowledge. Assessments are increasingly viewed as important vehicles for disseminating information to public policy and decision making communities. The current National Assessment of the Consequences of Climate Variability and Change for the Nation marks a milestone in the evolution of the USGCRP. First, the addition of assessment activities to the research program satisfies the mandate of the Global Change Research Act of 1990 (P.L. 101-606) to prepare and submit to the President and the Congress "an assessment which integrates, evaluates, and interprets the findings of the Program..." Second, the assessment is demonstrating a new public-private partnership that links research to the needs of stakeholders by providing managers, policy-makers, and the public with information needed to increase resilience to climate variability and cope with climate change.

The current National Assessment is providing valuable information on the regional and sectoral differences in adapting to climate change and variability and is identifying research needs. FY 2000 assessment activities would focus on completing the first National Assessment and on continued efforts to involve USDA stakeholders in helping identify risks, opportunities, research and information needs associated with increased climate variability and climate change.

As these measurement and incentive systems are developed and applied, performance on the larger objective, the sequestration of soil organic carbon, can be measured and verified with reasonable levels of certainty.

(c) An increase of $5,000,000 and 20 FTE for the Community/Federal Information Partnerships (CFIP) in support of the Administration's Livability initiative.

The development of geospatial data in support of federal, state, and local government programs using GIS technology is occurring at an accelerated rate. State and local governments, without regard to federal standards developed by the Federal Geographic Data Committee (FGDC) are developing much of this data. As a result, NRCS, FSA, RD, EPA, FEMA, USGS, and other Federal agencies cannot effectively use much of the geospatial data created by state and local governments. Also, some of the state and county governments do not have a public information access sharing program for their geospatial data, so this makes data sharing difficult even when they have geospatial information that federal agencies would like to use to support their programs.

USDA has county-based service center offices in approximately 2,500 counties in the country with authority to enter into and administer cooperative agreements at the state and county level. The service center agencies (NRCS, FSA, and RD) have recently developed and agreed to a GIS strategy which calls for the implementation of GIS in all these offices beginning in year 2000. This CFIP initiative is in direct support of the non-USDA geospatial data development efforts identified in the USDA strategy.

This funding request is designed to make geospatial data available for use by governments, businesses, academic organizations and citizens in dealing with everyday and long-term issues. NRCS would develop cooperative agreements with state and county governments using national guidelines developed by NRCS and FGDC. The agreements would have two primary purposes. The first would be to assist in the development of geospatial data layers such as hydrography, roads, soils, watershed boundaries, county boundaries, incorporated cities, minor civil divisions, ownership boundaries, and public land survey, at the digital orthophotoquad level of resolution or better. The agreements would specify that data must adhere to FGDC standards and remain in the public domain as a public access. Other themes, such as land cover, land use, zoning, well logs, and ownership boundaries, would also be accelerated with these funds. The development of this data will allow communities to better plan and assess their zoning and development strategies, promoting "smart growth."

The second purpose would be to assist the state or county in establishing an Internet web-server (if they do not have one) in compliance with FGDC Clearinghouse standards. These public access servers could provide framework data and other geospatial data to the USDA county-based offices and to the public as part of the overall National Spatial Data Infrastructure. The combination of these state and local government web servers, as well as the federal web servers, provides the nation and its citizens' access to valuable geospatial data that is the foundation and vision of the National Spatial Data Infrastructure.

NRCS would use $3.5 million of this proposal for cooperative agreements with the states and counties for the development of needed framework and other geospatial data themes and the establishment of public access web servers for state and county governments. Ideally, NRCS' funds will be combined with USGS and other federal participants who support the same purposes. A four year schedule would be developed in collaboration with the National Association of State Conservation Agencies, the National States Geographic Information Councils, the National Association of Counties, and the National Association of Conservation Districts, and other state and local partners. If funds provided are sufficient, at the conclusion of four years, NSDI framework data themes and perhaps some other geospatial data themes would be complete and available for conterminous U.S. at the digital orthophotoquad level of map resolution (approximately 1:5,000 to 1:12,000 scale). These would directly support the USDA Service Center programs and the use of GIS technology at those offices and directly support the development of NSDI at that scale.

The remaining $1.5 million would provide 10 additional FTEs needed to support these activities including equipment and contractor support. These FTEs would support NRCS' efforts in the development of FGDC compliant metadata for all of our natural resources geospatial data including: soils, climate, plants, watershed boundaries and watershed based data, dams inventory, the natural resources inventory, and to make that data shareable for state and local government use. This valuable natural resource information would be made available on public access servers in accordance with FGDC clearinghouse standards.

(d) An increase of $16,897,000 for pay costs which includes $3,517,000 for annualization of the fiscal year 1999 pay raise and $13,380,000 for the anticipated fiscal year 2000 pay raise.

These increases support achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 217 FTE. NRCS has absorbed this increase several times in the

past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increased pay cost funds would be used to pay salaries and benefits for the 6,990 FTE requested in FY 2000.

(e) A decrease of $31,050,000 for Service Center Implementation activities to be funded through the Support Services Bureau in FY 2000.

Since 1993, the county-based agencies have been implementing streamlining plans to cut red tape and co-locate offices in the same county, with the goal of providing "one-stop service" for USDA customers. The next phase of USDA's streamlining involves converging the administrative organizations of these separate agencies. The Budget proposes the establishment of a new Support Services Bureau account to centrally fund the administrative support services common to each of the county-based agencies. This account will directly support the ongoing Service Center and Common Computing Environment (CCE) initiatives. The Support Services Bureau will reflect the combined costs of the agencies' administrative functions and will allow common services such as information technology, financial management, and human resources to be shared among NRCS, FSA, and RD. Common information shared by the agencies will reduce the redundant requests made of program participants, decrease paperwork, and ease workload for internal staff. Convergence will be completed in 2002, and is projected to cut the total time and staff needed to conduct administrative functions 47 percent from the 1993 baseline. Staffing and resources for direct program delivery will not be converged and remain specific to each agency in this Budget.

The FY 2000 Budget requests $74 million for the Support Services Bureau's information technology and CCE functions. In 1999 it is estimated that NRCS will spend approximately $31,050,000 for Service Center Implementation activities, including the acquisition of digitized soils data and orthophotographic data as well as support for the Common Computing Environment (CCE). In addition, $16 million will be made available from CCC, and transfer authority is requested to merge the agencies' central administrative services into this common account. Estimates of the amounts to be transferred from FSA, NRCS, and RD for administrative services are not yet available.

One of the keys to success of improved customer service, while streamlining the field structure, is the replacement of the aging business and technology systems of the field service agencies. A collective re-engineering of business processes for administrative services and program delivery is underway, along with testing information technology alternatives. Common information shared by the partner agencies will reduce the redundant requests made of program participants, as well as customer office visits and paperwork burden, and ease workload for internal staff. Implementation of CCE will enable USDA to: optimize the data, equipment, and staff sharing opportunities at the service centers; overcome the extreme limitations of the current legacy systems; and enhance customer service into the 21st Century.

(2) An increase of $2,242,000 for Soil Surveys pay costs which includes $467,000 for annualization of the fiscal year 1999 pay raise and $1,775,000 for the anticipated fiscal year 2000 pay raise.

These increases support achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 25.6 FTE. NRCS has absorbed this increase several times in the past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increased pay cost funds would be used to pay salaries and benefits for the 887 FTE requested in FY 2000.

(3) An increase of $134,000 in Snow Surveys and Water Supply Forecasting for pay costs which includes $28,000 for annualization of the fiscal year 1999 pay raise and $106,000 for the anticipated fiscal year 2000 pay raise.

These increases support achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 1.3 FTE. NRCS has absorbed this increase several times in the past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increase pay cost funds would be used to pay salaries and benefits for the 67 FTE requested in FY 2000.

(4) An increase of $213,000 for Plant Materials Centers Operations for pay costs which includes $44,000 for annualization of the fiscal year 1999 pay raise and $169,000 for the anticipated fiscal year 2000 pay raise.

These increases support achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 3 FTE. NRCS has absorbed this increase several times in the past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increase pay cost funds would be used to pay salaries and benefits for the 115 FTE requested in FY 2000.

Natural Resources Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 Actual and Estimated 1999 and 2000
CONSERVATION OPERATIONS

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$10,703,551	151	$11,063,756	151	$11,601,900	151
ALASKA	2,880,975	34	4,008,402	45	4,203,400	45
ARIZONA	6,329,002	77	6,452,494	77	6,766,400	77
ARKANSAS	13,993,629	190	11,840,572	156	12,416,500	157
CALIFORNIA	16,823,801	173	17,483,427	173	18,333,900	173
COLORADO	15,666,227	233	16,102,399	233	16,885,700	233
CONNECTICUT	2,881,045	39	2,762,994	36	2,897,400	36
DELAWARE	2,132,835	24	2,643,049	29	2,771,600	29
FLORIDA	8,812,841	124	9,144,821	125	9,589,600	125
GEORGIA	12,502,789	187	11,711,512	169	12,281,200	169
HAWAII	4,231,202	56	4,571,998	59	4,794,400	59
IDAHO	8,294,177	120	9,126,909	128	9,570,900	128
ILLINOIS	12,077,133	124	13,986,818	131	14,667,200	131
INDIANA	12,278,475	185	12,974,513	189	13,605,600	189
IOWA	18,262,759	254	20,740,109	267	21,748,900	268
KANSAS	20,087,769	316	21,547,929	322	22,596,100	323
KENTUCKY	12,353,518	189	12,442,153	184	13,047,400	184
LOUISIANA	10,425,911	150	9,915,301	138	10,397,600	139
MAINE	3,555,208	50	4,027,985	55	4,223,900	55
MARYLAND	5,376,015	84	6,163,183	93	6,463,000	94
MASSACHUSETTS	3,393,305	49	3,277,342	45	3,436,800	45
MICHIGAN	9,558,966	127	11,178,922	136	11,722,700	137
MINNESOTA	10,409,270	168	13,617,592	193	14,280,000	193
MISSISSIPPI	15,309,297	252	21,796,966	298	22,857,200	298
MISSOURI	17,558,757	252	18,570,893	259	19,474,200	260
MONTANA	14,923,979	205	16,519,959	214	17,323,500	214
NEBRASKA	16,541,907	234	16,547,595	227	17,352,500	227
NEVADA	3,931,303	49	3,698,440	44	3,878,300	44
NEW HAMPSHIRE	2,612,340	29	2,672,928	29	2,802,900	29
NEW JERSEY	3,788,698	58	3,693,846	55	3,873,500	55
NEW MEXICO	7,537,601	112	8,564,882	123	8,981,500	123
NEW YORK	9,237,508	117	9,671,645	119	10,142,100	119
NORTH CAROLINA	9,123,677	130	9,756,133	135	10,230,700	136
NORTH DAKOTA	9,633,122	104	12,490,192	116	13,097,700	117
OHIO	10,108,910	142	11,279,466	154	11,828,100	154
OKLAHOMA	14,151,498	219	13,602,287	204	14,263,900	205
OREGON	9,255,394	119	10,080,810	126	10,571,200	126
PACIFIC BASIN	1,489,202	21	2,161,658	29	2,266,800	29
PENNSYLVANIA	9,914,891	154	10,006,788	150	10,493,500	150
PUERTO RICO	3,482,017	50	3,269,328	45	3,428,400	45
RHODE ISLAND	851,400	10	735,540	9	771,300	9
SOUTH CAROLINA	7,018,294	115	7,368,121	117	7,726,500	118
SOUTH DAKOTA	9,734,823	104	11,579,356	120	12,142,600	120
TENNESSEE	10,852,174	143	10,921,830	139	11,453,100	140

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
TEXAS	37,771,848	547	38,108,765	539	39,962,500	539
UTAH	6,240,799	82	6,427,072	82	6,739,700	82
VERMONT	2,908,692	36	3,063,460	37	3,212,500	37
VIRGINIA	8,746,814	109	9,686,943	113	10,158,100	113
WASHINGTON	9,489,598	119	10,738,343	126	11,260,700	126
WEST VIRGINIA	8,013,382	118	9,281,943	126	9,733,400	126
WISCONSIN	11,329,508	174	14,250,620	194	14,943,800	194
WYOMING	7,465,119	94	7,923,698	97	8,309,100	97
CHESTER NTC	-1,973	0	0	0	0	0
FT. WORTH NTC	-1	0	0	0	0	0
LINCOLN NTC	-122,915	0	0	0	0	0
PORTLAND NTC	-224,548	0	0	0	0	0
EAST REGION	2,051,182	22	1,910,527	20	1,910,500	21
MIDWEST REG	3,563,180	27	2,090,490	26	2,090,500	27
N. PLAINS REG	2,917,832	25	1,869,783	20	1,869,800	20
S. CENTRAL REG	2,930,564	31	1,779,186	22	1,779,200	22
SOUTHEAST REG	3,412,948	31	2,136,679	26	2,136,700	27
WEST REGION	2,407,706	22	1,887,055	17	1,887,100	18
CNTRS/INSTITUTE	52,623,408	404	41,098,564	409	43,947,100	405
NATIONAL HDQTRS	56,751,257	343	55,079,260	344	57,476,700	347
UNDISTRIBUTED	0	0	6,002,020	0	0	0
Total Available or Est	$628,361,595	7,907	$655,107,251	8,044	$680,679,000	8,059

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CONSERVATION OPERATIONS

STATUS OF PROGRAM

The Natural Resources Conservation Service (NRCS) is a technical agency of the United States Department of Agriculture (USDA). The agency was established by Public Law 103-354, the Department of Agriculture (USDA) Reorganization Act of 1994, (7 U.S.C. 6962). The Conservation Operations account was established pursuant to Public Law 74-46, to carry out a continuing program of soil and water conservation on the private lands of the Nation.

The mission of the agency is to provide national leadership in the partnership effort to help people conserve, improve, and sustain the Nation's natural resources and environment. This mission establishes two fundamental outcomes for agency activities. These are:

- A healthy and productive land that sustains food and fiber production, sustains functioning watersheds and natural systems, enhances the environment, and improves urban and rural landscapes.
- Individuals and their neighbors working together as effective and willing stewards of the natural resources on their property and in their communities.

A healthy land includes--

- Healthy and productive cropland sustaining U.S. agriculture and the environment.
- Healthy and productive grazing land sustaining U.S. agriculture and the environment.
- Healthy watersheds providing clean and abundant water supplies for people and the environment.
- Healthy and productive wetlands sustaining watersheds and wildlife.
- High quality habitat on private land supporting the Nation's wildlife heritage.
- A strong and effective grassroots conservation partnership across the United States and its territories, commonwealths, and affiliated governments.

The agency's strategic plan for fiscal years 1997-2002 established measurable long-term performance targets for each of these strategic objectives. In FY 1998, NRCS initiated a comprehensive system of information and management tools to respond appropriately to concerns regarding NRCS accountability. These tools include: a comprehensive time and attendance system that details how NRCS employees spend their time; a workload analysis system for NRCS field offices; and, a national performance results and measurement system for all offices.

Since 1935, NRCS (and it's predecessor agency, the Soil Conservation Service) has provided private landowners and local communities with essential technical assistance in helping solve soil erosion and related natural resource conservation problems through the Conservation Operations account. NRCS has been able to do this by having an infrastructure of highly trained, professional employees who are able to "read the land" in order to determine conservation problems and develop viable solutions. Currently, approximately 8,000 technical employees from engineering, resource economic, agronomy, animal husbandry, soils, and plant science backgrounds provide conservation technical assistance (CTA) to about 1 million private landowners and communities annually. NRCS technical employees help landowners solve conservation problems. In FY 1998, NRCS re-emphasized the importance of the field delivery system and directed all available resources to be devoted to the delivery of conservation on the ground.

In order to develop reliable recommendations at the local level for soil, water, and related resource problems, NRCS employees use NRCS developed manuals, handbooks, technical guides, and appropriate science-based technology. NRCS local employees receive on-the-job training and formal training in order to be able to provide viable work products. Their vast knowledge of resource conditions, coupled with their ability to integrate science principles and techniques to work with people locally make these employees a unique Federal asset in the delivery of effective solutions for conservation problems throughout the country.

Historically, the Conservation Operations account has been divided into 4 sub-appropriation items--conservation technical assistance (CTA), soil surveys, snow surveys, and plant materials centers.

CONSERVATION TECHNICAL ASSISTANCE

Current Activities: In recent years, more pressure has been put on soil and related resources resulting in increased nonpoint source pollution, concentrated animal feeding operations, misapplication of fertilizers and pesticides, land use changes, community growth and other population shifts. This has increased the demand for conservation technical assistance (CTA) and has created the need for the agency to foster new technologies and land management standards to address emerging challenges such as nutrient management for animal feeding operations and the establishment of wildlife habitat to address declining populations of important upland and aquatic species of fish and wildlife. This increase in public and local awareness of and concern for our natural resources has also broadened the agency's customer base as it addresses new types of sustainable agriculture such as aquaculture, organic farming, and a growing list of nontraditional rural and urban customers (including tribal governments, local communities and non-government organizations) who request NRCS expertise and assistance.

CTA provides the means and resources for the Federal government to participate as an active member with soil and water conservation districts, State governments and other conservation organizations in formulating and implementing local conservation programs on private and public lands. Through this partnership, the Federal government leverages additional resources to further national soil and water conservation goals. By pooling resources while jointly working on individual sites, the members of the partnership can ensure that the conservation goals of the landowner, local government, State agencies, and national interests are all achieved.

Seventy-four percent of the NRCS workforce is located at the local level, where emphasis is placed on addressing the needs of private landowners and communities. The major workload component at the local level consists of developing and implementing conservation plans on a voluntary basis with private landowners. These plans enhance natural resource protection and meet the requirements of laws and regulations in a manner tailored to each individual operation. In addition, this base level of CTA develops partnerships and coalitions to leverage USDA resources; shares new information and technology; provides follow-up contact for maintenance of existing systems; collects and interprets resource data; administers financial assistance programs; encourages innovation; monitors and evaluates program results; responds to natural disasters; and assists local conservation districts, Tribes, communities and resource conservation and development councils.

In order to develop and implement conservation plans on private lands, NRCS works with farmers and ranchers and landowners who invest their time and money for enhanced environmental protection on their land and water. As a result, the public benefits from an overall improved quality of life from reduced soil erosion and sedimentation, improved water quality, improved grazing management, restored or protected wetlands, improved animal waste management, reduced nutrient and pesticide loadings, and increased wildlife habitat while maintaining a productive nation and economic stability.

The 23 percent of the NRCS workforce located in institutes and centers, and state and regional offices is an integral part of the support system for CTA at the local level. Technical specialists such as engineers, agronomists, biologists, soil scientists, economists, and others assist the local NRCS service provider and enhance the level of expertise that is available to all NRCS customers. These scientists make it possible for NRCS to apply sound scientific principles to activities that ensure natural resource conservation and protect the environment. Specifically, support for the local CTA staff is provided through:

- Research, interpretation, and the development of easy-to-use technical information including technical standards, references, soils information, resource inventory information, and the Field Office

Technical Guide (FOTG) for internal and external use. External users include farmers, ranchers, agricultural consultants, contractors, partners, organizations, and local, state and Federal agencies.
- Development of natural resource training programs and materials.
- Establishment of test projects to implement, monitor, and evaluate new technology, programs, or initiatives prior to nationwide implementation.
- Communication of institutional knowledge and expertise.

NRCS provided Conservation Technical Assistance to approximately 742,000 land users and units of government in fiscal year 1998. As a result of these services, land users made conservation planning decisions on 61 million acres of land. Additionally, NRCS assisted land users with implementation of conservation plans and conducted annual spot checks to ensure that producers were complying with the law. The following were also achieved in fiscal year 1998:

Soil Saved	214,252,880	(tons)
	30,388,406	(acres benefited)
Salt Load Reduction	31,573	(tons)
	40,360	(acres treated)
Irrigation Water Management	4,477,279	(acre/inches)
	409,515	(acres treated)

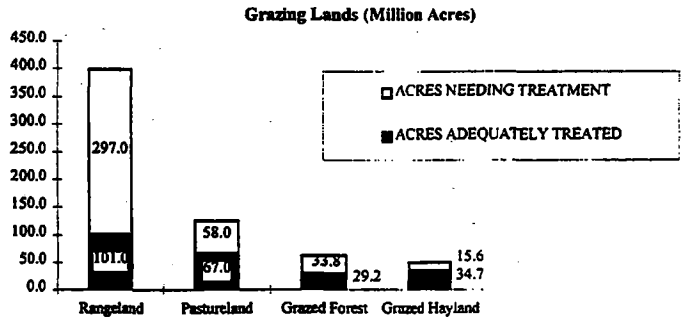
Over the past 10 years, NRCS has provided assistance to treat an average of 61 million acres per year. We estimate that in FY 1998, assistance was provided on about 23 million acres of cropland, 28 million acres of rangeland, 5 million acres of pasture land, 2.5 million acres of forest land and 2.7 million acres of land in other uses. The land treated may include both 1) acres where the most recent national inventory identified a need for improved management and 2) acres where assistance was needed to maintain good management or to ensure continued protection when use of the land changed.

Conservation of highly erodible land: NRCS defines highly erodible as those fields that have an erodibility index of 8 or more, meaning that the potential erosion on unprotected soil is 8 or more times the rate at which soil productivity can be sustained for the long-term. Many fields include areas of highly erodible soil and areas of soils that are less erodible. The erodibility rating is assigned to a field, based on the extent of the highly erodible soil. A total of approximately 108.9 million acres are in fields that meet the criteria for highly erodible land. This is approximately 29 percent of the total 380.5 million acres of cropland.

Participants in USDA programs subject to conservation compliance are required to protect their highly erodible fields. The 1996 Act amended conservation compliance requirements, requiring that contract payments under a production flexibility contract, marketing assistance loans, and any type of price support or payment made available under the Agricultural Market Transition Act and the Commodity Credit Corporation Charter Act are subject to compliance. The 1996 Act made several changes in administration of compliance designed to ensure that compliance does not impose undue burden on producers. These changes provide expedited procedures for granting variances, modification of the procedures for dealing with "good faith" violations, self-certification of compliance by producers when applying for benefits, and allowance for the county committee to provide relief to a producer in cases of undue economic hardship. The Act directs NRCS employees, who observe a possible violation while providing other assistance, to give the producer a 1-year grace period to bring the land into compliance. It also removes the requirement that land being taken out of the Conservation Reserve Program be held to a higher standard of protection than land that has not been in the program. In FY 1998, NRCS helped operators of highly erodible fields to maintain existing systems, modify systems to accommodate changes in crops or production methods, or voluntarily improve their systems to provide a greater degree of environmental protection than the law requires.

Private Grazing Lands: NRCS provides technical assistance to land users in planning and implementing conservation practices that improve soil, water, and related resources on grazing lands. Improving the management and health of grazing lands provides many benefits that include increasing the value of the forage for domestic livestock and providing economic stability to rural communities. Grazing lands are important habitat for a variety of large and small mammals, birds, and insects.

Improving the health of grazing lands directly impacts the water cycle, resulting in more and cleaner water for human use and for fish and wildlife. The plant cover on grazing land sequesters millions of tons of carbon, thus reducing atmospheric carbon dioxide. Managing healthy grazing lands helps stabilize rural communities by improving the economics of family farms. Private lands devoted to grazing use are estimated at more than 600 million acres and constitute over 40 percent of the total acreage of agricultural land in the United States. Technical and financial assistance is needed for more than 65 percent of grazing lands to provide the desired benefits (see graph). This land has significant impacts on the environment (including water quantity and quality, riparian areas, streams, fisheries, and wildlife habitat) and the national economy. Despite the importance of grazing lands and the large percentage of the total agricultural acreage they represent, farm commodity and conservation programs have not historically focused on the management and needs of these lands.



FY 1998 Activity: NRCS had the capacity to provide assistance on approximately 30 million acres of rangeland and 5 million acres of pastureland in 1998. Activities that have been undertaken in support of private grazing lands include the establishment of a national Grazing Land Technology Institute (GLTI). The mission of the GLTI is to provide NRCS leadership in technology development, coordination, and training associated with the delivery of technical assistance for grazing lands.

Software and Training: Development of the Grazing Land Application (GLA) software continues to be a resource tool to help implement management systems on grazing lands. GLA makes it possible to record and analyze vast amounts of information to determine the economic and ecological benefits of various improvement practices and management on grazing lands. For advanced technical training, the NRCS National Employee Development Staff supported 6 courses in grazing science, grazing management, ecology, livestock management, or related sciences. In FY 1998, approximately 176 employees were enrolled in these courses.

Conservation of Wetlands (Swampbuster): NRCS responsibilities in wetlands conservation are defined in the 1985 Food Security Act (Farm Bill), as amended, and the January 1994 Memorandum Agreement signed by NRCS, EPA, U.S. Fish and Wildlife Service and U.S. Army Corps of Engineers. Under the 1985 Farm Bill, NRCS determines whether private lands meet the criteria for wetlands, assists producers to develop plans for complying with the law, provides technical assistance in implementing plans, and

conducts annual spot checks to ensure that producers are complying with the law. Under the MOA, NRCS makes determinations and delineations on all wetlands for USDA program participants, and on agricultural lands for non-USDA participants. The MOA increased the NRCS workload to include assistance for activities that require a 404 permit (Section 404 of the Clean Water Act). Additionally, in each State, NRCS has the lead role in developing and maintaining wetland mapping conventions. Over 2,000 NRCS employees have been trained and certified in the Corps delineation course since FY 1994.

Wetland Appeal Workload: In April 1995, Secretary Glickman suspended all wetland determinations unless specifically requested by the client or when a potential violation existed. However, landowners continue to request a limited number of wetland determinations. As landowners pursue appeals to the National Appeals Division, a considerable amount of staff resources are required to represent the government's position on these cases. NRCS expended approximately $40 million in both fiscal years 1997 and 1998 to implement the wetland conservation provisions of the Food Security Act, as amended, and the tasks in the wetlands MOA. These funds supported activities to meet client needs for determinations/delineations, appeal processing and resolution, mitigation and restoration plans, minimal-effect exemptions, and scope-and-effect evaluations for installation of new drainage systems and maintenance of existing systems. NRCS provided training during fiscal year 1998 through regional and national wetlands workshops. These workshops were an integral part of ensuring that NRCS staff and the public are informed about the wetland conservation provisions, including the 1996 Act amendments. In addition, NRCS has conducted several regional interagency workshops on wetland delineation and wetland functional assessment which is used when determining adequate wetlands mitigation.

404 Permit Related Workload: The 1996 Act amended wetland conservation compliance (Swampbuster) to give producers more compliance flexibility. The Act expands the definition of agricultural land in the January MOA to include tree farms, rangeland, native pasture, and other land used for livestock production. This further expands the acreage on which NRCS has the responsibility for making determinations and delineations. This workload includes requests for assistance for activities that require a 404 permit that are not related to agriculture.

Clean Water Action Plan: NRCS assisted in the preparation of the Clean Water Action Plan that was released on February 19, 1998. The plan serves as a blueprint for actions to be taken in collaboration with local, state, and federal partners to restore and protect America's water resources. In 1998, NRCS focused on the following items:

Unified Animal Feeding Operation (AFO) Strategy: Developed a draft AFO Strategy, in collaboration with other USDA agencies and the Environmental Protection Agency (EPA), released to the public for comment on September 16, 1998. The draft strategy establishes a national performance expectation for all AFO owners and operators, and presents a series of actions that USDA and EPA will take to minimize the water quality and public health impacts of the approximately 450,000 AFOs in the United States that concentrate animals, feed, manure and urine, dead animals, and production operations on a small land area. In cooperation with EPA, NRCS also organized 12 public listening sessions across the country that will take place in FY 1999 to gather feedback and input regarding the AFO strategy before it is finalized early in calendar year 1999.

Cross-Departmental Action Teams: Played active leadership roles on a number of cross-Departmental Action Teams formed in FY 1998 to help accomplish CWAP goals. These included the Stewardship Incentives Action Team, the Unified Watershed Action Team, and Animal Feeding Operations Action Team. Accomplishments included: working with states and territories to initiate their development of Unified Watersheds Assessments to identify and prioritize watersheds for restoration in 1999 and 2000; working with states to help develop proposals leading to as many Conservation Reserve Enhancement Program agreements as practicable to address critical water quality, soil erosion, and fish and wildlife habitat needs; and enhancing technical standards that are used by NRCS and

conservation partnership technical staff, and third party vendors, to guide on-the-ground planning and implementation of technical activities.

Nutrient Management Technical Standards: Initiated efforts to revise its nutrient management technical standards and policy during FY 1998. These important technical standards and policy will serve as a foundation for the development of comprehensive nutrient management plans (CNMP). NRCS and conservation partnership technical staff, third party vendors and private landowners will be able to use these standards to develop CNMP. As a result of the CNMP, landowners will be able to take actions to minimize the entry of nutrients from agricultural practices into surface and ground waters.

USDA Water Quality: NRCS, the Cooperative State Research, Education, and Extension Service (CSREES), and Farm Service Agency (FSA). Supported the USDA Water Quality Initiative (WQI) through education, technical assistance, and financial assistance. Technical assistance for nonpoint source hydrologic unit areas, water quality: demonstration projects, and regional project initiatives. The WQI was started in 1990 and cost-sharing was available until 1995. The USDA Water Quality Initiative will be phased out at the end of fiscal year 1999.

Technical and Education Assistance: Direct coordination between NRCS and the CSREES continues through the USDA Education and Technical Assistance Committee to support the implementation and coordination of WQI program activities. This committee oversees the selection, planning, and implementation of the nonpoint source hydrologic unit areas and water quality demonstration projects. Committee representation includes FSA, ARS, CSREES, FS, EPA, National Oceanic and Atmospheric Administration (NOAA), and U.S. Geological Survey (USGS). Emerging water quality issues including the hypoxia issue in the Gulf of Mexico is also coordinated within this committee.

Research in the area of agricultural related nonpoint source pollution is being coordinated with ARS, FS, EPA, and USGS through the interagency Technical Integration Group to develop necessary conservation and best management practices, evaluation procedures, and research plans.

Nonpoint Source Hydrologic Unit Areas (HUA): HUA projects focus on remediation of documented water quality problems in areas where impairment of surface or ground water quality by agricultural nonpoint sources is significant. The projects are coordinated with State management programs developed under Section 319 of the Clean Water Quality Act of 1987. NRCS, FSA, and CSREES in cooperation with State water quality agencies, local units of government, land grant universities, and private interest groups develop detailed plans of work. A total of 74 areas were originally selected in 1990 and 1991 for implementation. Forty-three projects have met their objectives and completed their work, and one project was cancelled. Activities on 30 projects continue and will conclude their work in 1999. A key feature of the initiative is the transfer of new technology. Examples of such new technology include using polymers to control irrigation induced erosion and utilizing composters for disposal of dead poultry and swine.

Water Quality Demonstration Projects: The demonstration projects represent geographic areas with specific combinations of agricultural activities and water resource conditions that impact water quality. NRCS, in cooperation with CSREES, ARS, and FSA developed comprehensive plans of work for the projects. Sixteen projects have been implemented, comprising more than 17.9 million acres. Nine projects have been completed and the remaining seven are scheduled to be completed in 1999. Data have been compiled to establish baselines from which progress can be measured in meaningful terms including the adoption of water quality practices in the immediate and adjacent areas. Nutrient management practices have been implemented on more than one million acres.
Regional Project Initiatives: Regional projects include the Chesapeake Bay, Puget Sound, Long Island Sound, Gulf of Mexico, Great Lakes, Lake Champlain, the Coastal Zone Management Program, and

the National Estuaries Program. USDA assists in these projects in reducing agricultural nonpoint source pollution through ongoing programs that provide education, technical assistance, and financial assistance to individual farmers, ranchers, and communities. A coordinated approach to monitoring and evaluation has been undertaken to determine the level of success of ongoing programs and to improve future efforts. The monitoring and evaluation process focuses on reductions in pollutant loading, modeling load reduction below the root zone and beyond the edge of the field, and measuring change in the condition of surface and ground water conditions. It also includes an assessment of practices installed and the effects of these activities upon agricultural production. NRCS participates with State and local water quality agencies, other Federal agencies, and international representatives in developing overall plans of action to meet the nonpoint source water quality goals in the project areas and provides technical assistance to agricultural producers in implementing conservation plans.

Other Water Quality Activities: NRCS supported and participated in a variety of additional water quality activities including interagency and industry sponsored cooperative agreements, advancement of research and education initiatives, and identification of emerging water quality issues. Conservation liaison positions have been established in Environmental Protection Agency (EPA) regional offices to provide conservation support for nonpoint source activities. A number of similar positions have been established at the State level in association with State conservation and water quality agencies. An additional liaison position is being supported between NRCS, EPA, Tennessee Valley Authority (TVA), and Southeastern Egg and Poultry Association.

Resource Analysis and Assessment: NRCS performs resource analyses at its national, regional, and State offices, using the agency's unique databases such as the National Resources Inventory (NRI), soil survey data, and program data. In addition, it uses other databases from other sources, such as the Bureau of the Census, the National Agricultural Statistics Service, the EPA and the USGS.

The analyses are used to address broad policy changes needed in the application of conservation measures and delivery of conservation programs. Special projects in FY 1998 included:

- The development of land characterization techniques and resource quality indices using geographic information systems (GIS) and geostatical procedures for issues associated with grazing land health, water quality, soil quality, and wetland functions.
- Accelerating the availability of analytical products on the Internet. Hundreds of resource assessment products are available on the NRCS website at: http://www.nhq.nrcs.usda.gov/land/home.html.

Soil and Water Resource Conservation Act of 1977 Requirements: The NRCS resource assessment projects contribute to the publication of a periodic comprehensive report on the state of the land. The next report, "State of the Land 2000," will provide a substantive analysis of the condition of the Nation's natural resource base and provide natural resource information helpful to discussion concerning the next farm bill and other national environmental discussions.

National Resources Inventory (NRI): Through this program, NRCS collects, interprets, analyzes, displays, and distributes statistically reliable data on natural resource and environmental conditions, and trends for the Nation's non-Federal lands.

Since the passage of the Rural Development Act of 1972, NRCS has completed four NRIs at 5-year intervals (1977, 1982, 1987, 1992), plus several special studies of lesser intensity. The 5-year cycle has involved continuous planning, training, data collection, quality assurance, statistical processing, analysis, and evaluation.

The data elements collected during these inventories can be grouped into 10 general categories:

- Soil characteristics and interpretation (such as slope, depth, land capability class, prime farmland, salinity or acidity, flooding frequency).
- Earth cover (such as trees, shrubs, grass).
- Land cover and use.
- Erosion (such as sheet, rill, or wind).
- Land treatment (such as irrigation, windbreaks).
- Vegetative conditions (such as range condition and species, wetlands, pasture management).
- Conservation treatment needs.
- Extent of urban land.
- Habitat diversity.
- Cover maintained under the Conservation Reserve Program.

1997/1998 NRI: NRCS established 21 multi-State Inventory Collection and Coordination Sites (ICCS) as focal points for NRI data gathering that began in 1997 and was completed by July 1998. The data capture includes an assessment of the natural resource conditions during the 1997 growing season. Data collectors relied primarily on interpretation of aerial photography and other ancillary materials for primary data sources. Field visits were conducted on a small percentage of sites. Agency personnel are currently engaged in the editing and statistical processing of the data. A review of preliminary results will occur in the spring of 1999, with the final release in the summer of 1999.

Special Inventories: Special mini-inventories were conducted in 1996, 1997, and 1998 to assess changes in conservation and land use resulting from the Federal Agricultural Improvement and Reform (FAIRA) Act of 1996 (PL 104-127, April 4, 1996) 'freedom to farm' provisions. Results from these studies are presented in the "1997 State of the Land Update." Indications are that progress in reducing soil erosion has remained flat since 1995, but there has been no reversal of previous conservation gains. The 1998 mini-inventory will continue to examine trends in conservation and land use, with special emphasis placed on progress toward USDA buffer strip initiative goals.

NRCS has been developing approaches to assess new resource integrity concerns and to integrate our inventory activities with other Federal agencies. Under development are indicators for resource issues such as grazing land and riparian system health, wetland functionality, soil quality, and habitat diversity. NRCS and USFS have worked on ways to integrate and enhance our historic inventory and assessment needs; BLM and NASS are also active partners in these efforts.

Reimbursable Work: NRCS provides technical assistance to other Federal, State and local entities under reimbursable agreements. The following is an example of the significant reimbursable workload item performed for other Federal agencies.

Conservation Reserve Program (CRP): NRCS provides technical assistance to landowners for the Farm Service Agency in delivery of the CRP through an annual reimbursable agreement. CRP offers 10 to 15-year rental contracts for retirement of excessively erodible lands or land that contributes to water quality problems and to improve or develop wildlife habitat. NRCS calculates the Environmental Benefit Index associated with bids offered by landowners, develops conservation plans with landowners to provide protective cover of grasses or trees that will reduce soil erosion, improve water quality, and enhance wildlife habitat, and monitors the implementation of conservation practices and maintenance of CRP acreage.

Incentives for Sensitive Lands: The 1996 Act enabled the use of a continuous signup to assist in the goal of ensuring that the most environmentally sensitive land is in CRP. Under the continuous enrollment provision, certain conservation practices such as grassed waterways, filter strips, riparian buffers, and field windbreaks are emphasized. Producers receive an incentive payment for enrollment.

Cropped wetlands, water bank acres (excluding wetlands types III - VII) in the last year of their contract, and non-cropped wetlands associated acreage were also added to the CRP eligibility criteria. Restoration of wetlands is voluntary, however, chances of acceptance is greater with restoration and includes up to a 25 percent incentive of the cost for restoring the hydrology

Conservation Reserve Enhancement Program (CREP): States with National or State significant conservation and environmental problems on agricultural lands, as a result of agricultural activities in specific geographic areas, may enter into a Memorandum of Agreement with USDA for a Conservation Reserve Enhancement Program (CREP) to address these conservation and environmental problems. CREP expands CRP's effectiveness by allowing USDA to work in partnership with States and local interests to meet specific conservation objectives in their State CREP. In fiscal year 1998, four CREP agreements were signed by the Secretary for Maryland, Minnesota, Illinois, and New York. Two additional agreements in Oregon and Washington were signed in mid-October, 1998, and three other proposals are under review.

FY 1998 CRP Workload: Under the 16th general CRP signup, NRCS processed 126,232 enrollment bids encompassing 9.5 million acres. NRCS provided conservation planning for 75,284 CRP contracts accepted covering 5.9 million acres.

Under the 17th continuous signup, NRCS provided conservation planning for approximately 22,400 contracts covering 190,900 acres. In addition, NRCS provided planning, conservation practice application, and maintenance activities for the million acres enrolled under CRP to date.

Carry Over Workload: CTA workload also includes requirements associated with other provisions of law. Assistance is provided through CTA for activities associated with multi-year contracts associated with programs that are no longer authorized or funded. It is estimated that approximately 353 FTE's of technical assistance were expended in servicing multi-year contracts. In fiscal year 1999, it is estimated that a comparable level of FTE's will be needed to service the remaining contracts.

Emergency Wetlands Reserve Program (EWRP): The Emergency Wetlands Reserve Program was established as part of an emergency restoration package following the flooding by the Mississippi River and its tributaries in 1993. The program provides landowners an alternative to bringing back into agricultural production lands that had been wetlands at one time. The program is patterned after the Wetlands Reserve Program (WRP). Through the use of $103.8 million in emergency funds, floodplain restoration projects involving approximately 84,840 acres were enrolled. Approximately 55,000 acres had been restored before fiscal year 1998 and the remaining 29,840 acres were completed during fiscal year 1998.

Agricultural Conservation Program (ACP): The 1996 Act consolidated ACP along with three other programs into the Environmental Quality Incentives Program (EQIP). There was no funding for ACP in fiscal year 1998. However, NRCS continues to provide technical assistance to participants of ACP for planning, design, and layout of cost-shared practices; supervision of implementation; and certification that the conservation practice meets standards and specifications under long-term agreements (LTA) and the Water Quality Incentives projects (WQIP) for 3 to 10-year agreements. In addition to regular ACP assistance, NRCS provides assistance for WQIP contracts that were funded from FY 1994 through 1996.

Colorado River Basin Salinity Control: The 1984 amendments to the Colorado River Basin Salinity Control Act, in Public Law 98-569, gave USDA a separate authority for developing and implementing a voluntary and cooperative on-farm salinity control program. The Colorado River Basin Salinity Control (CRBSC) Program's purpose was to reduce salt loading in order to enhance and protect the quality of water available in the Colorado River for use in the United States and Mexico (Public Law

93-320, Colorado River Basin Salinity Control Act). The program provided non-Federal cost-share reimbursement from the hydroelectric power revenues of the Upper and Lower Colorado River Basin development funds and has authority to cost-share with irrigation districts and canal companies. NRCS continues to perform work on CRBSCP long-term contracts by revising project plans, and providing technical assistance for the installation, operation, and maintenance of salinity reduction practices. The emphasis is on irrigation water management. NRCS assistance includes planning, application, and maintenance of wildlife habitat practices. In addition, NRCS is responsible for monitoring and evaluating the technical aspects of the program.

Rural Abandoned Mine Program (RAMP): NRCS continues to provide technical assistance to land users in planning and applying reclamation practices. During the past year, NRCS has worked in partnership with Federal, State, and local organizations, using RAMP funds not obligated to current land user contracts, to provide both technical and financial assistance to individual land users and local communities impacted by past mining.

Currently, the goal is to complete construction on all existing land user contracts by the spring of 1999. Currently there is approximately 4 million dollars allocated to 25 contracts. A majority of these contracts are under construction. The remainder of the contracts advertised for construction will be completed by spring of 1999. Only a few new landowner contracts are currently being initiated which are a part of a partnership package being implemented by joint agreements with other conservation partners. There are approximately 350 existing landowner contracts that remain under operation and maintenance agreement with individual landowners.

Program Features: When funded, the RAMP program provides technical and financial assistance to landowners and land users who voluntarily enter into 5 to 10-year contracts to reclaim up to 320 acres of eligible abandoned coal mined land. NRCS field staff assists landowners in preparing a reclamation plan that outlines the treatment, cost, and design that provides on-site assistance with construction. NRCS uses local and State reclamation committees to assist in establishing priorities for RAMP projects.

Overall Accomplishments: Since the RAMP program was initiated in 1978, landowners in 20 States have submitted 4,628 program applications involving approximately 107,070 acres of abandoned mined lands. At the end of FY 1998, RAMP program funds eliminated approximately 3,250 health and safety hazards, controlled erosion on some 16,000 acres of abandoned, eroding, and unproductive land. As a result of protecting the land resource, water quality has been improved on 62,000 acres of lakes and 1,100 miles of streams.

FY 1998 Accomplishments: In FY 1998, 10 partnership agreements were signed with other agencies/organizations to leverage both technical and financial assistance to accomplish reclamation needs. The Oklahoma Abandoned Mine Land (AML) and Natural Resources Conservation Service (NRCS) completed the first agreement involving reclamation of four hazardous abandoned mine sites in Roger County Oklahoma. Each of the project sponsors and the individual landowners, impacted by the project, agreed that the partnership between the NRCS and AML resulted in a timely, effective, and efficient use of available resources to eliminate abandoned mine hazards.

Cooperative Efforts: Conservation of private land is a partnership effort that relies on many individuals, groups, and governmental entities working together to achieve common goals.

Conservation Districts: The foundation of conservation efforts on private lands is the traditional partnership between NRCS, state conservation agencies, and local conservation districts. NRCS provides assistance to individual land managers through the local districts. Conservation districts are units of state or tribal government that are responsible for setting priorities and developing

conservation programs for their area. They are operated by boards of locally elected or appointed officials who serve without salary.

District staffing: District employees administer local and state conservation programs and cooperate with NRCS specialists in administering Federal programs in the district. In fiscal year 1998, the front-line conservation work force included nearly 8,000 NRCS employees and more than 6,000 district or state agency staff. In some field offices, NRCS staff are outnumbered by state and local employees. NRCS and state and local employees in a field office work as a team, using the same case files and technical tools to serve the local community.

District funding: Officials of conservation districts obtain funding from local, Tribal, State, and Federal sources to help carry out the local conservation program. Over the years, they have developed cooperative ways of financing conservation programs. State and local appropriations and in-kind services for conservation district program activities totaled approximately $964.5 million in FY 1998.

Reinventing the partnership: In 1994, the Secretary of Agriculture announced an initiative to renew the conservation partnership. As part of this initiative, many American Indian Tribes and Alaska Native Governments formed Tribal conservation districts for the first time. The Secretary of Agriculture, governors of each State, Tribal governments, and conservation districts signed new mutual agreements that establish the framework for cooperation among the USDA, States, Tribes, and conservation districts. The mutual agreements and companion cooperative working agreement modernize and reinvent the more than 50-year-old basic and supplemental memoranda of understanding with conservation districts. The new agreements were developed by a team that included representatives of the National Association of Conservation Districts, conservation and Tribal districts, National Association of State Conservation Agencies, Intertribal Agriculture Council, Tohono O'odham Nation, Forest Service, and NRCS.

Strengthening local partnership operations: In 1993, the Partnership Coordinating Council, representing the traditional conservation partners, formed a Partnership Operations Work Group to support the USDA strategy, established in the National Conservation program, of strengthening the conservation partnership at the local level. The Work Group assists state-level conservation partnerships to develop and implement customized plans for improving overall partnership operations. State leaders select individuals to serve on a task force that is representative of field, area, and State leadership. The work group assists the State task force to define their State's desired program delivery system, analyze current conditions and previously developed strategies, and identify strategic issue areas, goals and actions that the State partnership will work on together using all talents and tools that can be gathered.

The Work Group has assisted or is assisting 19 States including: Florida, Montana, Utah, North Carolina, South Carolina, Massachusetts, California, Alaska, North Dakota, Iowa, Illinois, Colorado, New Mexico, Connecticut, Arkansas, Indiana, New York, Washington, and Pennsylvania. Six other States have received special assistance.

Resource materials, tools and concepts from these States and the 10 states that received grants from the earlier district capacity building program, are being networked throughout the Nation, between State conservation partnerships.

Other Federal Agencies: Many Federal agencies rely upon the technical expertise unique to the NRCS to plan and implement programs that impact rural residents and resources. Some examples are the Conservation Reserve Program of the Farm Services Agency; the Surface Mine Control and Reclamation Programs of the Department of the Interior; the Coastal Zone Management Program of the Department of Commerce; and the Chesapeake Bay Agreement, National Estuary Program and

Clean Lakes Program of the Environmental Protection Agency (EPA). NRCS has signed memoranda of understanding with EPA for nonpoint source technical cooperation; with the Cooperative State Research, Education and Extension Service for water quality data and training; and with the Agricultural Research Service and the U.S. Geological Survey for cooperation on water quality research and monitoring.

International Activities: NRCS helps improve the management and conservation of natural resources globally. Participation in collaborative efforts with other countries results in benefits to the U.S. and, in particular, accomplishment of the NRCS mission. During FY 1998, NRCS specialists completed 253 assignments to 49 foreign countries. The objectives of the assignments were to: provide short and long-term technical assistance and leadership for the development of natural resource conservation programs and projects; exchange conservation technology with countries that face soil and water conservation issues similar to those in this country; and, participate in international meetings and professional societies to share conservation technology and to broaden the technical knowledge and professional capability of NRCS staff.

Outreach to Underserved Groups: NRCS is vigorously implementing the recommendations of the Secretary's Civil Rights Action Team and National Commission on Small Farms.

1890 Land Grant Institutions and HBCU: NRCS maintains a presence on selected 1890 land grant institution campuses, providing knowledge and skills to strengthen and broaden the transfer of technologies through the 1890 institutions and other historically Black colleges and universities (HBCU) to the agricultural communities they serve. Some of NRCS's ongoing technical assistance and education outreach ventures are:

Lincoln University - Center on Geographic Information Systems (GIS) and Wildlife Management. The GIS lab offers supporting agencies an opportunity to develop digital data using student labor, project assistance for mapping and spatial analysis needs, and a research environment for investigating new technologies. An average of 30 students per semester take GIS classes; many obtain USDA employment following graduation. NRCS has employed five women who received financial support and training from the GIS program.

Langston University - Grassland Center. The center establishes partnerships with community based organizations and minority farm groups to help improve grassland resources by providing quality technical assistance; developing improved plant varieties; and forming alliances that support the continuing education for grassland managers.

University of Arkansas at Pine Bluff - Small Farm Outreach Water Management Center. NRCS entered into an agreement with the university in 1996, initiating the Small Farm Outreach Water Management Center/Wetlands Water Management Program. The university secured an 871-acre farm in Lonoke, Arkansas, as the first step of the process. The development phase of the center has been completed. The center will be the headquarters for the Wetlands Water Management Program and the focal point for field trials, applied research, technical assistance, and demonstrations. Implementation of farm conservation practices is well underway. Partnerships have been established to market the farm outreach center concept, and leadership projects have been initiated.

Arkansas Land and Farm Development Corporation (ALFDC): The ALFDC Youth Enterprise in Agriculture (YEA) Program: ALFDC and NRCS initiated this program in 1991 to encourage minority youth to continue their education so that they could become self-employed farmers or embark on careers in agriculture or related fields.

Hispanic Association of Colleges and Universities: NRCS is working closely in cooperation with the Hispanic Association of Colleges and Universities (HACU), to increase Hispanic employment in NRCS. HACU is a national association representing nonprofit, accredited colleges and universities in the United States where Hispanics comprise at least 25 percent of the total student enrollment. NRCS has representation on the HACU leadership group who in turn ensure that the Hispanic community equitably benefits from USDA programs, resources, services, and employment opportunities. Ongoing activities include:

HACU Leadership Group: The HACU Leadership Group is comprised of USDA senior level managers and college and university administrators. NRCS has two representatives on the Group who assisted in developing a strategic plan to address employment, educational, and program delivery to Hispanics.

Hispanic Serving Institutes Liaisons: NRCS provides financial support to two liaisons who counsel, mentor, coach, and support students who are enrolled in Hispanic serving institutions. The liaisons have counseled students regarding employment. They also assisted students in the areas of qualifications for specific job series, placement, and explaining the mission and role of NRCS.

Texas State Technical College (TSTC): The NRCS National Hispanic Emphasis Program Manager works cooperatively with TSTC (a 2-year college) to place TSTC graduates in jobs with NRCS. HACU works with TSTC students to place them in 4-year colleges and universities.

Small Farms and Limited Resource Farmers : NRCS has implemented an initiative is to ensure that NRCS programs are administered in a way that enables small or limited resource farmers to maintain and develop economic viability in farm operations; to ensure that NRCS technical assistance programs and activities reach small and limited resource farmers and ranchers; and to ensure that technical practices and information are relevant to the needs of these farmers and ranchers.

Assistance to American Indians & Alaska Natives: NRCS has specific responsibility under law for providing assistance to American Indians and Alaska Natives. The Indian Self-Determination and Self-Government Act, P.L. 94-638, gave responsibility for carrying out the Federal Government's trust responsibilities to all Federal agencies. In 1988, the signing of a memorandum of understanding between the Secretary of Agriculture and the Secretary of Interior, gave NRCS full access and recognized trust responsibilities on American Indian Nation and Alaska Native lands. In response to the Secretary's memorandum, the heads of the U.S. Department of Interior, Bureau of Indian Affairs (BIA), USDA Agricultural Stabilization and Conservation Service (now Farm Service Agency), and USDA Soil Conservation Service (now NRCS), signed a Memorandum of Understanding Relative to Planning and Implementing USDA Conservation Programs on Indian Lands. The American Indian Agricultural Resources Management Act, which was enacted in late 1993, requires the development of 10-year plans for the management of resources on all Tribal lands in the Nation.

Offices Serving Tribes: The Food, Agriculture, Conservation, and Trade Act (FACTA) of 1990, Section 2501 (g), further defines the responsibilities of USDA. It directs that NRCS and other USDA field agencies establish suboffices at Tribal headquarters for Tribes who request it and staff the office at least 1 day per week. The Secretary of Agriculture implemented this mandate through Departmental Regulation 1340-2, dated August 6, 1991. NRCS currently has 27 offices at tribal headquarters and 26 offices located elsewhere on tribal lands.

State	Indian Tribe	Tribal Headquarters	Tribal Lands
Arizona	Colorado River (CA)		Parker
			Parker RC&D
	Hopi	Kykotsmovi	Moenkoepi
	Tohono O'odham	X	X
	Sans Carlos	X	X
	Navajo		Shiprock
	Navajo	Window Rock	Window Rock
	Navajo		Window Rock Planning
	Navajo RC&D		X
	Navajo		Chinle
	Navajo		Fort Defiane
Utah	Navajo		Western Navajo
			Eastern Navajo
Colorado	Southern Ute	X	
CO & New Mexico	Ute Mountain Ute	X	
Florida	Seminole		X
	Miccosukee		X
Idaho	Fort Hall		X
	Nez Perce		Oronfino
	Coeur d"Alene	X	X
	Kootenai		Bonner's Ferry
	Kootenai		Panhandle Lakes RC&D
Mississippi	Choctaw	X	
Montana	Blackfeet Nation	X	
	Crow	X	
	Ft Belknap Indian Com.	X	
	Ft. Peck Assinibone Sioux	Poplar	Wolf Point
	Northern Cheyene	X	
	Rocky Boy's Chippewa Cree	X	
	Conf. Salish & Kootenai	Pablo	Ronan
North Carolina	NC Cherokee	X	
North Dakota	Three Affiliated Tribes	X	
	Turtle Mtn. Band of Chippewa		X
	Standing Rock Sioux	Fort Yates	Selfridge
	Devils Spirit Lake Sioux	X	
Oregon	Conf. Tribes – Warm Springs	X	
	Umatilla	X	
South Dakota	Oglala Sioux (NE)	Pine Ridge	
	Rosebud Sioux	X	
Utah	Unitah & Ouray	X	X
	Goshute Business Council	X	
Wisconsin	Oneida	X	
Wyoming	Wind River Shoshone Bus.Council	X	Riverton
TOTALS		27	26

Technical Assistance to Tribal Conservation Districts: American Indian and Alaska Native organizations are relying more and more upon the technical expertise unique to the NRCS to plan and implement programs which impact Tribal and regional corporation resources as well as their citizen's individual farms and ranches. The Secretary of Agriculture has signed mutual agreements (MU) with eighteen conservation districts formed under tribal law. NRCS works with the Tribe or regional corporation under Alaska Natives Claims Settlement Act (ANCSA) to develop cooperative working agreements to deliver NRCS programs to American Indians and Alaska Natives. Under the terms of these agreements, NRCS provides technical assistance through the American Indian or Alaska Native conservation district, to assist American Indian Nations and Alaska Native organizations and citizens to plan, apply, and maintain conservation treatment on the land. These Indian conservation districts are legal subdivisions of American Indian and Alaska Native governments organized for the purpose of developing and carrying out local conservation programs to protect, conserve, and maintain their natural resources. Officials of Indian conservation districts are local leaders in the development of appropriate land use and conservation treatment on private and tribal lands within the district boundaries. They solicit tribal, local, State, and Federal participation to help carry out locally adaptive conservation programs.

Intertribal Agricultural Council Contracts: The Food, Agriculture, Conservation and Trade Act of 1990 (FACTA), Section 2501(g), provided a basis for establishing 2 contracts with the Intertribal Agriculture Council (IAC). The first contract was for the hiring and training of American Indian farmers and ranchers for the purpose of meeting with tribes to explain USDA programs. NRCS provided the leadership for this multi-USDA agency effort. The second contract brings Tribes together with NRCS and other agencies to discuss mutual opportunities to protect natural resources.

NRCS Leadership & Assistance: NRCS provides leadership assistance to other Federal and state agencies in working with American Indians and Alaska Natives. Examples include assistance with the development of Tribal water quality assessments and plans under the Environmental Protection Agency's Clean Water Act, Section 319 provisions, cooperative fish and wildlife enhancement efforts with the U.S. Fish and Wildlife Service, and soil surveys in cooperation with BIA. NRCS is working cooperatively with tribes and BIA to employ GIS as a planning tool in the development of reservation-wide natural resource plans. NRCS has developed an experiential training workshop for agency staff on "Working Effectively with American Indians" that is serving as a model for many USDA agencies and other Federal departments. Thirty-seven sessions have been taught in 19 States.

NRCS has worked with the Nez Perce Nation and EPA on a 6-million acre, 5-county salmon recovery project call the "Clean Water Basin Focus Watershed." NRCS has completed a range and resource assessment on the Northern Cheyenne nation. This tribe has made a $5 million commitment to implement the resulting plan.

NRCS established a full-time American Indian Liaison position in national headquarters, a full-time Western Regional American Indian Liaison position based in Albuquerque, New Mexico, and a half-time Northern Plains American Indian Liaison based in Bozeman, Montana. There are 9 full-time and one half time Statewide American Indian Liaisons.

NRCS has worked with a number of the American Indian Land Grant Colleges to assist them in developing and teaching natural resources courses and curriculums. NRCS has provided financial support to Haskell College (KS) for the development and maintenance of their natural resource program. A new program to provide outreach to American Indians was initiated at Fond Du Lac Tribal College (MN)this year.

FY 1998 Funds Expended: In FY 1998, NRCS expended approximately $4 million from the Conservation Operations Account providing technical assistance to American Indians and Alaska Natives. In addition, NRCS allocated $10 million in Environmental Quality Incentives Program funding.

Information Services: NRCS maintains a proactive role in conservation communications that provides voluntary cooperative solutions to environmental issues on privately owned farms and ranches and in rural and urban communities; keeps citizens fully informed about legislative requirements concerning conservation and the environment; and provides wide dissemination of NRCS natural resource inventories. Current information initiatives focus on voluntary cooperative approaches to conservation. NRCS' approach is designed to:

- Use a positive approach to reinforce and strengthen farmers' conservation commitment.
- Ensure that conservation provisions are understood and used.
- Gain the involvement and support of agricultural and conservation organizations in developing and delivering the conservation messages.
- Foster conservation progress by increasing awareness of the public benefits of conservation efforts.
- Increase support and involvement for voluntary conservation efforts, both locally and nationally.

NRCS' conservation communications efforts are accelerating partnership building with other government agencies, agricultural and conservation groups, and the media. These information and partnership activities are essential in helping NRCS meet the conservation needs of America's privately owned land through a voluntary approach. Assisting in this effort is the Earth Team, NRCS' volunteer program. The Earth Team currently has more than 17,000 volunteers who annually donate 675,000 hours to assist NRCS in its conservation efforts. The overall value of volunteer time in FY 1998 was $9.2 million from an investment of $207,465 reflecting $45 to $1 ratio of volunteer value to investment benefit.

Quality Services: NRCS continues to build on the quality management commitment it made in the early 1990's. Continuing training in quality management techniques, customer service, change management, and effective team facilitation is being provided to employees agency-wide. NRCS has developed a cost-effective and highly skilled instructor cadre for delivering quality management awareness and problem solving training, which has also been used by the USDA service center initiative to provide customer service and change management training. It has also continued to develop an expert core of facilitators to aid NRCS top managers and conservation partnership leaders in conducting results-driven agency business meetings. The NRCS quality management facilitators are so valued that they have been called upon by USDA and other Federal, State, and local organizations.

Quality management principles and practices are integrated into NRCS strategic and performance plans and operations management policy and guidelines.

NRCS has received the second highest number of NPR's Hammer Awards (within USDA) for its customer-driven and results-oriented quality services.

AMERICAN HERITAGE RIVERS

Current Activities: NRCS is participating in the American Heritage Rivers (AHR) designed to help communities restore and protect their river resources in a way that integrates natural resources protection, economic development, and the preservation of historical and cultural values. The initiative proposes to assist communities adjacent to rivers through better use of existing programs and resources, and through coordinating the delivery of those services in a manner designed by the community.

On July 30, 1998, the President designated 14 rivers as American Heritage Rivers. They are:Blackstone and Woonasquatucket (RI/MA), Connecticut (CT/MA/NH/VT), Cuyahoga (OH), Detroit (MI), Hanalei

(HI), Hudson (NY), Mississippi, Lower (TN/LA), Mississippi, Upper (MO/IL/IA/WI/MN), New (NC/VA/WV), Potomac (VA/WV/D.C./MD/PA), Rio Grande (TX), St. Johns (FL), Upper Susquehanna-Lackawanna (PA), and Willamette (OR).

These designated rivers will receive focused Federal attention in the form of greater and more effective coordination and use of existing Federal programs and assistance in support of the communities' objectives for the rivers. These efforts are intended to serve as models of the most innovative, economically successful, and ecologically sustainable approaches to river restoration and protection for communities across the U.S. In addition, for all 126 rivers for which application for AHR designation was made, the initiative will provide improved information and services.

American Heritage Rivers is a voluntary and locally driven initiative. All assistance will come at the request of the communities adjacent to the 14 rivers. The communities and Federal agencies on each of the rivers will agree to a framework document that establishes partnerships which, in turn, will implement the action plans they submit with their applications for designation. The partnerships will investigate methods for simplifying and expediting Federal services and for improving the scope, substance, and delivery of Federal assistance. The Federal teams on each river will function in partnership with each community, State, Tribal governments, and non-government organizations to look for opportunities to reduce bureaucracy, streamline services, and overcome obstacles to provide assistance.

The initiative will not create new regulatory requirements for individuals or State or local governments, and is consistent with USDA's emphasis on conservation strategies developed and supported by communities. NRCS has participated in the design of the AHR initiative, contributing its experience with natural resources management. During FY 1998, NRCS provided approximately $225,000 for staff time assisting with the design of the initiative. Sixty percent of the funds were from the NRCS Conservation Operations account, and 40 percent from the Watershed Surveys and Planning account.

During FY 1999 NRCS projects that $340,000 will be provided for staff time. Future support for this initiative will be known after the communities and Federal agencies have agreed to framework documents and identified the proposed Federal agency roles for helping the communities implement their plans of action. NRCS' assistance to the communities on the 14 rivers could include any of its technical and financial assistance programs. Assistance will be consistent with NRCS authorities, program priorities, and the delivery systems currently in place.

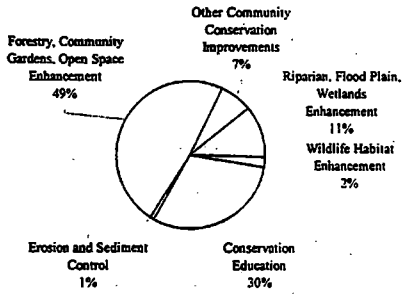
URBAN RESOURCES PARTNERSHIP

Current Activities: The Urban Resources Partnership (URP) puts government resources into the service of community-led environmental projects. URP is designed with a 5-year start up phase. After the start-up phase, the city URP should transition into a self-sustaining partnership with ongoing funding obtained through competitive grants from the Federal, State and local governments and private foundations. In August 1993, USDA initiated this collaborative effort to tackle urban natural resource concerns. The concept was to have Federal agencies and other partners work in collaboration with under-served communities to address the conservation concerns in their neighborhoods. The following seven Federal agencies participate in URP:

- Natural Resources Conservation Service (NRCS)
- Forest Service (FS)
- Cooperative State Research, Education, and Extension Service (CSREES)
- National Park Service (NPS)
- The Fish and Wildlife Service (FWS)
- Environmental Protection Agency (EPA)
- Housing and Urban Development (HUD)

The partnership locations are Atlanta, Chicago, New York, Seattle, Denver, East St. Louis, Los Angeles, Philadelphia, San Francisco, Las Vegas, South Florida, Buffalo and Boston. In FY 1998, NRCS headquarters allocated $150 thousand to each URP city as its participation in the partnership.

Over the life of the initiative, URP cities typically focus activities in the following conservation categories:



The following table provides a summary of the cumulative support provided to the 13 URP cities.

Urban Resources Partnership
Cumulative Support through FY 1998
Dollars in Thousands

City	Year Partnership Began	NRCS	Other*	Total
Atlanta	1994	$1,220	$1,344	$2,564
Boston	1997	150	391	541
Buffalo	1997	150	226	376
Chicago	1994	1,280	1,336	2,616
Denver	1995	964	1,317	2,281
East St. Louis	1995	1,130	985	2,115
Los Vegas	1997	150	234	384
Los Angeles	1995	1,005	1,694	2,699
New York	1994	1,245	1,159	2,404
Philadelphia	1995	910	850	1,760
San Francisco	1997	150	150	300
Seattle	1994	1,247	1,504	2,751
South Florida	1997	150	50	200
TOTAL		$9,751	$11,240	$20,991

*Other includes other Federal, State and local agencies.

NORTHWEST SALMON RECOVERY

Current Activities: The Northwest Salmon Recovery (NSR) initiative was established in FY 1993 in response to frustration that private agricultural landowners experienced in meeting requirements of the Endangered Species Act and the Clean Water Act. NRCS has worked closely with the Pacific Fisheries Enhancement Committee (PFEC) to develop partnerships and resources for a community based, voluntary, and cost-effective approach to ensure viable watershed ecosystems and local economies. PFEC is a

partnership of the conservation commissions of Washington, Idaho, Oregon, the Department of Conservation in California, the respective State Associations of Conservation Districts, and NRCS.

NRCS provided expenditures for three major activities: technical assistance, resource planning, and plan implementation. In total, since FY 1993, approximately $9.4 million has been allocated to these activities. Twenty-eight percent of the funds are from the NRCS Conservation Operations account, 14 percent from the Watershed Surveys and Planning Account, and 58 percent from the Watershed and Flood Prevention Operations account. During FY 1998, no funds were allocated specifically for the Salmon Initiative from the Conservation Operations account. There are presently 11 active P.L. 83-566 small watershed projects, totaling $1.25 million, which include salmon as an integral part of their natural resource concerns. FY 1998 funding for the salmon recovery effort will be primarily through these projects.

As a result of this funding, technical assistance has been accelerated to local conservation districts and watershed groups in nearly 80 different watersheds and basins. Major efforts are underway in 5 "model" watersheds, 11 watershed projects (Public Law 83-566) and over 60 watershed assistance and coordinated resource management planning activities.

Technical assistance dollars have been used to assist in completing watershed assessments, developing watershed restoration plans, and assisting landowners with site specific planning and practice implementation. Financial assistance is used to help with installation costs of conservation measures and to leverage additional resources from other sources such as the Bonneville Power Authority, National Marine Fisheries Service, Fish and Wildlife Service, the Environmental Protection Agency, State governments, tribes, regional utilities, and private foundations and corporations.

SOIL SURVEYS

Current Activities: Soil is a strategic natural resource that must be understood, managed, and conserved to sustain the economy and health of the Nation. NRCS is responsible for leading the National Cooperative Soil Survey (NCSS), a partnership of Federal land management agencies, State agricultural experiment stations and State and local units of government. NCSS promotes the use of soil information and develops policies and procedures for conducting soil surveys and producing soil information. NRCS provides the scientific expertise to enable NCSS to develop and maintain a uniform system for mapping and assessing soil resources, so that soil information from different locations can be shared regardless of which agency collects it. NRCS provides most of the training in soil survey to Federal agencies and assists other Federal agencies with their soil inventories on a reimbursable basis. NRCS is also responsible for developing the standards and mechanisms for the soil information for the national spatial data infrastructure required by Executive Order 12906.

Soil surveys provide the basic information needed to manage soil sustainability. They also provide information needed to help sequester greenhouse gases, protect water quality, wetlands, and wildlife habitat. Soil surveys are the basis for predicting the behavior of a soil under alternative uses, its potential erosion hazard, potential for ground water contamination, suitability and productivity for cultivated crops, trees, and grasses. Soil surveys are important to planners, environmentalists engineers, zoning commissions, tax commissioners, homeowners, developers, as well as agricultural producers. Soil surveys also provide a basis to help predict the effect of global climate change on worldwide agricultural production and other land-dependent processes.

The NRCS Soil Survey Program is mandated to conduct three activities:

- Map the private lands of the United States.
- Provide soil information to the public.
- Provide technical assistance in the use of soil information.

The primary focus of the soil survey program is to provide a current and consistent map interpretations and data set of the soil resources of the United States. Approximately 94 percent of the private lands of the United States and its territories are covered with soil surveys. Only about 87 million acres of non-Federal land remain to be mapped. However, the inventory must be maintained and updated to meet current needs of resource managers and approximately 20 percent of the current inventory is out-of-date.
NRCS is conducting a multi-year reinvention process to transform the soil survey program from a program with a primary focus on initial mapping and publishing a hard copy report to one with a primary focus on getting information to the public in a variety of formats including electronic, maintaining the quality of the soil information, and helping people use the information to better understand soils and to use them sustainably. The process included extensive discussions with users of soils information both inside and outside the agency and collaboration between NRCS and the other members of the National Cooperative Soil Survey. The resulting key changes in program structure and direction include:

- Mapping: The mapping function is now managed on the basis of physiographic rather than political boundaries. Soil surveys based on natural landscape boundaries rather than political boundaries will provide people with more consistent, quality data for assessing and planning the use and protection of landscape units, such as watersheds or ecosystems. Older surveys, conducted on a county basis, do not provide consistent data that can be used easily by landowners with holdings in multiple jurisdictions or by community, State, or regional planners. One of the challenges now is to get the initial soil survey of the public lands completed. These lands are also important when planning land use and conservation on a watershed, landscape, or ecological site basis.
- Information management: The National Soils Information System (NASIS) gives customers direct access to information and data, and permits more effective use of soils information. Users of soil information need it in many forms. Some want data in electronic format, some want information only for a specific land use, some want only the laboratory data and not the interpretations for any use, some want all of the data for a very small section of the survey area. NASIS enables the agency to provide information quickly and in the form that is most useful to the customer. Digitizing soil survey information enables customers to use it in geographic information systems for generating maps tailored to their needs and doing complex resource analyses.
- Digital data is provided at three levels of generalization. Soil Survey Geographic Data Base (SSURGO) is the most detailed level of information and is used primarily by landowners, townships, counties or parishes, and watershed hydrologic units for planning and resource management. State Soil Geographic Data Base (STATSGO) is used primarily for multi-county, State, and river basin planning and resource management and monitoring. National Soil Geographic Data Base (NATSGO) is used primarily for multi-State, regional, and national planning and resource appraisal, monitoring, and appraisal. Technical soil services: The soil technical assistance function focuses primarily on providing diversified products and assistance in using soil information to better meet local needs through USDA service centers.

Selected Examples of Recent Progress: As of September 30, 1998, soil surveys have been prepared on over 2 billion acres. During FY 1998, NRCS soil scientists mapped and updated 19 million acres, and another 1.6 million acres were mapped and updated by other Federal, State, and local agencies in cooperation with NRCS for a total of 20.5 million acres mapped in FY 1998.

Soil mapping priority is currently being directed toward completion of all previously unmapped private lands and updating mapping and interpretations that no longer meet user needs and requirements. An initiative is also underway to digitize modern published soil surveys. National digitizing standards for soil surveys have been developed that are consistent with Federal Geographic Data Committee standards. During FY 1998, 252 soil surveys were digitized and certified as meeting NRCS national digitizing standards. A total of 338 digitized surveys are now available, and work is progressing on 594 others.

State, local, and other Federal agencies involved in NCSS provide about 10 percent of the funds and 12 percent of the personnel services used to produce soil maps and interpretive data.

A total of 56 soil surveys were edited and sent to the Government Printing Office during FY 1998. Soil surveys for 52 new counties or soil survey areas were published in FY 1998.

SNOW SURVEY AND WATER SUPPLY FORECASTING

Mission: The mission of the NRCS, National Water and Climate Center (NWCC) is "to lead the development and transfer of water and climate information and technology which support natural resources conservation." NWCC functional areas include: natural resource planning support; data acquisition and management; technology acquisition and development; technology transfer; partnerships; and joint ventures.

Current Snow Survey and Water Supply Activities:

Hydromet. Data and Acquisition Technology: Snowmelt provides approximately 80 percent of the streamflow in the West. The NRCS, in partnership with other Federal and State agencies, conducts snow surveys in 12 western States and Alaska. Natural resource data from 1,100 manual snow courses; 655 near real-time, automated SNOTEL (SNOwpack TELemetry) sites; 575 stream gauges; 310 major reservoirs; and 3,200 climatological observing stations are integrated to create basin and watershed analysis and water supply forecasts using an automated database and forecasting system. The data collection process is driven by a partnership that includes NRCS, Federal, State, and local agencies, power companies, irrigation districts, and the Provincial Government of British Columbia. However, it is the NRCS SNOTEL system that alone, provides this critical data from high elevation water yield areas of the mountainous West.



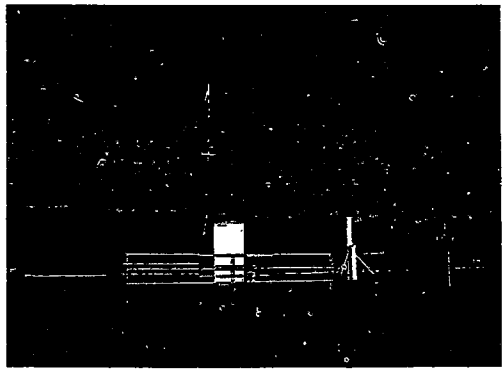
Mt. Rose, NV SNOTEL Site

The SNOTEL data collection system plays a key role during flooding and other life threatening snow events by providing hourly precipitation, temperature, and snowpack depletion information that improves current flood stage forecasts. This network enables emergency management agencies to better mitigate flood damages. Additionally, the focus of program activities is on improving measurement precision, reliability, data quality, increased sampling frequency, timely data availability.

Global Climate Change Activities: The Soil Moisture – Soil Temperature (SM-ST) Pilot Project includes 21 remote stations operating in 19 States. The successful application of the proven meteor burst communication technology from the SNOTEL system has been verified. SM-ST and atmospheric data monitored by this system is available through the NWCC Homepage (http://www.wcc.nrcs.usda.gov). The SM-ST pilot project supplies data required for soils research, water balance, drought risk assessment, global climate change modeling, and weather forecast modeling.

In a single month the number of visitors to the soil moisture/temperature data page exceeded 550, and the number is continuing to increase with growing demand for SM-ST data.

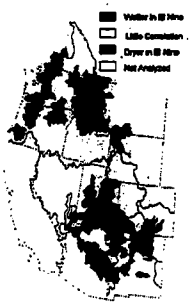
Implementation of the SM/ST pilot project in a nationwide mode, referred to as the Soil Climate and Analysis Network (SCAN). The Agricultural Research Service (ARS) has provided funding to install and support 9 SCAN sites in FY 1999. These sites will provide needed information to assist ARS in developing better natural resource and watershed models. The SCAN network is expected to include comprehensive nationwide coverage when fully deployed, and will allow NRCS and its partners to better manage the natural resources of the United States.



Geneva, NY SM/ST Site

Water Supply Activities: Water supply forecasting is done cooperatively with the National Weather Service (NWS), during the period January through June. During the 1998 forecast season, nearly 4,000 seasonal water supply forecasts were issued cooperatively in support of water resource management activities. Agricultural, municipal, industrial, hydropower, and recreational water users are the primary recipients of these forecasts. Because of recent Federal legislation related to endangered species protection, an increasing number of fish and wildlife management activities are recipients.

Water supply forecasts: (1) help irrigators make the most effective use of limited water supplies for agricultural production needs; (2) assist the Federal government in administering international water treaties with Canada and Mexico; (3) assist State governments in managing intraState streams and interState water compacts; (4) assist municipalities in planning the early management of anticipated water supplies and drought mitigation; (5) are used in the operation of reservoirs to satisfy multiple use demands; (6) are used to mitigate flood damages in levied areas and downstream from reservoirs; and (7) support fish and wildlife management activities associated with species protection legislation.



Correlation of the Southern Oscillation Index (SOI)
with spring and summer runoff volume

Due to the strong El Nino conditions, the NWCC issued a Water Supply Outlook a month prior to the normal January 1 target date. The outlooks received a very favorable reception from the user community.

The NWCC partnered with the NRCS Arizona State Office and the Navajo Nation in placing 6 streamflow stations and one precipitation site on Navajo Nation lands. This will provide the Navajo Nation with the water and climate information needed to generate seasonal water supply forecasts.

A Senior Forecast Hydrologist was detailed to Washington DC from January through August to coordinate water supply and climate activities between the Conservation Engineering Division and World Agricultural Outlook Board. This detail proved very beneficial in assessing needs and product development.

The NWCC continued the development of a spatial hydrologic model that incorporates digital soils, vegetation, and topography continued in the Boise River Basin, Idaho. Spatial modeling provides improved knowledge of where runoff is generated which will support water quality modeling.

Climate Activities: Climate data support activities during 1998 included the following: (1) final production of revised monthly and annual precipitation maps (1961-1990), creation of draft annual and monthly temperature maps for 48 States and the creation of a PRISM Homepage at the National Cartographic and Geospatial Center (NCGC) (http://www.ftw.nrcs.usda.gov/prism/prism.html); (2) demonstration of the "Unified Climate Access Network," an Internet-based climate delivery system that provides the NRCS and partners with "virtual Internet access" to thousands of climate datasets collected by scores of Federal, State, and county networks (http://www.srcc.lsu.edu/ucan.net/UCAN.html); (3) continued improvement of the climate portion of the NWCC Homepage (http://www.wcc.nrcs.usda.gov) for agency-wide water and climate services; (4) creation of approximately 45 climate narratives for NRCS Soil Survey Manuscripts; (5) development of revised r-factor maps for RUSLE implementation in the Eastern U.S.; and (6) development of a multi-site climate generator in support of long-range planning and global change activities.

Information Systems: The database and forecast system maintained by Information Systems support a wide variety of software that, in addition to water supply forecasting, provide water and climate data analyses and products used by a wide variety of NRCS disciplines. These products support water resource management and related natural resource conservation activities at NRCS national, State and field offices. During 1998, more than 75,000 separate information accesses were made to our system to obtain data or

program information. Over 90 percent of these accesses were made by entities outside of NRCS (other Federal agencies and cooperators) who rely on the NRCS-collected data and products for a multitude of natural resource management activities.

During 1998, additional products were made available including hourly SNOTEL and soil moisture data for numerous sites throughout the Nation. This team also provides systems maintenance for the WCC Internet Homepage and the on-line water and climate database accessible to the NRCS and cooperators.

Year 2000 replacement and renovation was a major focal point of information management activities during 1998. Critical systems were identified, compliance tests were conducted, and critical hardware, commercial software, and software replacement and renovation were initiated during 1998. A business continuity contingency plan was developed to ensure that the mission critical systems would be operational for year 2000 and beyond.

Current Water Science and Technology Activities

The water science and technology function is administratively co-located with the snow survey and water supply function. Water science and technology covers the development of technical tools and information to solve resource issues related to water quality, water management, water resources planning, and ecological restoration of aquatic resources including streams, lakes, and wetlands.

Pesticides management: A new computer program for evaluating the environmental risks associated with pest management alternatives was released. WinPST (Windows Pesticide Screening Tool) is a program suitable for field staff and farmers for conducting screening level risk assessments. The National Pesticides Properties Data Base, maintained by NRCS in partnership with others, is part of the program. Work also continued to implement NAPRA (National Agricultural Pesticides Risk Analysis), a more accurate but resource-intensive planning tool, in selected States.

Nutrient management: Work was initiated to provide an Internet-based computer planning system for nutrient management. The initial component of this system will be the nitrogen planning model Nitrogen Leaching Economic Analysis Package (NLEAP). The system will enable users to access data and complete the analyses easily over the Internet. An analysis program for phosphorus management will be added after NLEAP is operational.

Animal waste management: Several sections of the NRCS Animal Waste Handbook were updated. New practice standards for waste treatment were developed. A new manual on constructed wetlands for wastewater treatment was initiated.

Hydrology: A new watershed-scale pollutant loading model was released. AGNPS98 provides a powerful new tool for watershed-scale analysis. A new dam safety analysis program was developed. The program, SITES, is being quickly adopted by State agencies responsible for dam safety and will be used extensively to evaluate aging PL-566 structures. A major effort to update the agency's base hydrology tools, TR-20 and TR-55, was initiated.

Irrigation and nutrient scheduling: Enhancements to the CROPFLEX computer model were completed. CROPFLEX is a computer tool designed for Field Office staff and producer use to help in the management of irrigation water and nutrient applications. A national irrigation guide has been finalized and distributed to States. This guide will serve as a template for States and their partners to adapt, modify, or revise to meet their specific needs. The guide is designed to provide consistency among States in the design and assessment of various irrigation methods.

Water budget analysis: A new computer program to assess runoff, deep percolation, and evaporation from fields, spillway capacities, and water budget evaluations for ponds was released. This new tool (SPAW+) (Soil Plant Air Water plus) will help Field Office personnel to evaluate the effects of applying conservation alternatives.

Stream Assessment: A simple stream ecological assessment procedure for field office and producer use was developed. It will be used to evaluate the current condition of streams, establish priorities, and measure the effectiveness of conservation systems.

PLANT MATERIALS CENTERS

Current Activities: Plant Materials Centers (PMCs) are operated by, or receive technical assistance from, NRCS for developing conservation systems using plant materials. The process may include: (a) developing techniques for the effective use of plants and (b) assembling, testing, selecting, releasing, and providing for the commercial production of plants to protect and conserve our natural resources.

The priority of plant materials development is determined by the objectives and priorities of NRCS Strategic Plans, recent Strategic Initiatives, and specific conservation problems within each PMC's service area. Special emphasis is currently being placed on: (1) reducing erosion from cropland by selecting cover crops and developing systems for their use to provide winter cover on low residue crops; (2) improving and protecting the quality of surface and groundwater by developing filter strips between cropland and streams, developing the plants and technology for bio-terraces, and developing artificial wetlands for removing pollutants from waste water; (3) creating, restoring, or managing wetlands; (4) protecting grazing resources - range, pasture, and forestland - by developing productive, longer-lived native forage varieties, and managing desirable native plants to control the spread of noxious weeds; (5) protecting upland riparian areas and coastal shorelines; (6) developing plants and systems for their use that support low input sustainable agriculture, such as replacing erosive annual forage crops with perennial plants for use on highly erodible cropland; and (7) accelerating commercial production of previously released conservation plants in high demand for use in conservation programs. Development and use of plant technology is becoming a more critical component of an holistic approach by NRCS.

Adjustments in PMC locations and service areas have been made to serve our clients better and build partnerships with other agencies. Improvement in the automation of data gathering is progressing and will result in faster technology transfer to the end user of plant materials results. Plant information is now being placed on the Internet to make it more available. Efforts are underway to achieve a computer environment with PMCs being more compatible with field offices. The work at the centers includes cooperation with other Federal and State agencies, agriculture experiment stations, State departments of natural resources, conservation, wildlife, and seed and nursery associations to encourage production and promotion of improved plants. PMCs and the National Park Service continued an excellent cooperative effort to revegetate sites disturbed in parks with local native plant materials used for the disturbed site. This effort has been used as a prototype for developing comparable projects with the Department of Defense.

Comparative Plant Testing: During FY 1998, over 20,000 plant collections were being comparatively evaluated in about 60,000 plots by the PMCs. These plants were being evaluated for cropland cover crops; wetlands; protecting range, pasture and forest resources; stabilizing critical areas such as sand dunes, streambanks, and shorelines, road cuts and fills, utility corridors and surface mined lands, and introducing grass hedges, buffer strips, replacement of annual forage plants with perennials, and wind breaks to protect cropland. Current emphasis is being placed on the collection and evaluation of native plant materials for these uses. The final evaluation of new plants and cultural methods is made on farms and ranches in conservation districts under actual use conditions. There are now about 2,000 such tests underway.

Plant Releases for Commercial Production: NRCS, over the years, has released almost 400 different varieties of conservation plants to commercial producers. Some of these varieties have been replaced with superior plants. Currently, about 250 improved varieties are in commercial production and used in conservation programs. Forty-two new plants were released since the last report in 1997, i.e., during the 1997-98 time period. Five were cultivar releases, twenty-three were tested or selected, and fourteen were source identified releases. These releases are identified in the following table:

PLANT MATERIALS CENTER RELEASES SINCE 1997 REPORT

PMC	Release Name	Common Name	Primary Use(s)
CA	LK115d Germplasm	purple needlegrass	restoration
CA	LK215e Germplasm	purple needlegrass	restoration
CA	LK315d Germplasm	purple needlegrass	restoration
GA	'AU Sunrise'	crimson clover	conservation tillage systems
ID	Railroad Valley Selection	baltic rush	wetland restoration; wildlife habitat
ID	Wayne Kirch Selection	common threesquare	wetland restoration; wildlife habitat
KS	Atkins Germplasm	prairie cordgrass	soil stabilization on wet sites; wave action dissipation
KS	'Kanoka'	roundhead lespedeza	roadside vegetation; component of grass plantings
KS	'Southwind'	common reed	soil stabilization on wet sites; wave action dissipation
LA	Brazoria Germplasm	seashore paspalum	coastal wetland restoration
LA	Fourchon Germplasm	bitter panicum	coastal beach and barrier island stabilization
MO	Alexander Germplasm	showy tick trefoil	wildlife food and cover; prairie restoration
MO	Central Iowa Germplasm	big bluestem	roadside revegetation; wildlife plantings; prairie restorations
MO	Central Iowa Germplasm	purple prairieclover	roadside revegetation; wildlife plantings; prairie restoration
MO	Central Iowa Germplasm	Canada wildrye	roadside revegetation; wildlife plantings; prairie restoration
MO	Central Iowa Germplasm	little bluestem	roadside revegetation; wildlife plantings; prairie restoration
MO	Central Iowa Germplasm	tall dropseed	roadside revegetation; wildlife plantings; prairie restoration
MO	Corinth Germplasm	roughleaf dogwood	wildlife food and cover; windbreaks
MO	Jefferson Germplasm	roughleaf dogwood	wildlife food and cover; windbreaks
MO	Nicholson Germplasm	roughleaf dogwood	wildlife food and cover; windbreaks
MO	Northern Iowa Germplasm	rattlesnake master	roadside revegetation; wildlife plantings; prairie restoration
MO	Northern Iowa Germplasm	rigid goldenrod	roadside revegetation; wildlife plantings; prairie restoration
MO	Northern Iowa Germplasm	false sunflower	roadside revegetation; wildlife plantings; prairie restoration

PMC	Release Name	Common Name	Primary Use(s)
MO	Northern Iowa Germplasm	Canada wildrye	roadside revegetation; wildlife plantings; prairie restoration
MO	Northern Iowa Germplasm	Indiangrass	roadside revegetation; wildlife plantings; prairie restoration
MO	OH 370 Germplasm	big bluestem	wildlife habitat and food; restoration
MO	Southern Iowa Germplasm	Indiangrass	roadside revegetation; wildlife plantings; prairie restoration
MO	Southern Iowa Germplasm	oxeye false sunflower	roadside revegetation; wildlife plantings; prairie restoration
MO	Southern Iowa Germplasm	roundhead lespedeza	roadside revegetation; wildlife plantings; prairie restoration
MO	Tazewell Germplasm	roughleaf dogwood	wildlife food and cover; windbreaks
MO	Union Germplasm	tulip poplar	woodland revegetation; timber production; landscaping; riparian areas
MS soil	Hopefield Selection	trailing wildbean	wildlife food source; temporary stabilization
MS	Lark Selection	partridge pea	temporary soil stabilization; wildlife food
MT	Bridger	Rocky Mountain juniper	windbreaks; shelterbelts
ND	Red River Germplasm	prairie cordgrass	wetland restoration; soil stabilization on wet sites
ND	'Regal'	Russian almond	windbreaks; wildlife habitat; and recreation & urban development plantings
ND	'Sunnyview'	big bluestem	forage; wildlife habitat
ET*	'Jackson'	eastern gamagrass	forage for livestock
ST*	Falfurrias Select Germplasm	big sacaton	livestock forage; restoration of native vegetation; revegetation of saline sites
WA	Cheney Selection	western dogwood	riparian rehabilitation; bioengineering
WA	Okanogan Selection	common snowberry	wildlife habitat; erosion control; riparian areas; hilltop snowfences; natural landscaping
WA	Wallowa Selection	redosier dogwood	riparian rehabilitation; Bioengineering

Note: Report includes previously unreported releases through September 30, 1998.
*ET refers to the PMC in Nacogdoches, TX and ST refers to the PMC in Kingsville, TX

Technology Products: Plant releases are important technology products developed by Plant Materials Centers. In addition, other products, such as written information and oral presentations, serve to transfer new information to end-users. These accomplishments are summarized below:

NRCS Plant Materials Program
1997 Performance Accomplishments - All Plant Centers

Major Item Measured	Sub-item Measured	# Units
Plant Releases	Cultivar releases	3
	Selected/tested releases	12
	Source Identified releases	8
	Total for sub-items within major item	23
Written Technology Transfer	Technical Notes	46
	Stand alone publications	39
	Plant guides & fact sheets	63
	Popular articles	39
	Refereed publications	13
	Published symposia, posters	39
	Total for sub-items within major item	239
Oral Technology Transfer	Training Sessions	40
	Tours presented	93
	Local presentations	59
	Regional presentations	25
	National presentations	11
	International presentations	3
	Total for sub-items within major item	231

Plants for Solving Conservation Problems: The Plant Materials Program places emphasis on using plants to solve conservation problems. A few representative examples will illustrate the scope of this effort.

Wildlife. Resource conservation and land management practices place emphasis on creating favorable habitat for wildlife species along with providing suitable forage for their use. The Plant Materials Program has responded to this need by developing several releases. Centers in North Dakota, Washington, Mississippi and Missouri have been active in this regard, with Missouri releasing several locally adapted ecotypes.

Wildflowers. There is an ever-increasing need to restore highway rights of way with native plants that: a) require low maintenance; b) stabilize roadside cuts, fills and medians; and c) are attractive for viewing by motorists. The Mississippi PMC has been actively involved in this effort and has received broad support and recognition from citizens and groups.

Wetland restoration. Wetlands continue to be an important environmental concern, with a critical need for plant materials suited to their restoration and maintenance. Plant centers in Idaho, Kansas, Louisiana, and North Dakota have developed and released materials that address this problem.

Range, pasture, and forest grazing lands. Protecting range, pasture, and forest grazing lands and improving forage quality and quantity continue to receive special emphasis, particularly on low fertility, shallow, saline, or alkaline soils. Native species are receiving primary attention. Releases from the East Texas and South Texas PMCs have been developed to meet these needs.

Facilities Management and Equipment Replacement at PMCs: Regular facility maintenance and equipment replacement have continued on a timely basis in order to keep plant materials centers operating at a high level. This management approach has significantly improved the efficiency and capability of PMCs so that they can continue to effectively develop new plant technology.

Plant Materials Homepage: The Plant Materials Program established a homepage in FY 1998 to provide useful, state-of-the-art information on plants. The homepage relies on several inter-linked databases to provide information electronically. Examples of information available on the homepage include: plant fact sheets; sources of releases, cultivars, or other plant materials (i.e., from vendors); publications; and information on individual plant centers. The homepage address is http://plant-materials.nrcs.usda.gov

Twenty-two PMCs are operated entirely by NRCS and four are operated in cooperation with others. They are:

Operated by NRCS:

Tucson, Arizona
Booneville, Arkansas
Lockeford, California
Brooksville, Florida
Americus, Georgia
Molokai, Hawaii
Aberdeen, Idaho
Manhattan, Kansas
Golden Meadow, Louisiana
Beltsville, Maryland
East Lansing, Michigan
Coffeeville, Mississippi
Elsberry, Missouri
Bridger, Montana
Cape May, New Jersey
Big Flats, New York
Corvallis, Oregon
Kingsville, Texas
Knox City, Texas
Nacogdoches, Texas
Pullman, Washington
Alderson, West Virginia*

Operated in conjunction with Cooperating Agencies: Technical Assistance and Funding by NRCS:

Los Lunas, New Mexico (New Mexico State University)
Bismarck, North Dakota (North Dakota Association of SCD's)
Meeker, Colorado (White River and Douglas Creek Soil Conservation Districts, with partial funding from NRCS)

Other:

In addition to the 25 centers listed above, the State of Alaska operates a PMC at Palmer. NRCS provides technical assistance to this center through a cooperative agreement.

- The Quicksand, Kentucky PMC has been closed, and its functions moved to Alderson, West Virginia. Construction at the Alderson PMC began in 1997 and is in progress.

NATURAL RESOURCES CONSERVATION SERVICE

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

Watershed Surveys and Planning:

For necessary expenses to conduct research, investigation, and surveys of watersheds of rivers and other waterways, and for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, (16 U.S.C. 1001-1009), [$10,368,000] $11,732,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $110,000 shall be available for employment under 5 U.S.C. 3109; Provided further, that this appropriation shall be transferred to the Natural Resources Conservation Service Conservation Operations account.

This change adds language that would transfer funds appropriated to the Conservation Operations account.

NATURAL RESOURCES CONSERVATION SERVICE

Watershed Surveys and Planning

Appropriations Act, 1999	$10,368,000
Budget Estimate, 2000	11,732,000
Increase in Appropriation	+$1,364,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Watershed Surveys And Planning	$10,368,000	+$542,000	+$822,000	$11,732,000

Project Statement
(On basis of appropriation)

Program	1998 estimated Amount	Staff Years	1999 estimated Amount	Staff Years	Increase or Decrease	2000 estimated Amount	Staff Years
Watershed Surveys and Planning	$11,100,000	133	$10,232,000	124	+$1,364,000(1)	$11,596,000	136
American Heritage Rivers	$90,000	--	$136,000	--	--	$136,000	--
Total, Appropriation	$11,190,000	133	$10,368,000	124	+$1,364,000(1)	$11,732,000	136

Project Statement
(On basis of available funds)

Program	1998 estimated Amount	Staff Years	1999 estimated Amount	Staff Years	Increase or Decrease	2000 estimated Amount	Staff Years
Direct Obligations:							
Watershed Surveys and Planning	10,854,669	133	10,232,000	124	+$1,364,000	11,596,000	136
American Heritage Rivers	$90,000	--	$136,000	--	--	$136,000	--
Total, Direct Obligations	10,944,669	133	10,368,000	124	+1,364,000	11,732,000	136
Unobligated balance Lapsing	+245,331	--	--	--	--	--	--
Total Avail. or Est.	11,190,000	133	10,368,000	124	+1,364,000	11,732,000	136
Reimbursable oblig.	598,536	10	1,200,000	14	--	1,200,000	13
Obligational Authority	$11,788,536	143	$11,568,000	138	+$1,364,000	$12,932,000	149

SOURCES OF REIMBURSEMENTS

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Within USDA	$30,000	$61,200	--:	$61,200
Other Federal Sources	168,425	338,400	--:	338,400
Non-federal Sources	400,111	800,400	--:	800,400
Total reimbursements	$598,536	$1,200,000	--:	$1,200,000

OUTLAYS

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Watershed Surveys and Planning	$9,803,962	$10,759,000	+$973,000:	$11,732,000

Justification of Increases and Decreases

(1) An increase of $1,364,000 for Watershed Surveys and Planning Program ($10,368,000 available in 1999) consisting of:

(a) An increase of $822,000 to restore the program to the FY 1998 level.

This increase supports achieving Goal - 1 of the strategic plan, which is healthy and productive land that sustains food and fiber production, sustains functioning watersheds and natural systems, enhances the environment, and improves urban and rural landscapes. Additionally, it supports Objective 1.3: healthy watersheds providing clean and abundant water supplies for people and the environment. This increase would bring NRCS back up to the FY 1998 appropriated level for the program plus pay costs for FY 2000. At this level, Watershed Surveys and Planning will continue to develop river basin studies which would focus on local needs and provide planning on a watershed/area-wide basis. It is critical to have watershed planning as an integral part of addressing the conservation problems associated with point and non-point pollution sources.

(b) An increase of $542,000 for pay costs which includes $113,000 for annualization of the fiscal year pay raise and $429,000 for the anticipated fiscal year 2000 pay raise.

These increases support achieving the goal and objective of the strategic plan. The strategic goal was based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 6 FTE. NRCS has absorbed this increase several times in past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increased pay costs fund will be used to pay salaries and benefits for the 136 FTE requested in FY 2000.

Natural Resources Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 Actual and Estimated 1999 and 2000
WATERSHED SURVEYS AND PLANNING

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$90,200	1	$178,574	1	$202,000	1
ALASKA	85,000	0	78,756	0	89,000	0
ARIZONA	533,400	7	461,217	5	522,000	7
ARKANSAS	258,640	3	239,696	3	271,000	3
CALIFORNIA	409,999	5	359,882	5	407,000	5
COLORADO	170,301	3	137,790	3	156,000	3
CONNECTICUT	114,396	1	107,201	1	121,000	1
DELAWARE	94,900	1	87,929	1	99,000	1
FLORIDA	184,800	2	171,225	1	194,000	2
GEORGIA	108,993	1	70,993	1	80,000	1
HAWAII	125,000	1	115,818	1	131,000	1
IDAHO	101,980	2	94,507	1	107,000	2
ILLINOIS	213,625	3	178,280	3	202,000	3
INDIANA	165,997	3	143,899	3	163,000	3
IOWA	281,736	4	231,099	3	262,000	4
KANSAS	194,600	3	180,305	3	204,000	3
KENTUCKY	156,388	3	144,911	3	164,000	3
LOUISIANA	173,673	2	160,940	2	182,000	2
MAINE	104,101	1	96,453	1	109,000	1
MARYLAND	116,501	2	107,942	1	122,000	2
MASSACHUSETTS	125,001	1	168,818	1	191,000	1
MICHIGAN	155,499	2	144,077	1	163,000	2
MINNESOTA	208,200	2	192,906	2	218,000	2
MISSISSIPPI	219,141	2	174,117	2	197,000	2
MISSOURI	267,900	4	228,220	4	258,000	5
MONTANA	168,800	4	181,800	3	206,000	4
NEBRASKA	294,001	4	252,403	4	286,000	4
NEVADA	113,500	1	105,162	1	119,000	1
NEW HAMPSHIRE	88,200	1	81,721	1	92,000	1
NEW JERSEY	84,000	1	77,829	1	88,000	1
NEW MEXICO	384,601	5	226,348	5	256,000	6
NEW YORK	211,021	3	165,593	3	187,000	3
NORTH CAROLINA	57,896	0	53,647	0	61,000	0
NORTH DAKOTA	109,499	1	101,456	1	115,000	2
OHIO	167,997	2	155,659	2	176,000	2
OKLAHOMA	235,100	3	187,830	3	213,000	3
OREGON	214,993	3	179,206	3	203,000	3
PACIFIC BASIN	88,000	1	81,536	1	92,000	1
PENNSLYVANIA	105,482	2	166,650	2	189,000	2
PUERTO RICO	37,900	0	35,116	0	40,000	0
RHODE ISLAND	44,300	1	41,046	1	46,000	1
SOUTH CAROLINA	328,500	4	264,369	4	299,000	4
SOUTH DAKOTA	133,700	2	123,879	2	140,000	2

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
TENNESSEE	181,795	3	359,961	3	407,000	3
TEXAS	388,500	5	309,961	5	351,000	5
UTAH	0	0	0	0	0	0
VERMONT	98,801	1	91,635	1	104,000	1
VIRGINIA	226,190	3	192,271	3	218,000	3
WASHINGTON	220,000	3	183,839	3	208,000	3
WEST VIRGINIA	262,683	4	200,713	4	227,000	4
WISCONSIN	144,500	4	133,885	4	151,000	4
WYOMING	177,700	4	164,646	3	186,000	4
EAST REGION	71,796	1	45,400	1	51,000	1
MIDWEST REG	0	0	24,200	0	27,000	0
N. PLAINS REG	30,701	0	20,700	0	23,000	0
S. CENTRAL REG	0	0	11,600	0	13,000	0
SOUTHEAST REG	0	0	25,400	0	29,000	0
WEST REGION	79,001	1	67,100	1	76,000	1
CNTRS/INSTITUTE	721,999	5	656,600	5	743,000	5
NATIONAL HDQTRS	541,600	0	935,284	0	1,088,000	0
FOREST SERVICE	271,942	2	208,000	2	208,000	2
UNDISTRIBUTED	0	0	0	0	0	0
Total Available or Estimate	$10,944,669	133	$10,368,000	124	$11,732,000	136

WATERSHED SURVEYS AND PLANNING

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566 (PL-566), established the Small Watershed Program (16 U.S.C. 1001-1008). Section 6 of the Act provided for the establishment of the River Basin Surveys and Investigation Program (16 U.S.C. 1006-1009). A separate appropriation funded each of the two programs under Section 6 until fiscal year 1996 when they were combined into a single appropriation, Watershed Surveys and Planning.

PL-566 provides the authority for the Natural Resources Conservation Service (NRCS) to cooperate with other Federal, State, and local agencies in making investigations and surveys of river basins as a basis for the development of coordinated water resource programs. Authorities include cooperative river basin studies, floodplain management studies, floodplain insurance studies, and interagency coordination and program formulation. Reports of the investigations and surveys serve as guides for the development of water, land, and related resources in agricultural, rural, and urban areas within upstream watershed settings. They also serve as a basis for coordination with major river systems and other phases of water resource management and development.

PL-566 also provides for watershed planning activities that are needed to conserve, distribute, develop, protect, restore, and use water. Plans include conservation land treatment needed to conserve and protect land and related resources. The watershed planning work of USDA consists of assisting sponsoring local organizations in developing plans on watersheds not exceeding 250,000 acres. The water quality, flooding, water and land management, and sedimentation problems in a watershed are described along with proposed improvement options to alleviate problems. The resulting watershed plans form the basis for installing needed works of improvement. Plans include estimated benefits and costs, cost-sharing, operation and maintenance arrangements, and other information necessary to justify the need for Federal assistance in carrying out the plan.

During FY 1998, NRCS obligated $10,672,727 of the available program funds for Watershed Surveys and Planning. This appropriation supports the NRCS strategic plan goal number 1, which relates to healthy and productive lands. The NRCS homepage contains current information on programs administered by NRCS including the Watershed Surveys and Planning Program. The website can be found at http://www.ftw.nrcs.usda.gov/programs.html.

COOPERATIVE RIVER BASIN SURVEYS AND FLOODPLAIN MANAGEMENT STUDIES

River basin surveys and floodplain management studies provide local decision-makers with an inventory and analysis of the resource status and trends in their watershed, and the impact this has on the community. It provides them with valuable information allowing them to better understand the cause and effect relationships of changes taking place in their watersheds and communities.

RECENT SUCCESSES IN COOPERATIVE RIVER BASIN STUDIES

South Bossier Cooperative River Basin Study, Louisiana: The Bossier Drainage Coalition consisting of Bossier Parish Police Jury, City of Bossier, Bossier Levee District, and the Bodcau Soil and Water Conservation District requested a study to address flooding, erosion, and water quality problems, as well as the loss of wetlands in the study area.

An inventory of the flooding problems, flood control measures, gullies, rare, threatened and endangered species, agriculture demographics and economics, subdivision development, drainage systems, and soils was completed. Study area maps and models were also developed.

The study recommended preparing a complete hydrology and hydraulic analysis of the area's drainage system and developing a Master Drainage Improvement Plan to reduce the street flooding problems. It also recommended that further consideration be given to using nonstructural measures such as flood proofing and relocation as a long-term solution to the problems. The study also recommended that a public education and outreach program be developed to provide information on the impacts associated with uncontrolled development in floodplains, as well as on the wetland restoration and enhancement programs offered through NRCS, the U.S. Fish and Wildlife Service, and other groups and entities.

The study was conducted by NRCS in cooperation with several Federal, State, and local entities: U.S. Geological Survey; Army Corps of Engineers; Federal Emergency Management Agency; Barksdale Air Force Base; Environmental Protection Agency; Forest Service; Louisiana Departments of Environmental Quality, Transportation and Development, and Agriculture and Forestry; Red River Coalition; Red River Valley Association; Louisiana Office of Emergency Preparedness; as well as land owners within the area.

Nemadji Cooperative River Basin Study, Wisconsin and Minnesota: The Citizens' Advisory Committee of the Remedial Action Plan requested a study to identify methods to reduce sediment entering the Nemadji River.

An inventory of the major resource issues was completed. These included such things as the river gradient, stream flows over time, yearly and monthly runoff, forest type and age, tree species, land ownership, land use, sediment, etc.

The study recommended better coordination of land management decisions on the sub-watershed level to reduce the amount of sediment entering the river. It called for the expansion of Federal and private partnerships to address the erosion issues and the establishment of an educational program to ensure that landowners are aware of the impacts land management decisions have on the amount of sediment entering the river. It also identified best management practices that could be installed to reduce erosion and sedimentation coming from the upper watershed, as well as from the river.

The study was conducted by NRCS in cooperation with the Carlton County Board of Commissioners, the Douglas County Supervisors and Land Conservation Committee; the Carlton County Soil and Water Conservation District; Metropolitan Interstate Committee; and the Onanegozie Resource Conservation and Development Council.

UNIFIED WATERSHED ASSESSMENTS

Assessments were completed in every State to identify watersheds with the most critical water quality concerns and to develop and implement effective strategies to focus resources toward improving water quality in targeted watersheds. A categorization process was developed to identify water quality concerns and to prioritize them. The categories are as follows:

Category I	Watersheds in need of restoration
Category II	Watersheds needing preventative action to sustain water quality
Category III	Watersheds with pristine or sensitive aquatic system conditions on lands administered by Federal, State, and tribal governments
Category IV	Watersheds with insufficient data to make an assessment

The purpose of the assessments was to help State agencies identify watersheds with water quality problems and subsequently, develop and implement strategies to restore those watersheds most needing attention. The watershed planning process will be an important tool in assisting local community leaders in determining the causes of the water quality problems and identify alternative methods to address them.

The Unified Watershed Assessment was done in cooperation with State organizations such as Associations of Conservation Districts; Departments of Environmental Quality, Water Quality Divisions; Game and Fish Departments; Park Departments; Departments of Water Resources; Land Departments as well as Federal agencies including the Environmental Protection Agency; U.S. Forest Service; U.S. Geological Survey; Bureau of Land Management; and the U.S. Fish and Wildlife Service.

RECENT SUCCESSES IN FLOODPLAIN MANAGEMENT STUDIES

Cow Pen Slough Basin Floodplain Management Study, Florida: The Sarasota County Stormwater Environmental Utility (SEU) organization requested help to gather data needed to develop a master plan to protect the residents of the county from increased flooding.

It included a study of the hydrology of the area, hydraulic analyses of the drainage system, a water quality analysis, and the potential to restore wetlands.

The study recommended better coordination between the County and the Florida Department of Transportation (DOT) on flooding issues, establishment of a heavy storm early warning system, the establishment of a long-term routine maintenance plan for the drainage system, and an investigation of alternative drainage routes.

The study was conducted by NRCS in cooperation with many Federal, State and local entities including: Sarasota County; Southwest Florida Water Management District; Florida Departments of Environmental Protection and Transportation; Federal Emergency Management Agency; Environmental Protection Agency; Corps of Engineers; Sarasota Soil and Water Conservation District: Sarasota Bay National Estuary Program; and U.S. Geological Survey.

Searcy Floodplain Management Study, Arkansas: This study was initiated at the request of the City of Searcy and the White County Conservation District, through the Arkansas Soil and Water Conservation Commission, to identify flood hazard areas in Searcy subject to inundation from a 100-year storm event associated with Upper Deener Creek, Rocky Branch, Kay Branch, and Upper Iorio Creek.

A study of the hydrology on the Rocky Branch, Key Branch, Iorio Creek, Upper Iorio Creek, and Upper Deener Creeks was completed and the profiles of a 100-year storm event were developed.

The study's recommendations included nonstructural measures such as participating in the National Flood Insurance Program, enforcement of existing ordinances related to floodplain development, flood-proofing, relocation, public information, and tax adjustments.

The study was conducted by NRCS in cooperation with the City of Searcy, White County Conservation District, and the Arkansas Soil and Water Conservation Commission.

WATERSHED PLAN DEVELOPMENT

Every day community leaders in rural America are faced with a wide variety of natural resource concerns without a clear understanding of the cause and effect, how they interact or what alternatives are available to address them. They may be faced with too much water (floods), too little water (drought), contaminated water, erosion and sediment problems, or the lack of recreation opportunities to meet their community needs. The watershed planning assistance, supported by NRCS, provides local units of State government with technical assistance in a locally led, watershed-based approach to dealing with these natural resource problems. NRCS technical specialists, along with other cooperating Federal and State agencies, serve as technical advisors to local decision-makers. Watershed planning addresses the physical, environmental, social, and economic conditions specific to their watershed and community. The plan displays the benefits

and opportunities for conservation, development, and management of land, water, and related resources. The watershed planning process includes defining and quantifying the resource problems, analyzing alternatives to solve watershed problems, and allowing the local decision-makers to select the most cost effective, acceptable solution. Watershed planning often requires a broad array of resource information.

In this voluntary, locally led planning effort, the decision-makers are those individuals vested with the authority and responsibility for making the day-to-day decisions regarding the utilization of the community's resources. Stakeholders, with a locally vested interest in both the problems and the outcomes of the alternatives, also play a key role in the planning process. Federal, State, and local agencies are encouraged to participate in and contribute to the planning process. They serve as technical advisors to the local planning group. In addition, they ensure that the planned actions are consistent with other programs and are compatible with local, regional, and national goals and laws. These watershed plans are not Federal plans, but belong to the local sponsors who ultimately have the responsibility for implementing them.

NRCS and other participants make environmental assessments for each watershed being planned. These assessments are integrated into the planning process at the earliest possible stages. Environmental impact statements, when required, and findings of no significant impact are submitted for review and comment to local, State, and Federal agencies. These reports become available to the general public. This system provides an opportunity to obtain formal comments from a wide range of interested parties during the planning process.

NRCS establishes policy and general criteria to be used to develop watershed plans for directing the watershed purposes to reflect USDA's long-term conservation objectives and overall priorities as set forth in the National Conservation Program (NCP). Priorities for FY 1998 included projects that addressed erosion control, water quality, water conservation and flood prevention; and to projects that promote rural development, benefit low income and minority groups.

RECENT SUCCESSES IN WATERSHED PLANNING

The following briefly describes two projects that are currently being planned. These watersheds illustrate the type and scope of concerns being addressed through the as Public Law 83-566 projects.

Buena Vista Watershed, Virginia: The 11,850 acre watershed is located in Rockbridge County and the city of Buena Vista, Virginia. Sudden and intense rainfalls occur frequently along the western slopes of the Blue Ridge Mountains. The extremely steep slopes of this watershed cause the runoff to increase the normal flow of the mountain streams (Chalk Mine Run, Indian Gap Run, Noel's Run, and Pedlar Gap Run) into the Buena Vista city limits. The floodwaters carry a full bed load of debris that consists of sand, gravel, cobbles, boulders, and woody material. As a result, floodwater damage occurs frequently in this watershed. The damage occurs predominantly in Buena Vista, with minor flooding along sections of Long Hollow in Rockbridge County. Flooding problems in the watershed consist of repair costs for flood-damaged streets, bridges, gas lines, waterlines, homes, businesses, and industries. To reduce flooding, the city of Buena Vista and the Natural Bridge Soil and Water Conservation District are sponsoring the project. Project measures consist of multiple improvements that address stream channel capacity, enhancement, and debris removal. The project will reduce damages to structures (mainly homes and businesses); public infrastructure; reduce disruptions to public use of roads and communication lines; reduce public and private expenditures to deal with anticipated future flood damages; reduce losses in terms of local business income; and enhance economic development prospects. Average annual damage benefits are estimated to be $847,000. The total installation cost of the project is $6.9 million.

Middle Deep Red Run Creek Watershed, Oklahoma: The Middle Deep Red Run Creek Watershed project is located in Tillman, Comanche, and Kiowa counties in the southwestern portion of Oklahoma. The total

area is 185,936 acres. The major tributaries of this watershed have a long history of flooding. Farmers have become reluctant to plant higher value crops on productive land that frequently floods. The project proposes to reduce the effects of flooding, sedimentation, and floodplain scour and to provide opportunities for the enhancement of fish and wildlife resources in the area. The works of improvement include nine floodwater retarding structures, and one multipurpose structure, which provides floodwater protection and water supply for the Hackberry Flats Wildlife Management Project, and 36 acres of associated wildlife habitat mitigation measures. The estimated average annual flood damage reduction benefits are $854,840. The total project cost is estimated to be about $11.4 million.

Bexar-Medina-Atascosa (BMA) Watershed, Texas: The BMA Watershed is located in Bexar, Medina, and Atascosa counties in southern Texas. The area has a long history of competing uses for available water, i.e. irrigation, municipal and industrial, and wildlife. This project will improve the BMA Water Control and Improvement District's irrigation delivery system significantly reducing water losses and improving delivery efficiency. It will provide technical and financial assistance to private land users to install irrigation water conservation measures. The project, when fully implemented, will save nearly 34,000 acre feet of water annually which can be used for other beneficial purposes. It can reduce the dependence on pumping from the Edwards Aquifer (sole source for 1.3 million people) and thereby benefit the region and the aquifer-dependent threatened and endangered species. The total project cost is estimated to be $48.3 million. The estimated annual benefits are $4.2 million plus the reduced threat to the threatened and endangered species.

A CHANGING TREND IN WATERSHED PLANNING

Historically, the watershed planning assistance has targeted projects that had a high probability of being implemented with financial assistance through PL-566 Watershed Operations. Although these watershed plans represented decisions made by the sponsoring local organizations, they also centered primarily on activities that were eligible for cost-share only under PL-566. Watershed plans are now being written without consideration of any specific program for implementation.

Financial assistance through PL-566 Watershed Operations is still looked upon as an important tool to implement these planned actions. Since 1996, sponsoring local organizations have been encouraged to look to other sources of funding to offset implementation costs. Alternative funding sources range from local bond issuances, to State sponsored cost-shared programs. Many soil and water conservation districts have gained access to funds for implementation that are administered by other Federal agencies, such as the Environmental Protection Agency; the U.S. Department of Interior: the U.S. Fish and Wildlife Service; and the Federal Emergency Management Agency.

UPDATING PLANS ON WATERSHEDS WITH AGING INFRASTRUCTURE

Over the past 50 years over 10,000 flood retarding structures have been built across the country. These upstream structures have served not only as the wall of safety for communities living downstream but also as the main water source for some areas, and as recreational and wildlife areas for others. As these structures approach their designed life, requests for updates to the original watershed plans are being received.

Sergeant Major Floodwater Retarding Structure, Oklahoma: This watershed project was originally planned nearly 50 years ago and included the construction of several floodwater retarding structures. These structures have served the community well protecting the residents from periodic flooding. Over the last 50 years as the community has grown, the needs of the community have also grown. Not only does the community continue to need flood protection, but the demand for municipal and industrial water has grown as well as the demand for water based recreation.

Communities are asking NRCS to update their watershed plans to rehabilitate these aging structures. The communities also need the watershed planning assistance to ensure that the growing demand for a dependable water supply can be met, and they are asking to include recreation features are part of the existing flood water retarding structure in the rehabilitation plan. NRCS is working with community leaders in this locally led process to update and revise and implement their plans.

NATURAL RESOURCES CONSERVATION SERVICE

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

Watershed and Flood Prevention Operations:

For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954 (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, [$99,443,000] $83,423,000, to remain available until expended (7 U.S.C.2209b) (of which up to $15,000,000 may be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a)): Provided, That not to exceed [$47,000,000], $44,423,000 of this appropriation shall be available for technical assistance which shall be transferred to the Natural Resources Conservation Service Conservation Operations account: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $200,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That not to exceed $1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction. (U.S.C. 2201-02; 33 U.S.C. 701b-1, 701b-11; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1998.)

This change adds language to transfer any appropriated technical assistance funds to the Conservation Operations account.

NATURAL RESOURCES CONSERVATION SERVICE

Watershed and Flood Prevention Operations

	Small Watersheds Authorized by PL-534	Emergency Watershed Operations	Watersheds Authorized by PL-566	Total Watershed and Flood Prevention
Appropriations Act, 1999	$15,000,000	--	$84,443,000	$99,443,000
Budget Estimate, 2000	9,000,000	--	74,423,000	83,423,000
Increase in Appropriation	-$6,000,000	--	-$10,020,000	-$16,020,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Watershed and Flood Prev. Oper:				
1. Watershed oper. auth by PL-534	$15,000,000	--	-$6,000,000	$9,000,000
2. Small watershed auth. by PL-566	$84,443,000	+$1,523,000	-11,543,000	$74,423,000
Subtotal for PL 534 & PL 566	$99,443,000	+$1,523,000	-$17,543,000	$83,423,000
3. Emergency watershed prot. oper	--	--	--	--
Total Available	$99,443,000	+$1,523,000	-$17,543,000	$83,423,000

Project Statement
(On basis of appropriation)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 estimated Amount	1999 estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
1. Watershed operations authorized by PL-534:							
(a) Planning	$27,000:	--:	$27,000:	--:	-$10,000	$17,000:	--
(b) Technical assistance	7,473,000:	109:	7,173,000:	123:	-2,525,000	4,648,000:	68
(c) Financial assistance for construction:							
Direct Federal contracting	7,500,000:	--:	7,800,000:	--:	-3,465,000	4,335,000:	--
Subtotal, Flood Prevention.	15,000,000:	109:	15,000,000:	123:	-6,000,000	9,000,000:	68
2. Emergency Watershed Protection Operations	80,000,000:	335:	--:	283:	--	--:	--

Program	1998 Actual Amount	1998 Actual Staff Years	1999 estimated Amount	1999 estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
3. Small Watersheds							
Authorized by PL-566:							
(a) Technical assistance	42,500,000:	552:	39,800,000:	524:	-1,085,000	38,715,000:	475
(b) Financial assistance							
for construction:							
Direct Federal							
contracting	45,036,000:	--:	44,643,000:	--:	-8,935,000	35,708,000:	--
Subtotal, Watershed							
Operations	87,536,000:	552:	84,443,000:	524:	-10,020,000	74,423,000:	475
Total Appropriation	$181,036,000:	996:	$99,443,000:	930:	-$16,020,000(1)	$83,423,000:	543

Project Statement
(On basis of available funds)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 estimated Amount	1999 estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
1. Watershed operations							
authorized by PL-534:							
(a) Planning	$3,527:	--:	$27,000:	--:	-$10,000:	$17,000:	--
(b) Technical assistance.	7,104,500:	109:	8,080,643:	123:	-2,525,000:	4,648,000:	68
(c) Financial assistance							
for construction:							
Direct Federal							
contracting	7,686,548:	--:	8,347,538:	--:	-3,465,000:	4,335,000:	--
Subtotal, Flood							
Prevention	14,794,575:	109:	16,428,181:	123:	-7,428,181:	9,000,000:	68
2. Emergency Watershed							
Protection Operations	130,000,773:	335:	131,084,638:	283:	-131,084,638:	--:	--
3. Small Watersheds							
Authorized by PL-566:							
(a) Technical assistance	42,425,134:	552:	40,990,302:	524:	-2,275,302:	38,715,000:	475
(b) Financial assistance							
for construction:							
Direct Federal							
contracting	48,292,688:	--:	45,859,265:	--:	-10,151,265:	35,708,000:	--
Subtotal, Watershed							
Operations	90,717,822:	552:	86,849,567:	524:	-12,426,567:	74,423,000:	475
Total Direct Obligations.	235,513,170:	996:	234,362,386:	930:	-150,939,386:	83,423,000:	543
Unobligated balance							
brought forward	(-189,395,658)	--	(-134,919,386)	--	(+134,919,386)		--
Unobligated balance							
carried forward	(+134,919,386)		--:	--:	--:	--:	
Adjusted Appropriation	(181,036,898)	--:	(99,443,000)	(930)	(-16,020,000)	(83,423,000)	--

Program	1998 Actual Amount	1998 Actual Staff Years	1999 estimated Amount	1999 estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
Reimbursable obligations:							
1. Watershed operations authorized by PL-534:							
(a) Planning	—:	—:	—:	—:	—:	—:	—
(b) Technical assistance	329,151:	4:	1,238,000:	11:	—:	1,238,000:	11
(c) Financial assistance for construction: Direct Federal contracting	533,040:	—:	762,000:	—:	—:	762,000:	—
Subtotal, Flood Prevention	862,191:	4: —:	2,000,000:	11:	—:	2,000,000:	11
2. Emergency Watershed Protection Operations	4,566,885:	—:	10,600,000:	—:	—:	10,600,000:	—
3. Small Watersheds Authorized by PL-566:							
(a) Technical assistance	2,362,240:	35:	2,368,400:	32:	—:	2,368,400:	32
(b) Financial assistance for construction: Direct Federal contracting	9,991,439:	—:	10,031,600:	—:		10,031,600:	—
Subtotal, Watershed Operations	12,353,679:	35:	12,400,000:	32:	—:	12,400,000:	32
Total, Reimbursable Obligations	17,782,755:	39:	25,000,000:	43:	—:	25,000,000:	43
Obligational authority	$198,819,653:	1,035:	$124,443,000:	973:	-$16,020,000:	$108,423,000:	586

SOURCES OF REIMBURSEMENTS

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Within USDA	$58,428:	$75,000:	—:	$75,000
Other Federal Sources	10,724,189:	15,075,000:	—:	15,075,000
Non-federal Sources	7,000,138:	9,850,000:	—:	9,850,000
Total reimbursements	$17,782,755:	$25,000,000:	—:	$25,000,000

OUTLAYS

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
1. Watershed operations authorized by PL-534	$11,761,906:	$15,835,092	-$3,987,224:	$11,847,868
2. Emergency Watershed Protection	132,320,149:	174,116,192	-92,513,608:	81,602,584
3. Small Watersheds authorized by PL-566	76,928,456:	88,873,101	-6,638,176:	82,234,925
Total Outlays	$221,010,511:	$278,824,385	-$103,139,008:	$175,685,377

Justification of Increases and Decreases

(1) A net decrease of $16,020,000 for Watershed and Flood Prevention Operations ($99,443,000 available in 1999) consisting of:

(a) The $17,543,000 decrease in program funding represents a reduction of $12,400,000 in financial assistance and $5,143,000 in technical assistance.

The FY 2000 budget proposes to provide funding for eligible high-priority sub-watershed projects under the P.L.-534/566 program authorities. In order to do this, NRCS will target program funds to those projects that address the local sponsors concerns, have strong sponsor support and support the goals identified in the statutes and initiatives such as the Food Security Act, the Clean Water Act, the Safe Drinking Water Act, the Clean Water Action Plan, FEMA's Project Impact program to help people repair and rebuild their communities after natural disasters, etc. Nearly every state will receive funds for scheduled phases of their top priority projects. In addition, leveraging funds by cost sharing with project sponsors is being encouraged.

Approximately 60-70 construction/installation elements under the PL-566 program will be funded in FY 2000, down about 20% from last year. Since there have been no appropriations for PL-534 in several years, Congress provided the agency the discretion of funding PL-534 up to $15 million out of PL-566 funds. Since the agency intends to only fund those construction/installation elements that yield the highest net environmental and economic benefits, PL-534 projects, there is a possibility that no PL-534 will score high enough to receive any funding. Likewise, projects in some states may not receive any funding due to low net environmental and economic scores.

Technical assistance covers costs associated with salary and overhead for NRCS engineering design, quality control during construction, and contract administration, as required to implement a specific watershed measure. However, in addition to salary and implementation costs, such as geologic investigations, materials testing, and contracts with architectural/engineering (A&E) firms to complete designs or carry out activities that are beyond the scope of NRCS. Technical assistance funds are also used to purchase flood plain easements.

Financial assistance covers only the costs of materials and labor necessary to install works of improvement. Funds for acquisition of materials and services are administered through a variety of methods, ranging from formal federal contracts to cooperative agreements with State and local governments.

The FY 2000 budget request also includes the use of $1 million for educational assistance to notify watershed sponsors about the need to inspect and rehabilitate the aging dams built during the past 50 years. NRCS has helped sponsors install over 10,000 dams since 1944. Many of these aging structures are nearing the end of their design life and may require significant rehabilitation efforts for them to continue providing the benefits they were planned and built to do. Failure to rehabilitate these aging structures significantly increases public safety, health and environmental risks in the communities where they are located. Local sponsors need to be educated about the public safety and conservation concerns.

Funding for Flood Prevention supports the goal in the strategic plan: Goal-1: A healthy and productive land that sustains food and fiber production, sustains functioning watersheds and natural systems, enhances the environment, and improves urban and rural landscapes.

Funding also supports Objective 1.3: healthy watersheds providing clean and abundant water supplies for people and the environment.

(b) An increase of $1,523,000 for Small Watershed Operations Program pay costs which includes $1,202,000 for the anticipated 2000 pay raise and $321,000 for annualization of the fiscal year 1999 pay raise.

These increases support achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 19 FTE. NRCS has absorbed this increase several times in past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increased pay cost funds will be used to pay salaries and benefits for the FTE requested in FY 2000.

The following table shows the status of PL-534 watershed projects:

Status of Operational Projects	1998	1999	2000
Active sub-watersheds	96	96	96
Projects continuing post-installation assistance	224	224	224
Total operational sub-watersheds	320	320	320
Unserviced applications	23	23	23
Planning in progress	24	24	24
Terminated in planning	7	7	7
Total sub-watersheds	395	395	395

Note: For PL-534 projects, the number and activity remain nearly static since the program areas are legislatively defined.

The following table shows the status of PL-566 watershed projects:

Status of Operational Projects	1998	1999	2000
Projects receiving land treatment	185	190	195
Structural projects	268	260	252
Land treatment and structural	62	60	59
Subtotal active projects	515	510	506
Projects continuing post-installation assistance	911	926	938
Inactive Projects	17	17	17
Completed projects	32	34	36
De-authorized projects	155	155	155
Total operational projects	1,630	1,642	1,652
New projects approved during year	16	12	10

Note: Even though funding for PL-566 projects has declined, the number of authorized projects will continue to slowly increase because of program demand. New projects are approved and given high-priority status and old projects stay on the books in anticipation of future funding. In FY 1998, 16 watershed projects were authorized.

Natural Resources Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 Actual and Estimated 1999 and 2000
WATERSHED AND FLOOD PREVENTION OPERATIONS

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$13,411,731	37	$6,574,000	34	$2,327,000	20
ALASKA	65,001	1	2,307,000	1	820,000	1
ARIZONA	1,171,618	13	2,955,000	8	1,115,000	7
ARKANSAS	9,704,976	21	3,474,000	20	1,437,000	11
CALIFORNIA	20,589,501	51	6,190,778	34	3,014,000	28
COLORADO	1,309,736	8	1,212,000	8	453,000	4
CONNECTICUT	-4,508	1	265,600	1	123,000	0
DELAWARE	525,548	4	851,000	3	349,000	2
FLORIDA	2,638,127	12	16,252,000	11	5,592,000	7
GEORGIA	3,809,516	17	4,239,000	16	1,606,000	9
HAWAII	386,678	4	2,975,000	3	1,148,000	2
IDAHO	4,146,713	15	783,400	14	339,000	8
ILLINOIS	8,169,935	28	6,091,100	23	3,075,000	15
INDIANA	965,624	4	1,870,000	4	912,000	2
IOWA	10,796,021	44	11,141,000	33	4,262,000	24
KANSAS	2,865,746	19	2,905,000	18	1,085,000	10
KENTUCKY	5,194,845	17	1,216,000	16	513,000	9
LOUISIANA	2,481,147	0	5,856,000	33	2,227,000	0
MAINE	708,489	4	632,500	4	284,000	2
MARYLAND	463,834	2	230,000	2	119,000	1
MASSACHUSETTS	382,665	3	621,000	3	273,000	2
MICHIGAN	361,694	5	871,000	5	383,000	3
MINNESOTA	3,200,485	14	842,000	13	381,000	8
MISSISSIPPI	11,078,980	60	15,324,263	56	5,655,000	33
MISSOURI	11,709,799	49	6,107,000	46	2,695,000	27
MONTANA	1,342,007	13	1,026,265	10	380,000	7
NEBRASKA	1,473,388	13	1,491,000	10	614,000	7
NEVADA	3,454,810	10	10,668,000	9	3,362,000	5
NEW HAMPSHIRE	212,479	1	85,000	1	49,000	0
NEW JERSEY	77,195	1	217,000	1	126,000	1
NEW MEXICO	1,422,142	12	1,035,000	11	438,000	7
NEW YORK	1,793,261	11	4,606,000	10	1,660,000	6
NORTH CAROLINA	12,481,609	58	1,658,000	18	746,000	32
NORTH DAKOTA	7,293,360	18	2,384,000	14	1,405,000	10
OHIO	14,760,479	55	22,091,000	52	7,305,000	30
OKLAHOMA	7,173,245	43	6,848,400	40	2,797,000	23
OREGON	6,693,532	19	3,761,000	11	1,314,000	10
PACIFIC BASIN	562,363	2	996,200	2	386,000	2
PENNSLYVANIA	2,166,243	7	2,828,000	7	1,154,000	4
PUERTO RICO	881,315	5	5,640,000	5	1,970,000	3
RHODE ISLAND	0	0	0	0	0	0
SOUTH CAROLINA	855,088	7	852,000	7	379,000	4
SOUTH DAKOTA	2,103,179	6	3,781,100	5	2,168,000	3

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
TENNESSEE	4,627,571	23	3,220,000	21	1,332,000	13
TEXAS	11,778,760	60	14,272,500	56	5,631,000	33
UTAH	1,451,817	6	797,000	6	318,000	3
VERMONT	2,910,475	10	2,523,000	4	890,000	5
VIRGINIA	6,547,818	37	2,823,000	23	1,318,000	20
WASHINGTON	5,011,426	14	2,915,000	13	1,084,000	8
WEST VIRGINIA	10,271,484	38	1,797,970	36	824,000	21
WISCONSIN	70,706	1	124,870	1	72,000	1
WYOMING	1,605,705	15	1,330,000	14	516,000	8
EAST REGION	280,988	3	158,900	3	93,000	2
MIDWEST REG	20,000	0	169,700	0	98,000	0
N. PLAINS REG	133,001	1	82,900	1	48,000	1
S. CENTRAL REG	0	0	115,900	0	68,000	0
SOUTHEAST REG	0	0	203,000	0	118,000	0
WEST REGION	236,832	2	134,300	2	77,000	1
WEST NTC	-3,893	0	0	0	0	0
CNTRS/INSTITUTE	3,066,249	29	2,816,000	27	1,462,000	15
NATIONAL HDQTRS	3,969,662	23	4,914,400	23	2,946,000	23
FOREST SERVICE	2,654,973	20	97,000	0	88,000	0
UNDISTRIBUTED	0	0	24,113,340	78	0	0
Total Available or Estimate	$235,513,170	996	$234,362,386	930	$83,423,000	543

WATERSHED AND FLOOD PREVENTION OPERATIONS

STATUS OF PROGRAM

Watershed operations authorized by Public Law 534: The Flood Control Act of 1944 authorizes the Secretary of Agriculture to install watershed improvement measures to reduce flood, sedimentation, and erosion damages; further the conservation, development, utilization, and disposal of water; and the conservation and proper utilization of land. Flood prevention work is authorized in the 11 watersheds designated in the Flood Control Act of December 22, 1944.

Watershed operations authorized by Public Law 566: The Watershed Protection and Flood Prevention Act of 1954 provides for cooperation between the Federal government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land in authorized watersheds.

The flood prevention (P.L.-534) and the watershed (P.L.-566) programs have similar objectives. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in flood prevention projects generally parallel those used in watershed protection projects. These programs support the NRCS strategic plan goal 1 – which relates to healthy and productive lands.

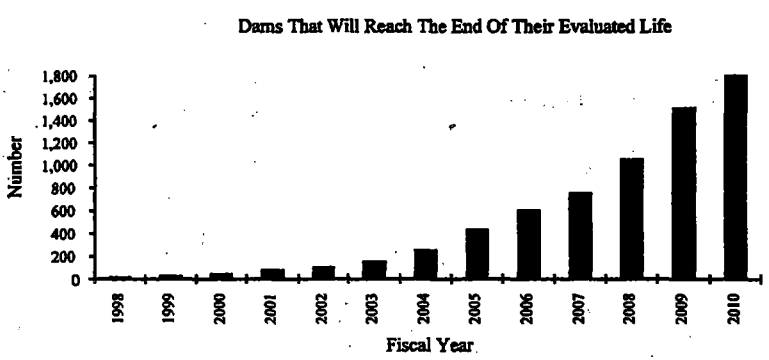
REINVESTING IN AMERICA'S AGING WATERSHED INFRASTRUCTURE

Watershed projects have helped protect America's communities and natural resources for many years. But, like highways and houses, these projects need to be redesigned to meet changing needs.

Communities that have benefited from America's watershed projects for many years are no longer secure because many of the structures have reached or will reach the end of their design life in the near future. Some of the projects' abilities to slow floodwaters, control gullies, and otherwise protect communities and natural resources has diminished with time.

Rural and urban communities, socially disadvantaged groups, and floodplain residents have benefited from these projects for many years. These projects have become an integral and irreplaceable part of the communities they were designed to protect.

More than half of the 10,400 project dams and thousands of soil and water conservation practices constructed in these projects are more than 30 years old. Many are approaching the end of their 50-year life. Over time, as they have filled with sediment and deteriorated, a number of America's watershed dams are losing their effectiveness. In the next 10 years, almost 1,000 of them will reach the end of their evaluated life span.



To meet this challenge, NRCS committed $750,000 from the Watershed Operations account, as provided in the FY 98 appropriations language, for a pilot rehabilitation project in Oklahoma where some of the oldest projects exist.

The pilot project has three objectives:

- Facilitate and provide technical input into a locally led planning effort to address watershed resource and community needs.
- Document a streamlined process to be used to develop a rehabilitation plan.
- Rehabilitate existing dam(s) in order to implement the rehabilitation component of the locally led plan.

This pilot project for addressing the aging watershed infrastructure developed a screening process to evaluate 16 potential projects. The project selected was Sergeant Major Creek Watershed in Roger Mills County, which is in western Oklahoma.

Project description:

- 19,684 acre watershed
- Six flood control dams (1948-1963), one of which is high hazard above the city of Cheyenne and one is the sole source of water supply for the city of Cheyenne.

Progress to date:

- Developed marketing plan to publicize and solicit input into the locally led effort.
- Project sponsors established a local work group to provide leadership to the locally led effort and are in the process of identifying priority watershed resource and community needs.
- Field surveys of the six-flood control dam have been completed to ascertain sedimentation, embankment evaluation, downstream breach, etc.
- Technical specialists are developing resource inventories and other background information on the priorities identified by the community.

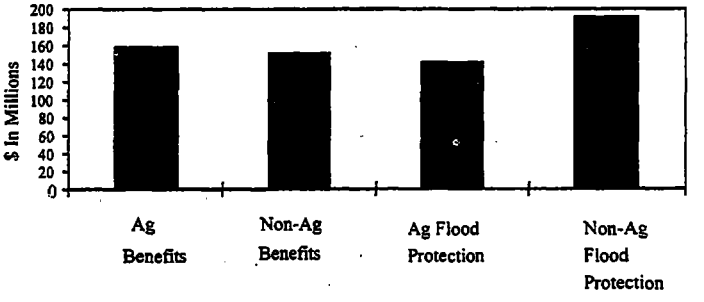
The pilot project is anticipated to be completed in FY 99 and will provide valuable experience in developing tools, models and guides in addressing the aging watershed infrastructure.

PROGRAM BENEFITS

The benefits of existing flood protection projects became abundantly apparent during recent flooding events in Texas. In the fall of 1998, a band of severe thunderstorms swept along the Interstate 35 corridor. The San Antonio New Braunfels and Austin areas were hit especially hard. The heaviest rain fell in Bexar, Hays, Comal, Guadalupe, and Caldwell Counties. Rainfall in these areas totaled between 18 and 31 inches, with rain falling at a rate of 2-3 inches per hour for prolonged periods. This was the heaviest recorded rainfall.

Severe flooding required the evacuation of residential and commercial buildings and numerous swift water rescues of residents stranded by the rapidly rising water. In those watersheds protected by P.L.-566 floodwater retarding structures, loss of life and property was greatly reduced. For example, in the Upper San Marcos River watershed, it is estimated that floodwater protection structures prevented $20 million in damages to the city of San Marcos where flooding depths were reduced 6 to 8 feet.

Flood Reduction and Other Monetary Benefits From
PL-566 During Fiscal Year 1998



Ag Benefits are those agricultural benefits that occur when land users apply more fertilizer or plant higher valued crops on lands that are protected from the flood risk.
Non Ag Benefits are those benefits that occur as a result of adding water to a reservoir for the purpose of recreation, municipal and industrial uses, etc.
Ag Flood Protection Benefits are those agricultural benefits that result by preventing floods on cropland along streams.
Non Ag Flood Protection Benefits are those non-agricultural benefits that result by preventing flooding of roads, bridges, and other structures that occur along streams.

ACTIVITIES SUPPORTED BY WATERSHED OPERATIONS

Current Activities:

1. Technical and financial assistance for construction includes:

   a. Land treatment measures: Assurance that a program of proper land use and treatment will be carried out is a basic requirement for assistance in the development of flood prevention sub-watersheds or watershed projects. USDA provides landowners and operators with technical

assistance to accelerate the planning and application of land treatment measures which help achieve project objectives. This accelerated assistance is in addition to that received under other conservation programs.

When land treatment measures are installed to achieve justified off-site flood prevention benefits, or when such measures provide small or long-deferred benefits to the landowner, the installation cost may be shared with Federal funds. The cost-share rate of this financial assistance may not exceed the rate of assistance for similar practices under other conservation programs of USDA. This work is accomplished through project agreements with local sponsoring organizations or through long-term contracts between the landowner and USDA. In the first case, the local sponsors arrange for and accomplish the work by contract or force account. The Federal government makes payments to the local sponsoring organizations as the land treatment measures are installed. In the long-term contract situation, landowners contract directly with USDA.

b. Structural measures: Floodwater retarding structures, stream channel restoration, grade stabilization and sediment control structures, water storage structures, and other structures are integral parts of providing watershed protection. Detailed construction plans, and designs and specifications are prepared for these measures by USDA or by private engineers employed by the local sponsoring organization.

The Federal government provides all construction funds for structural measures for flood prevention and an equitable share of the cost of installing works of improvement for agricultural water management, fish and wildlife, water quality, or recreational development. The latter includes the cost of basic facilities for public health and safety, access to recreational areas, and use of the recreational development. Local organizations must pay all costs of works of improvement for other purposes. In addition, local organizations must acquire water rights and furnish land, easements, and rights-of-way for all structural measures. However, up to one-half the cost of land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with P.L.-534 or P.L.-566 funds.

c. Non-structural measures: Where practical, non-structural measures or a combination of structural and non-structural measures may be installed as part of the watershed works of improvement. Non-structural measures can consist of flood proofing buildings located in a floodplain, zoning or otherwise controlling certain floodplain areas to restrict further development, removal of buildings from the flood area, and other similar measures.

Financial assistance to local sponsoring organizations for installation of non-structural measures is provided in the same manner as for installation of structural measures. The local share for installation of nonstructural measures must be at least 25 percent of the cost.

d. Installation of measures: In P.L.-534 sub-watersheds, USDA usually does the contracting. In PL-566 watersheds, local organizations must administer construction contracts, unless they request NRCS to do so. In P.L.-566 watersheds, funds for installation of planned structural measures on non-Federal lands are provided to local organizations under the terms and conditions set forth in project agreements. Federal agencies carry out the watershed construction program on Federal lands that they administer.

Engineering assistance is provided for flood prevention, agricultural water management, water quality, and for water resource development or improvement for public fish and wildlife and recreational purposes, either directly by the Federal government, or by the local organizations with advances or reimbursement from the Federal government. USDA may also supply up to

one-half the cost of engineering assistance required for the installation of basic facilities for public fish and wildlife and recreational development.

Advances may be made to local sponsoring organizations to provide for immediate acquisition of easements and rights-of-way. Also, advances may be made to provide up to 30 percent of the total estimated cost of a proposed impounding structure when such structures are to be used for additional storage of water to meet anticipated future demands for municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid before construction begins.

Local sponsoring organizations must operate and maintain the completed works of improvement on non-Federal lands.

2. Detailed sub-watershed work plans are prepared for P.L.-534 flood prevention projects in cooperation with soil conservation districts and other local sponsoring organizations. These plans outline soil and water management problems in sub-watersheds, what is proposed to be done to alleviate these problems, the estimated benefits and costs, cost sharing, and operation and maintenance arrangements.

3. Program evaluation studies are carried out in selected watershed projects to assess effectiveness of structural and land treatment measures installed and to assure safe and reasonable design.

4. Loans and loan services are provided to finance the local share of the costs of installing planned works of improvement. Repayment with interest is required within 50 years after the principal benefits of improvements first become available. Loans are financed from the Agricultural Credit Insurance Fund of the Rural Business-Cooperative Service (RBS). No funding has been appropriated for the RBS to make new loans in FY 1998.

5. Emergency measures: This authority permits installation of emergency measures for immediate protection of life or property from flooding, erosion, or sedimentation damage until long-range practices can become effective. Emergency work includes, but is not limited to, establishing vegetative cover on denuded land, sloping of steep and eroding banks, opening dangerously restricted channels, and repairing diversions and levees, and other emergency work. This work is done to the extent funds are available. Prompt action to alleviate hazardous watershed conditions is essential. The authority also allows for the purchase of floodplain easements to reduce the exposure of agricultural lands to future flood damage. Flooding or wind erosion can cause extensive damage to impaired watersheds left unprotected. NRCS administers the program, provides technical and financial assistance, and arranges with local contractors to do the installation work. The Forest Service (FS) is responsible for installing measures in the National Forests.

PROGRAM ASSIGNMENTS

NRCS has general responsibility for administration of the Watershed Protection and Flood Prevention Act and the work authorized under the Flood Control Act. This includes responsibility for the installation of land treatment measures and structural works of improvement in authorized watersheds on non-Federal land and on Federal lands by arrangement with the administering agency.

The following table shows the appropriated funds obligated for P.L.-534 watershed operations, emergency operations, and P.L.-566 small watersheds in FY 1998:

	P.L.-534 Operations	Emergency Operations	P.L.-566 Small Watersheds	Total
Direct Funds:				
NRCS	$14,791,048	$127,444,063	$90,623,086	$232,858,197
FS	3,527	2,556,710	94,736	2,654,973
Total, Direct	$14,794,575	$130,000,773	$90,717,822	$235,513,170
Reimbursable Funds:				
NRCS	862,191	4,566,885	12,353,679	17,782,755
Total Obligations	$15,656,766	$134,567,658	$103,071,501	$253,295,925

Watershed Operations Authorized by P.L.-534 (Flood Prevention Operations)

Because the authorized flood prevention projects include relatively large areas, work plans are developed on a sub-watershed basis. As of September 30, 1998, the total planning job was about 74 percent completed, with 320 work plans completed that include 24,971,385 acres. The following table summarizes the status of sub-watershed planning by authorized project:

Flood Prevention Projects	Total Authorized Area	Sub-watersheds and other areas with planning potential		Sub-watersheds and other work plans prepared to 9/30/98	
	Acres	No.	Acres	No.	Acres
Buffalo Creek, NY [a/]	279,680	3	279,680	3	279,680
Colorado (Middle),TX	4,613,120	17	3,703,520	17	3,703,520
Coosa, GA [a/]	1,339,400	16	1,174,650	16	1,174,650
Little Sioux, IA	1,740,800	124	1,050,093	97	1,050,093
Little Tallahatchie, MS	963,977	15	609,786 [b/]	15	609,786
Los Angeles, CA	536,960	10	76,434 [c/]	10	76,434
Potomac, MD,WV,VA	4,205,400	31	4,225,679	20	3,229,079
Santa Ynez, CA	576,000	5	50,743 [d/]	5	50,743
Trinity, TX	8,424,260	33	6,951,170	32	6,855,170
Washita, OK & TX	5,095,040	53	4,676,222	53	4,676,222
Yazoo, MS	7,661,278	88	3,627,985	52	3,266,008
TOTALS	35,435,915	395	26,425,962	320	24,971,385

a/ The Buffalo Creek Watershed was completed and closed in 1964 and reopened in 1992 for repairs. The Coosa Watershed was completed and closed in 1981.

b/ Excludes 96,501 acres of Sardis Reservoir area, and 304,000 acres in minor watersheds needing only land treatment measures.

c/ Includes National forest and other lands, for which the Forest Service has been assigned program responsibility.

d/ Excludes 195,818 acres of reservoir area.

The estimated Federal cost for each watershed and total Federal obligations through FY 1998:

Flood Prevention Project Federal Cost	Estimated Total 9/30/98	Obligations $ (cumulative) [a/]
Buffalo Creek Watershed, NY (Complete)	$7,190,272	$6,115,663
Middle Colorado River Watershed, TX	63,238,591	63,114,720
Coosa River Watershed, GA and TN (Complete)	19,734,009	19,734,009
Little Sioux River Watershed, IA	91,307,749	77,129,830
Little Tallahatchie River Watershed, MS	131,437,927	67,530,099
Los Angeles River Watershed, CA	60,597,017	60,297,017

Flood Prevention Project	Federal Cost	Estimated Total 9/30/98	Obligations $ (cumulative)[a/]
Potomac River Watershed, MD, PA, VA, & WV		159,317,877	121,109,698
Santa Ynez River Watershed, CA		43,086,536	40,786,536
Trinity River Watershed, TX		215,950,589	193,373,897
Washita River Watershed, OK and TX		229,181,666	177,270,735
Yazoo River Watershed, MS		470,303,076	242,127,946
TOTAL		$1,491,345,309	$1,068,590,150

a/ Does not include Rural Business-Cooperative Service obligations of $80,000.

Small Watershed Operations Authorized by P.L.-566

Watershed plans involving an estimated Federal contribution in excess of $5,000,000 for construction, or construction of any single structure having a capacity in excess of 2,500 acre-feet, require Congressional committee approval. Other plans are approved administratively. After approval, technical and financial assistance can be provided for installation of works of improvement specified in the plans.

Project sponsors are provided assistance in installing planned land treatment measures when plans are approved. Surveys and investigations are made and detailed designs, specifications, and engineering cost estimates are prepared for construction of structural measures. Areas where sponsors need to obtain land rights, easements, and rights-of-way are delineated. Technical assistance is also furnished to landowners and operators to accelerate planning and application of needed conservation on their individual units.

Under a project agreement, the sponsoring local organization agrees to construct a single or an interrelated group of structures. The government and the sponsoring local organization agree to share the construction costs as specified in the work plan. Engineering and other assistance are provided for preparation of contracts and inspection of construction.

When the local organization does the contracting, payments are made to them as the work progresses in accordance with the terms of the project agreement. When the local organization requests NRCS to do the contracting for works of improvement, NRCS makes payments directly to the contractor as the work progresses. Payments include amounts financed from Federal funds and from local organizations that fund their share of the construction costs.

Of the 1,661 completed plans, 31 are being locally implemented and therefore are not counted in the following information. In FY 1998, 16 projects were approved for operation, which brought the total to 1,630 projects approved as of September 30, 1998. Of the 1,630 projects in operation in 1998, 318 were installing watershed protection land treatment services and 268 were receiving engineering services or in construction at the end of the year. Projects with construction completed in 1998 brought the total number of projects in post-installation assistance to 911 as of September 30, 1998. A total of 155 have been de-authorized due to the unlikelihood of further project activity, and 17 are inactive.

New Small Watershed Projects Authorized For Funding Fiscal Year 1998
Under the Watershed Protection and Flood Prevention Act (P.L.83-566)

STATE	NAME	LOCAL COST	FEDERAL COST	TOTAL COST
Alabama	Cochgalechee Creek	5,000	220,000	225,000
Arizona	Maricopa-Stanfield	2,694,250	5,616,250	8,310,500
Kansas	Upper Delaware and Tributaries	3,877,900	8,706,700	12,584,600
Louisiana	Bayou Bourbeux	3,285,300	4,256,400	7,541,700
Minnesota	Whitewater River	1,700,900	3,289,700	4,990,600
Missouri	East Fork of the Grand River	4,153,400	16,755,000	20,908,400
Missouri	McKenzie Creek	1,639,600	4,035,700	5,675,300
Mississippi	Choctaw	245,500	250,000	495,500
Mississippi	Indian Creek	392,500	3,220,500	3,613,000
Ohio	Lower Stillwater River	1,737,200	349,000	2,086,200
Ohio	Upper Stillwater River	1,788,700	523,000	2,311,700
Pennsylvania	Glenwhite Run	799,000	770,000	1,569,000
Pennsylvania	Little Toby	1,627,000	1,601,000	3,228,000
Pennsylvania	Tulpehocken Creek	2,951,000	5,977,000	8,928,000
Tennessee	Bear Creek (Scott)	844,925	3,188,275	4,033,200
Utah	Tri-Valley	4,440,439	5,006,610	9,447,049
TOTAL		$32,182,614	$63,765,135	$95,947,749

Multiple Purpose Small Watershed Projects

As of October 1, 1998, 823 multipurpose projects have been approved for operation under the P.L.-566 program. This represents 50 percent of the 1,630 projects that are operational and provide solutions to a broad range of local problems.

Agricultural Water Management: One hundred and ten watershed projects include structural measures for agricultural water management. Of these, 91 include irrigation.

Recreation: Two hundred seventy-three small watershed projects approved as of September 30, 1998 include developments to create or improve facilities for the enjoyment of outdoor recreation in addition to flood prevention and watershed protection. Local sponsoring organizations are responsible for operating and maintaining the reservoirs and recreation areas.

Municipal Water: As of September 30, 1998, local sponsors of 174 watershed projects had included municipal water supply features in their watershed plans, in addition to flood prevention and watershed protection.

Successes in Operational Watershed Projects

McKenzie Creek Watershed, Missouri: McKenzie Creek watershed area is located in Wayne, Iron, and Reynolds Counties, Missouri. The project is sponsored by city of Piedmont and Wayne County Soil and Water Conservation District. Damages to residential and commercial buildings and properties from flood-related problems have been identified within the City of Piedmont and in the McKenzie Creek floodplain. In addition, depressed real estate values; damages to roads and bridges; and threats to human health and safety; increases in local government service costs; streambank erosion and associated reduction of stream channel capacity due to sediment deposition; and

detrimental effects on water quality have resulted. There is a lack of community-oriented recreational facilities and a need for improved riparian corridors and fish and wildlife habitats. The average annual flood damages are estimated at $584,600.

The plan consists of elements that will reduce flood damages within Piedmont, Missouri, through voluntary acquisition and removal of residences and businesses from flood-prone areas; increase recreational opportunities through the development of the resulting open spaces into greenway areas and natural settings; erosion and sediment reduction through the installation of bioengineered streambank protection measures along selected stream reaches within the city; improvement of aquatic and wildlife habitats; and improved water quality. These elements include voluntary acquisition of approximately 150 acres of floodplain located adjacent to the lower reaches of McKenzie Creek. The resulting open space floodplain areas will be developed into greenway, natural, and wildlife areas. Bioengineered streambank protection measures to reduce erosion and sediment will be installed on 2,000 feet of channel banks along McKenzie Creek within the corporate limits of the city of Piedmont.

The estimated total installation cost of the plan is $5,675,300 and the benefits to cost ratio is 1.17 to 1.00.

Land Treatment Watersheds

Land treatment watersheds depend on the application of holistic, on-farm conservation management systems, developed to address specific resource objectives for a given watershed. This is in contrast to structurally-based projects, which center on specific structural measures as a means of addressing resource problems.

Conservation management systems, consisting of groupings of conservation practices, are listed in conservation plans, along with the standards and specifications guiding the implementation of each practice. Conservation plans are developed jointly by the producer and NRCS field staff. Each plan is customized to be compatible with that farmer or rancher's operation. These plans represent the landowner's decisions to voluntarily implement management practices that address the resource objectives listed in the more generalized watershed plan, while maintaining an economically viable enterprise. Contracts between the landowner and NRCS provide Federal economic incentives for implementation of the conservation practices contained in the conservation plans. Federal funds may be used to cover up to 65 percent of the cost of key conservation practices. The landowner provides the local matching funds and agrees to operate and maintain the practices for their evaluated life. Land treatment contracts allow the producer between five and ten years to fully implement their plan.

Buck Hollow Creek Land Treatment Watershed, Oregon: The Buck Hollow Land Treatment Watershed Project includes 126,000 acres in both Wasco and Sherman Counties in the high desert region of north-central Oregon. Major land uses include range and non-irrigated cropland. The Wasco and Sherman Soil and Water Conservation Districts are project sponsors. Technical assistance to develop the plan was provided the Warm Springs Tribe, Oregon Department of Fish and Wildlife, Oregon Trout, and the Oregon Department of Environmental Quality, in addition to NRCS. The project has been in implementation since 1995.

Buck Hollow Creek is a key spawning and rearing stream for steelhead and other anadromous salmonids species of the Columbia River system. The number of fish returning to Buck Hollow Creek to spawn has declined significantly over the years. Nonpoint source pollution resulting from conventional farming and ranching management practices has been cited as a contributing factor in the reduced number of steelhead and salmon. The two conservation districts requested assistance in 1994 to develop a watershed plan that provided viable management alternatives which would address water quality issues in addition to salmonid habitat. The resulting watershed plan targets water quality concerns of elevated water temperatures, low dissolved oxygen levels, low late-season flows, high sediment and turbidity levels during peak runoff

events, and the lack of riparian habitat and shade. Each of these water quality concerns directly relates to declining habitat for listed salmon species.

The estimated cost of this project was set at $4.58 million, of which $2.46 million was to be covered by Federal financial assistance. To achieve significant, measurable results at least 65 percent of the land required treatment. Farmers and ranchers committed to implement a conservation plan over a 5 to 10-year period. Up to 65 percent cost sharing was provided for identified management practices installed in accordance with NRCS standards and specifications. The producer provides the necessary local matching funds and operation and maintenance for the evaluated life of the practices.

The sponsors have involved a variety of stakeholders in both planning and implementation. A number of these stakeholders have provided financial assistance as a means of accelerating implementation. This has significantly reduced the Federal costs. By the end of the 1998 field season, over 85 percent of the acres of the watershed were under contract, while Federal costs were nearly $1 million less than projected! This was an outcome which surprised both NRCS personnel and local sponsors. Significant funding has been committed by sources including the Bonneville Power Administration and the Oregon Governor's Watershed Enhancement Program. Organizations, such as Oregon Trout, have also invested in the implementation of management plans.

The conservation management systems being used in Buck Hollow include practices such as Water and Sediment Control Basins, or "WASCBs" (small, off-channel dams placed high in the watershed), together with CRP, buffer strips, and several other livestock and cropland management practices. The following benefits have been achieved to date:

- Reduced runoff to levels approaching rates existing over 100 years ago, prior to conversion to cropland and grazing.
- Flooding and stream scouring and has been dramatically reduced, thus greatly limiting high sediment loads.
- WASCBs have increased infiltration rates thereby recharging groundwater and re-creating riparian zones high in the watershed.
- Combinations of livestock management systems have minimized the impact of livestock grazing on emerging riparian vegetation and allowed remnants of existing shrub stock to return.
- Shade from returning native shrubs and subsurface water emerging from the channel bottoms downstream of the WASCBs have reduced water temperatures to about 58 degrees, even during summer months. Oregon's water quality standard for temperature on Buck Hollow Creek is also 58 degrees. This temperature is also optimal for spawning and rearing salmonids smolts.
- Late season flows of cool, sediment free water during the spawning season have had a marked impact on reversing the decline in salmon numbers in Buck Hollow Creek. Salmon and steelhead spawning "redds" or nests have increased dramatically. Oregon Department of Fish and Wildlife biologists have observed redds 5 miles farther up-stream of recorded sightings previous to the project.

Maricopa/Stanfield Watershed, Arizona: Maricopa/Stanfield Watershed is located in Pinal County in central Arizona. Also located in the area is the 21,840-acre Ak-Chin Indian Reservation. The Maricopa-Stanfield Irrigation and Drainage District and West Pinal Natural Resource Conservation District sponsor the project. Agriculture is the major water user in central Arizona, with irrigation water accounting for more than 90 percent of all groundwater pumpage. Over the years, the pumping of irrigation water has contributed to groundwater mining in central Arizona.

The plan proposes to reduce agricultural water application by increasing irrigation efficiency by implementing appropriate soil, water, plant, pest, and nutrient management practices. The increase in irrigation efficiency, in turn, will reduce the potential for the leaching of water and soluble amendments into groundwater. Such water saving conservation practices as land leveling, ditch lining or pipeline,

structures for water control, and alternative irrigation systems will be installed. Land treatment practices will occur on 13,500 irrigated acres.

The estimated total installation cost of the project is $8,310,500. with a benefit to cost ratio of 1.5 to 1.0.

LOAN PROGRAMS

Under P. L. 83-566, as amended and P. L. 78-534, loans are made to local organizations for financing the local share of the cost of installing, repairing, or improving works of improvements and water storage facilities, purchasing sites or rights-of-way, and for related costs in approved watershed works of improvement and flood prevention projects. The Rural Utilities Service (RUS) has been assigned responsibility for making these loans to sponsors of such projects approved for operations. No loan may be made until NRCS and the local organization has agreed on a plan for works of improvement. P. L. 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund. No funding was appropriated to the RUS in FY 1998 to make new loans under this program.

These loans are repayable in not more than 50 years at an interest rate not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity on obligations of similar maturity. Comparable to the average maturity for the loan, adjusted to the nearest 1/8 of 1 percent. For a single plan for works of improvement, the amount of the loan may not exceed $10 million.

Applications for loans received by RUS have varied greatly in amount. Most applications have included requests for funds to purchase easements or rights-of-way and pay legal fees and organization costs. The larger loan requests have also included funds to pay the local organization's share of installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements. In FY 1998, no loans were obligated. There are currently 130 borrowers who are holding 215 loans with a value of $39.8 million. Over the life of the program, 495 loans have been made at a value of almost $176 million.

	1998 Actual		1999 Estimated		2000 Estimated	
Item	No.	$ (000)	No.	$ (000)	No.	$ (000)
1. Loans obligated during year	0	0	0	0	0	0
2. Borrowers outstanding	130	39,869	130	39,500	123	36,500
3. Loans cumulative	495	175,903	495	175,903	495	175,903

Obligations Related to P.L.566 Watershed Projects as of 9/30/1998

The following tabulation shows, by State, descriptive information concerning the extent of the program and rate of progress in obligating funds for the installation of works of improvement in PL-566 watersheds. There are 75 multi-State projects. Obligations and staff years are distributed between the States as applicable.

State	Number Projects Approved 9/30/98	Total Federal Obligations FY 1998	FY 1998 Federal Staff-Year Input	Total Watershed Area Acres	Total Estimated Cost	Federal Estimated Cost	Percent Federal Cost to Total Cost	Cumulative Federal Obligations 9/30/98	Percent Cost Obligated as of 9/30/98
Alabama	51	1,408,555	10	3,034,042	120,668,918	97,719,052	81%	86,572,599	89%
Alaska	1	70,342	2	232,000	5,976,165	5,759,665	96%	746,007	13%
Arizona	20	1,235,614	16	1,633,062	202,023,617	146,781,446	73%	119,846,063	82%
Arkansas	65	3,767,328	20	3,624,338	259,987,718	194,970,609	75%	159,033,936	82%
California	31	3,121,415	15	1,910,933	367,535,247	276,310,356	75%	198,137,766	72%
Colorado	23	1,004,212	6	1,439,496	63,441,500	48,874,248	77%	47,055,460	96%
Connecticut	12	-10,182	1	214,856	88,144,705	55,175,679	63%	45,205,497	82%
Delaware	6	568,733	4	469,220	38,701,209	35,984,786	93%	29,908,519	83%
Florida	30	1,756,948	11	2,151,268	74,739,501	46,276,549	62%	38,021,497	82%
Georgia	72	1,659,338	11	4,453,063	161,752,730	109,815,791	68%	104,075,130	95%
Hawaii	12	418,452	4	642,042	89,055,622	73,466,888	82%	54,085,340	74%
Idaho	20	549,311	4	890,397	97,090,418	30,031,935	31%	22,691,246	76%
Illinois	33	3,349,062	26	1,789,134	269,825,421	182,744,734	68%	135,924,796	74%
Indiana	40	513,824	3	2,445,382	125,109,726	84,162,431	67%	79,805,005	95%
Iowa	54	1,949,060	19	1,264,060	219,342,708	149,749,455	68%	116,388,411	78%
Kansas	63	3,032,772	21	6,040,361	295,774,980	250,177,598	85%	189,688,080	76%
Kentucky	43	843,217	8	2,586,213	124,926,489	100,201,818	80%	87,814,035	88%
Louisiana	50	2,318,612	-3	6,218,867	222,980,506	129,681,879	58%	123,115,491	95%
Maine	21	685,247	5	1,331,054	29,249,556	22,799,796	78%	21,947,042	96%
Maryland	21	167,654	2	521,323	36,611,522	23,337,149	64%	23,071,803	99%
Massachusetts	12	396,470	2	460,232	60,571,430	44,127,517	73%	39,533,987	90%
Michigan	28	391,415	6	1,470,456	52,601,948	33,533,669	64%	31,515,084	94%
Minnesota	20	616,032	5	1,902,649	87,465,157	62,968,694	72%	57,549,726	91%
Mississippi	63	1,932,670	32	4,602,179	277,138,666	207,947,072	75%	167,051,743	80%
Missouri	35	8,294,093	56	2,583,183	223,146,611	181,593,054	81%	114,357,151	63%
Montana	21	777,520	12	1,398,621	47,656,025	36,181,578	76%	31,250,498	86%

State	Number Projects Approved 9/30/98	Total Federal Obligations FY 1998	FY 1998 Federal Staff-Year Input	Total Watershed Area Acres	Total Estimated Cost	Federal Estimated Cost	Percent Federal Cost to Total Cost	Cumulative Federal Obligations 9/30/98	Percent Cost Obligated as of 9/30/98
Nebraska	52	1,593,951	15	3,512,439	161,058,476	118,004,139	73%	107,342,090	91%
Nevada	7	136,355	2	406,462	8,801,012	6,223,952	71%	3,843,307	62%
New Hampshire	7	88,938	1	456,770	29,279,278	22,769,445	78%	22,533,383	99%
New Jersey	15	83,538	1	389,347	67,732,678	46,630,331	69%	43,453,869	93%
New Mexico	30	1,539,000	14	1,908,727	211,200,199	198,822,157	94%	122,181,157	61%
New York	24	636,702	9	967,176	83,056,486	77,576,900	93%	68,298,602	88%
North Carolina	63	2,146,644	16	3,176,702	159,935,721	115,599,515	72%	96,926,162	84%
North Dakota	21	3,291,749	10	2,575,881	63,944,245	46,805,592	73%	41,608,341	89%
Ohio	28	1,928,321	15	2,825,936	168,008,771	140,169,324	83%	110,592,642	79%
Oklahoma	76	3,912,827	16	7,350,057	536,995,657	413,955,272	77%	265,673,107	64%
Oregon	23	3,222,937	6	1,326,356	87,399,709	46,954,877	54%	45,992,814	98%
Pennsylvania	37	2,347,871	8	1,840,507	185,887,194	136,383,995	73%	115,764,868	85%
Pacific Basin	3	549,053	3	4,295	5,940,419	4,542,719	76%	2,486,772	55%
Puerto Rico	4	496,009	5	266,002	76,048,787	15,874,363	21%	15,428,372	97%
Rhode Island	1	-	0	24,100	1,160,192	1,029,192	89%	1,029,192	100%
South Carolina	59	310,851	6	3,656,638	80,318,497	59,050,105	74%	58,805,957	100%
South Dakota	18	430,176	2	1,467,474	32,657,374	12,746,365	39%	12,779,028	100%
Tennessee	48	2,311,285	20	2,446,872	170,434,742	133,764,165	78%	112,131,442	84%
Texas	98	8,724,050	39	10,198,524	649,143,275	513,489,593	79%	388,232,648	76%
Utah	16	971,791	7	1,643,187	65,666,906	46,947,031	71%	42,259,822	90%
Vermont	12	837,114	4	983,927	34,880,847	26,051,332	75%	22,134,446	85%
Virginia	42	3,333,077	17	2,383,433	128,192,256	109,985,691	86%	80,056,768	73%
Washington	23	4,548,313	14	868,793	92,945,414	76,003,140	82%	62,020,450	82%
West Virginia	32	4,875,798	15	1,250,636	278,870,292	209,030,069	75%	207,850,869	99%
Wisconsin	29	81,164	1	1,476,149	59,713,782	51,704,601	87%	51,629,765	100%
Wyoming	15	1,407,365	16	647,436	26,479,713	18,990,461	72%	14,637,826	77%
Total	1,630	90,622,593	560	109,362,257	7,107,270,017	5,279,477,774	74%	4,240,085,611	80%

EMERGENCY WATERSHED PROTECTION PROGRAM

STATUS OF PROGRAM

The Emergency Watershed Protection Program (EWP) was established by Congress to respond to emergencies created by natural disasters. It is designed to help groups of people by relieving imminent hazards to life and property caused by floods, fires, windstorms, and other natural occurrences. It is generally not an assistance program for individuals. All projects undertaken must be sponsored by a political subdivision of the State, such as a city, county, general improvement district, or conservation district. NRCS is responsible for administering the program.

EWP funds cannot be used to solve problems that existed before the disaster or to improve the level of protection above that which existed before a disaster. It cannot fund operation and maintenance work or repair private or public transportation facilities or utilities. The work cannot adversely affect downstream water rights and funds cannot be used to install measures not essential to the reduction of hazards. In addition, funds cannot be used to perform work on measures installed by another federal agency.

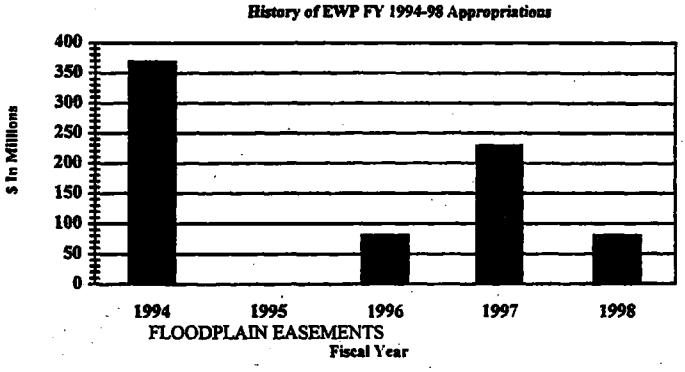
PROGRAM ASSIGNMENTS

All EWP work must reduce threats to life and property. Furthermore, it must be economically and environmentally defensible and sound from an engineering standpoint. The work must yield benefits to more than one individual. All work must represent the least expensive alternative. NRCS may bear up to 75 percent of the construction cost of emergency measures. The remaining 25 percent must come from local sources and can be in the form of cash or in-kind services.

Public and private landowners are eligible for assistance but must be represented by a project sponsor. Sponsors are responsible for providing landrights to do repair work and securing the necessary permits. Sponsors are also responsible for furnishing the local cost share and for accomplishing the installation of work. The work can be done either through Federal or local contracts.

EWP work is not limited to any one set of prescribed measures. A case by case investigation of the needed work is made by NRCS. EWP work can include: removing debris from stream channels, road culverts, and bridges; reshaping and protecting eroded banks; correcting damaged drainage facilities; repairing levees (primarily agricultural) and structures; reseeding damaged areas; and purchasing floodplain easements.

This program is entirely dependent upon supplemental appropriations in order to provide assistance during natural disasters. Approximately two-thirds of the events that trigger EWP assistance are local in nature and not Presidentially declared disasters, but cover smaller areas. Over the past five years, an average of $152 million per year has been appropriated for EWP work. Twenty percent of this was used for technical assistance.



The Federal Agriculture Improvement and Reform Act of 1996 provides the authority for NRCS, on behalf of the United States, to purchase floodplain easements through EWP. The purposes of the easements are to:

- allow the unimpeded reach and flow of any waters in the easement area;
- retard runoff and prevent soil erosion through the restoration, protection, or enhancement of the floodplain;
- restore, protect, manage, maintain, and enhance the functions of wetlands, riparian areas, conservation buffer strips, and other lands;
- conserve natural values including fish and wildlife habitat, water quality, flood water retention, ground water recharge, and open space; and
- safeguard lives and property from floods, drought, and the products of erosion.

Compensation for easement lands is based on the agricultural value of the land, a geographic land payment cap, or the landowner offer. Easement values are assessed on pre-disaster conditions. EWP funds may be utilized to pay up to 100 percent of the cost of the installation and maintenance of land treatment measures deemed necessary and desirable to effectively achieve the purposes of the easement. Land treatment measures may include restoring the surface hydrology and natural vegetation, establishing fences, and removing buildings and other obstructions when appropriate. Acreage on which easements have been acquired is not eligible for future federal disaster assistance.

The EWP-floodplain easement component of the EWP program is a pilot effort that was initiated in 1997 and continued in 1998. NRCS allocated $15 million to States in FY 1997. This funding level enabled NRCS to accept 133 offers on 20,110 acres. In FY 1998, $13,335,000 was allocated to States to accept 205 offers on 29,199 acres.

DART TEAMS

A new project to provide training to field personnel began in FY 1998. Three Disaster Assistance Recovery Teams (DART) have been established and are available within 24-hours to provide all the training necessary to get NRCS, sponsors, and others ready to evaluate damages, examine and evaluate alternatives, and install the needed measures to alleviate life threatening situations. Teams consist of a

program specialist, a contract specialist, an economist, an engineer, an environmentalist, and a construction inspector. It is hoped that this training effort will make States more efficient in program delivery and allow more uniformity in the delivery of assistance.

Additional information on the EWP program is available on the NRCS-Watershed and Wetlands Division website at: http://www.ftw.nrcs.usda.gov/programs.html

SUCCESS STORIES

North Carolina

Assistance provided through the EWP program to remove trees and other debris in North Carolina's streams following Hurricane Fran in September 1996, significantly reduced flood damages associated with Hurricane Bonnie in August 1998. Jerry D. Hobbs, Sampson County Manager, said, "We received a substantial amount of rain from Hurricane Bonnie, which could have posed a significant hazard to lives and property had the County not participated in NRCS' Emergency Watershed Protection Program to rid our rivers and streams of debris from Hurricane Fran."

NRCS officials estimated that the rains from Bonnie might have flooded an additional 250 homes and 10,000 acres of cropland had the debris removal work not been done. Several local officials in the affected counties have stated that the rivers and streams, while out of their banks in some cases, were flowing and that water levels were dropping. Billy Ray Cameron, Assistant Secretary for the North Carolina Department of Crime Control and Public Safety said, "The debris removal work completed in the past two years paid off during the heavy rains of Bonnie. We could have been looking at much more widespread flooding and more property damage. Hurricane Fran resulted in many of our streams and rivers being unable to carry their normal flow because of the thousands of trees that fell in or across them as a result of high winds. It's much like the plumbing in a home; when the pipes get clogged, the water backs up and doesn't drain properly."

The NRCS program has provided North Carolina nearly $20 million in EWP funds to help local governments remove debris from streams and rivers since Hurricane Fran struck almost two years ago. State and local Governments have also shared in the cost since the federal funds cover only 75 percent of project costs. EWP is intended to restore streams and rivers to their pre-storm condition.

Iowa

At those locations where EWP repairs were carried out after the 1993 flooding, there were very substantial damage reductions. Hungry Canyons channel stabilization projects reduced damages significantly. The replacement cost was $25.0 million. The repairs very likely prevented the loss of 20 or more bridges during this recent flooding. The 1993 EWP work held up well, from the numerous heavy rains experienced during the spring and summer of 1989. Only a few require significant repairs. The sponsors will make repairs as part of their regular O&M responsibilities.

Georgia

As a result of $20 million in EWP work done in 1994 after tropical storm Alberto, damage in Georgia this year from Hurricane Bonnie was significantly reduced. According to Graham Lyles, Executive Director of the State Soil and Water Conservation Committee in Georgia, "There was practically no debris in the streams when we were hit by intense rains from Hurricane Bonnie. Water levels were as high as in 1994, but the streams were able to handle the flows without all the flooding and the $26 million in damages we had in 1994." Residents in the State were grateful for the work done by NRCS in the past. Russell

Thomas, Mayor of Americus said, "NRCS was a life saver for Americus. They gave us a sense of security back to us in 1994, and we realized the benefits again this year."

Texas

Central Texas was hit with a big storm on October17-18, 1998, during which 8 to 20 inches of rain fell in 30 counties. Eight flood control projects, installed by local sponsoring organizations with assistance from NRCS, prevented over $50 million in damages and required only minimal EWP funds, thus saving the NRCS an estimated $10 million in recovery work.

California

El Nino storms during winter and spring of 1998 caused $1 billion in damages throughout California. Twenty-five counties received $15 million in EWP funds to repair stream banks, levees, bridges, culverts, and to remove debris that was clogging streams. Mike Madden, Butte County Emergency Services Officer stated that, "EWP is one the most popular programs in California. It works. It is the most effective Federal program on floods."

"One of the key points in NRCS' EWP efforts here in California," said Jeff Vonk, NRCS State Conservationist, "is the partnerships that have been created to deal with the recovery. Working through local sponsors, NRCS is able to leverage Federal funds to accomplish emergency work that would not otherwise be possible. Local sponsors are doing a large share of the work themselves." The sponsors are taking the lead on 63 of 67 projects, by carrying out the contracting, design, and inspection of the work.

Butte County's positive experience with EWP and the Federal-local conservation partnership, resulted in the county's decision to form a conservation district.

FY 1998 EWP PROGRAM STATE ALLOCATIONS REFLECTS THE USE OF PRIOR YEAR APPROPRIATION CARRYOVER AND THE FY 1998 SUPPLEMENTAL APPROPRIATION

STATE	EWP ALLOWANCES
Alabama	$12,079,000
Alaska	-
Arizona	108,000
Arkansas	6,373,000
California	21,454,700
Colorado	705,500
Connecticut	108,000
Delaware	-
Florida	5,529,000
Georgia	5,318,000
Hawaii	-
Idaho	5,194,100
Illinois	11,473,000
Indiana	1,502,000
Iowa	9,415,000
Kansas	276,000
Kentucky	4,768,000
Louisiana	2,275,000
Maine	306,000
Maryland	301,000
Massachusetts	67,000
Michigan	-
Minnesota	2,853,000
Mississippi	24,794,000
Missouri	4,233,000
Montana	1,097,500
Nebraska	81,000
Nevada	12,042,300
New Hampshire	138,000
New Mexico	-
North Carolina	12,833,000
Ohio	24,766,000
Oklahoma	2,082,000
Oregon	5,348,000
Pacific Basin	63,000
Pennsylvania	3,000
Puerto Rico	598,000
South Carolina	600,000
South Dakota	5,180,000
Tennessee	3,120,000
Texas	2,152,400
Utah	631,116
Vermont	3,651,000
Virginia	4,962,000
Washington	2,235,000
West Virginia	2,446,000
Wisconsin	82,000
Wyoming	523,000
Total	$212,960,016

NATURAL RESOURCES CONSERVATION SERVICE

The estimate includes proposed appropriation language as follows (new language underscored; deleted matter enclosed in brackets):

Debt for Nature:

For necessary expenses to carry out the authority, to the extent delegated by the Secretary of Agriculture to the Chief, Natural Resources Conservation Service, provided by Section 349 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1997), $5,000,000, to remain available until expended.

NATURAL RESOURCES CONSERVATION SERVICE

DEBT FOR NATURE – PROPOSED LEGISLATION

Budget Estimate, Current Law, 1999	--
Change due to proposed legislation	$5,000,000
Net Request, President's 2000 Budget Request	+$5,000,000

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	Current Law	2000 Program Changes	President's Request
Debt for Nature:			
Technical Assistance	--	+$1,000,000	$1,000,000
Financial Assistance	--	+4,000,000	4,000,000
Total available	--	+5,000,000	5,000,000

Explanation of Proposed Legislation:

The proposed legislation allows for $1,000,000 and 12 staff years in the Debt for Nature program to provide increased technical assistance to the historically underserved for land stewardship.

USDA's Civil Rights Action Team's Recommendation No. 29 was to "fully implement a Debt for Nature program as authorized in the 1996 Farm Bill and prior legislation". Subsequent actions by Civil Rights Implementation Team No. 12 resulted in issuance of Secretary's Memorandum 9500-7 and prompted this proposal.

The USDA farm loan program has a significant number of limited resource borrowers who have a high debt load and tight cash flow situation. When loan defaults occur under the USDA farm loan program, the collateral real estate enters the Department's inventory. Frequently the type of land that a distressed borrower is continuing to farm, or the type of land that enters the Department's inventory, contains portions that are of such a marginal nature that continued use as farmland is not feasible, yet these same lands may have potential positive conservation attributes if proper land treatment is applied.

Currently, there are four program authorities that provide resource protection and assist minority and limited resource producers. These authorities: establish that debt relief can be provided to any borrower who agrees to place lands under conservation contract; provide that wetlands on inventory property that have not been utilized for farming during the 5 years prior to entry into the inventory shall be placed under a wetland protection and restoration easement prior to disposal; enable the Secretary to transfer fee or partial interest in lands to State or Federal agencies for conservation purposes; and provide the Secretary with authority to grant or sell an easement or comparable interest in land from the inventory to state agencies, state affiliates, and non-profit conservation organizations.

Efforts to stimulate landowner interest in the Debt for Nature program opportunities have previously been limited to technical and cost-share land treatment assistance provided by the Fish and Wildlife Service. Currently, USDA technical and cost-share assistance delivery capability does not exist. In order to help the thousands of borrowers who face foreclosure as a result of the declining farm economy, NRCS needs funding to provide for expanded technical and cost-share assistance effort that will be required. Although the Fish and Wildlife Service will likely continue to provide assistance, they will not have the capability to increase their effort in support of this growing need.

This proposal will compliment NRCS and Department efforts to provide the best possible assistance to minority, limited resource, and socially disadvantaged landowners who wish to adopt conservation stewardship practices by providing the borrower with direct financial assistance for implementing conservation measures that have been planned and designed through NRCS technical assistance. For example, a borrower has serious financial problems because his/her farm or ranch has not been as productive as it could be and he/she is eminent danger of defaulting on his/her farm loan. This borrower would request technical assistance from NRCS to design and plan a conservation plan for his/her farm or ranch. In exchange for his/her agreement to carryout the provisions of the conservation plan and arrange for installation of needed practices, FSA would forgive all or a portion of this borrowers debt load. If the borrower could not afford to pay out of pocket for the cost of installation practices, and funding from some other private source was not forthcoming, then NRCS would pay for all or part of the installation as financial assistance.

The proposal will directly facilitate the reduction of soil erosion, the implementation of the conservation buffer initiative, and the conservation of diminished and other nationally important fish and wildlife habitats and species. NRCS is offering this proposal in recognition that existing authorities have the potential to benefit current and future borrowers, to help with achieving important land stewardship goals of the Department and Nation, and the fact that they are not presently receiving the level of technical assistance effort that is needed. Effective program delivery is largely technical in nature and is similar to the activities that NRCS is currently implementing under the Wetlands Reserve Program, Wildlife Habitat Incentives Program, and Environmental Quality Incentives Program. It includes determination of which lands have conservation opportunities and needs that will be pursued; development of the conservation easement and contract terms and conditions, identifying Federal, State, and non-profit partners who will assist with long term management and restoration actions; and subsequent monitoring of the actions of those who take on the management responsibility.

This $1 million and 12 staff years will provide technical assistance to farm loan recipients. Trained field staff would contact farm loan participants and advise them of various opportunities. Field evaluations would take place. Conservation plans would be developed. Land treatment/practices would be planned. Future monitoring of easements and contracts would be undertaken. Every effort would be made to reduce the debt burden on present and future borrowers by providing that marginal high risk and environmentally sensitive lands could be placed under conservation contracts.

The proposed legislation also allows $4,000,000 in the Debt for Nature program to provide financial and cost-share assistance to the historically underserved for land stewardship.

Conservation management plans, not to be confused with financial plans, are required for all Debt for Nature program contracts. The conservation plans are designed to enhance, restore, or protect all lands within the contract area and to guide long term conservation management for the specified contract purpose or purposes. The conservation plans will often call for installation of practices that require an expenditure of funds. While many of the practices will be relatively inexpensive, there could be some that are costly. Practices could range from simple non-use to fencing, seeding, tree planting, or to structural practices such as diversions and water control structures. All participants will be encouraged to accept management responsibility for the contract and to carry out the requirements of the conservation plan. However, since most of the eligible participants are categorized as limited resource farmers, it is not likely that many will be willing or able to provide funds for practice installation.

Currently, there is no specific funding source available to fund practice installation. Previously, the US Fish and Wildlife Service, as well as other agencies and groups provided funds to install practices on a case by case basis, especially if they had management responsibilities for the contract. The interest of these other entities to provide funds and accept management responsibilities declined in 1996 when the program

changed from a perpetual easement program to a long- term contract program. Consequently, funding from outside sources is indeterminate and will vary from state to state.

The $4.0 million would provide available funding for installation of the needed practices where the participant was unable to pay and other sources of funding were not forthcoming.

NATURAL RESOURCES CONSERVATION SERVICE

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

[Forestry Incentives Program]

[For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Assistance Act of 1978 (U.S.C. 2101), including technical assistance and related expenses, $6,325,000 to remain available until expended, as authorized by that Act.]

[For an additional amount to carry out the program of forestry incentives, as authorized by the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), including technical assistance and related expenses, $10,000,000, to remain available until expended, as authorized by that Act: *Provided*, That the entire amount shall be available only to the extent that an official budget request for $10,000,000, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251 (b)(2)(A) of such Act.]

NATURAL RESOURCES CONSERVATION SERVICE

Forestry Incentives Program

Appropriations Act, 1999	$16,325,000
Budget Estimate, 2000	0
Decrease in Appropriation	-$16,325,000

NOTE: Includes $10 million for emergency supplemental.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Cost-sharing to landowners	$15,692,500	--	-$15,692,500	--
FS Technical Assistance	632,500	--	-632,500	--
Total Available	$16,325,000	--	-$16,325,000	--

Project Statement
(On basis of appropriation)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Cost-share to landowners.	$5,692,500:	--:	$15,692,500:	--:	-$15,692,500	--:	--
FS Technical Assistance...	632,500:	--:	632,500:	--:	-632,500	--:	--
Total, Appropriation	$6,325,000:	--:	$16,325,000:	--:	-$16,325,000 (1):	--:	--

Project Statement
(On basis of available funds)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Cost-share to landowners.....	$5,851,042:	--:	$15,776,762:	--:	-$15,776,762:	--:	--
FS Technical Assistance.....	618,672:	--:	678,819:	--:	-678,819:	--:	--
Subtotal	$6,469,714:	--:	$16,455,581:	--:	-$16,455,581:	--:	--
Unobligated Balance, start of year	-275,295:	--:	-130,581:	--:	+130,581:	--:	--
Unobligated. Balance, end of year	+130,581:	--:	--:	--:	--:	--:	--
Total Available or estimate...	$6,325,000:	--:	$16,325,000:	--:	-$16,325,000:	--:	--

OUTLAYS

	1998 Actual	1999 Estimate	Increase or Decrease	2000 Estimate
Forestry Incentives Program.....	$5,495,803:	$11,290,000:	-$3,720,000:	$7,570,000

Justification of Increases and Decreases

(1) A decrease of $16,325,000 to eliminate the Forestry Incentives Program (FIP).

This decrease is being proposed to reflect the realignment of the Administration's priorities.

NATURAL RESOURCES CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 and Estimated 1999 and 2000
FORESTRY INCENTIVES PROGRAM

	1998	1999	2000
	Amount	Amount	Amount
ALABAMA	$531,790	$510,898	--
ALASKA	5,487	5,058	--
ARIZONA	--	--	--
ARKANSAS	402,600	397,590	--
CALIFORNIA	56,893	51,596	--
COLORADO	5,000	5,058	--
CONNECTICUT	-1,629	--	--
DELAWARE	19,385	27,570	--
FLORIDA	516,300	505,839	--
GEORGIA	607,700	607,007	--
HAWAII	15,800	14,400	--
IDAHO	22,078	20,234	--
ILLINOIS	28,505	27,316	--
INDIANA	41,771	40,467	--
IOWA	21,125	22,256	--
KANSAS	865	10,117	--
KENTUCKY	32,736	22,256	--
LOUISIANA	353,600	349,029	--
MAINE	24,516	23,328	--
MARYLAND	58,671	63,623	--
MASSACHUSETTS	8,500	7,200	--
MICHIGAN	41,666	43,502	--
MINNESOTA	45,248	36,927	--
MISSISSIPPI	505,121	481,559	--
MISSOURI	14,208	14,163	--
MONTANA	3,000	4,545	--
NEBRASKA	1,900	4,531	--
NEVADA	--	4,500	--
NEW HAMPSHIRE	41,348	21,207	--
NEW JERSEY	--	4,500	--
NEW MEXICO	--	--	--
NEW YORK	14,113	31,812	--
NORTH CAROLINA	340,299	339,924	--
NORTH DAKOTA	--	--	--
OHIO	86,600	85,992	--
OKLAHOMA	57,181	50,583	--
OREGON	234,553	232,686	--
PACIFIC BASIN	--	--	--
PENNSYLVANIA	29,839	30,751	--
PUERTO RICO	10,494	10,116	--
RHODE ISLAND	--	4,539	--
SOUTH CAROLINA	584,700	496,734	--
SOUTH DAKOTA	14,375	11,128	--
TENNESSEE	68,554	50,583	--
TEXAS	415,833	414,788	--

	1998	1999	2000
	Amount	Amount	Amount
UTAH	--	--	--
VERMONT	14,540	10,604	--
VIRGINIA	262,691	338,805	--
WASHINGTON	163,438	168,951	--
WEST VIRGINIA	29,500	30,751	--
WISCONSIN	85,100	83,970	--
WYOMING	43,582	43,501	--
CENTRAL OFFICE	-8,534	--	--
UNDISTRIBUTED	--	10,014,268	--
Subtotal	5,851,042	15,776,762	--
FS Technical Assistance	618,672	678,819	--
Total available or Estimate	$6,469,714	$16,455,581	--

FORESTRY INCENTIVES PROGRAM

STATUS OF PROGRAMS

The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127) reauthorized the Forestry Incentives Program (FIP) through the year 2002. Originally authorized under the Cooperative Forestry Assistance Act of 1978 (P.L. 95-314), FIP is a voluntary program which helps landowners install practices such as tree planting, timber stand improvements, and other related practices on non-industrial private forest lands. The purpose of FIP is to increase the production of sawtimber and pulpwood on non-industrial private forestlands, while simultaneously ensuring effective natural resource management of that forestland. This practice is done by providing technical and financial assistance to eligible forest landowners. FIP is a nationwide program available in counties designated on the basis of a Forest Service survey of total eligible private timber acreage that is potentially suitable for the production of timber products. FIP supports the NRCS strategic goal 1--which relates to a healthy and productive land.

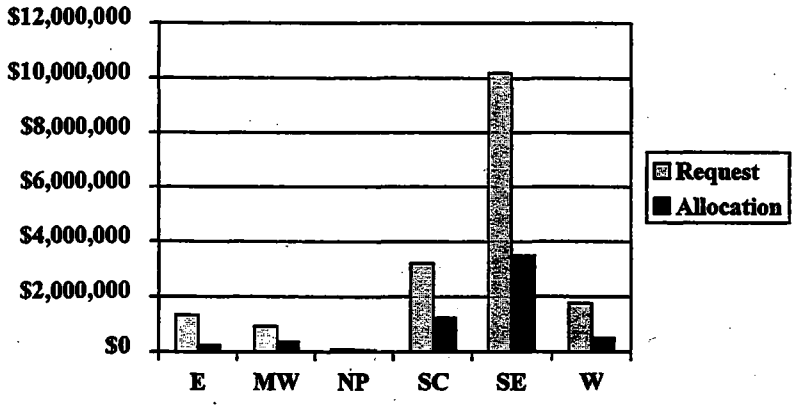
Current Activities: Currently, technical assistance is provided to FIP participants by the State forester. Annually, NRCS allocates 10 percent of its appropriated FIP funds to the U.S. Forest Service (FS). In return, the State foresters, working in conjunction with the FS, are responsible for the technical phase of planning and installing practices. The following three practices: tree planting; improving a stand of forest trees; and site preparation for natural regeneration can be funded by cost-sharing up to 65 percent. The maximum payment limitation is $10,000 per individual per fiscal year. Once an eligible landowner requests assistance through NRCS, a representative of the State forestry agency, who provides technical assistance, examines the landowner's property to certify the need for the practice(s) and to develop a forest management plan.

After a forest management plan is developed and approved by the State forestry agency, landowners may enter into annual agreements. The plan forms the basis of the annual agreement. Long-term agreements are not available. The State forestry agency must certify that the project has been completed satisfactorily before cost-share payments can be made. To be eligible for cost-share assistance, a landowner must:

- Own no more than 1,000 acres of eligible forestland capable of producing at least 50 cubic feet of wood per acre per year. In the public interest, the NRCS State conservationist, with the State forester's concurrence may grant an exception for larger acreage; however, a landowner cannot own more than 5,000 acres;
- Be a private landowner or non-industrial forest;
- Be an individual, group, association, or corporation whose stock is not publicly traded, provided they are not primarily engaged in the business of manufacturing forest products or providing public utility services;
- Be a forest landowner who manufactures forest products on a part-time or periodic basis;
- Have land that is suitable for one of the following:
    - Afforestation;
    - Reforestation of cutover and other nonstocked and understocked forest land; or
    - Intensive multipurpose management and the protection of forest resources.

Interest in FIP far exceeds appropriated amounts. In fiscal year (FY) 1998, requests for FIP funds exceeded the actual allocated amount by 300 percent. The following grapl: provides a breakdown of requests and amounts funded in FY 1998.

Figure 1
1998 FIP Requests vs. Actual Allocations
By NRCS Region



FIP provides cost-share for the following practices:

Planting Trees (FP-1): This practice is intended to increase the production of timber and improve the environment. Site preparation for tree planting is an authorized part of the practice if certified, as necessary, by a representative of the State forestry agency.

Timber Stand Improvement (FP-2): This practice is aimed at increasing the growth of trees on sites suitable for production of saw-timber and veneer logs. Softwood and hardwood improvement practices may qualify. Pre-commercial thinning, pruning of crop trees, and releasing desirable seedlings and young trees are acceptable measures.

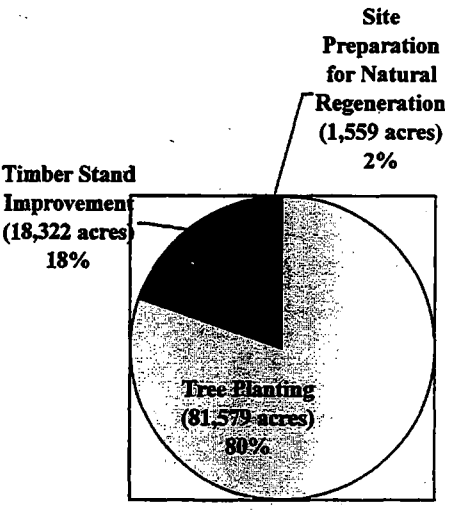
Site Preparation for Natural Regeneration (FP-3): This practice is aimed at establishing a stand of forest trees through natural regeneration for timber production purposes and to preserve and improve the environment.

Special Forestry Practices (SF): A special forestry practice may be approved by NRCS after consultation with the Forest Service when needed for a significant and unique local condition for which the national practices are not adequate.

Figure 2 illustrates the acres of practices installed for fiscal year 1997.

Figure 2

Acres of Practices Installed
FY 1998



The FIP Customer Base: Ensuring Proper Forest Management

With reduced harvesting on public lands and the need to satisfy new and existing markets, timber production on non-industrial private forestland is becoming increasingly essential. Moreover, private non-industrial landowners, possessing less than 1,000 acres are on the rise. Today, approximately 99.7 percent of the private forest landowners each own less than 1,000 acres (Sampson and DeCoster, 1997). Table 1 indicates the responses from landowners when asked if they planned to cut or harvest trees from their land for personal use or sale in the next 10 years. Table 1 indicates that in the categories of 10-999 acres, there are about 1.7 million owners in control of 109 million acres, who indicated an intention to harvest timber in the near future.

Table 1: Intention to Harvest Timber Within the Next 10 Years

Acreage Category	Estimated Number of Owners	Percent of Category	Number of Acres	Percent of Category
1-9	1,391,200	24.01	4,301,000	25.86
10-49	1,100,400	40.20	25,237,000	41.76
50-99	302,600	42.19	20,182,000	42.76
100-499	279,900	50.07	48,123,000	52.52
500-999	24,200	58.60	15,268,000	62.35
1000+	18,900	70.26	136,370,000	89.12
Total	3,117,200	31.58	249,481,000	63.42

(Sampson and DeCoster, 1997)

Benefits of FIP:

While timber production is a primary objective, FIP encourages clean air and water, reduced soil erosion, ground water recharging, reduced downstream flooding, carbon storage, aesthetics, recreation, wildlife habitat enhancement, and other forest benefits.

Selected Examples of Recent Progress:

Table 2: Forestry Incentives Program, Outlays and Number of Participants

Fiscal Year	Outlays	Participants
1989	$10,191,262	5,048
1990	10,759,175	4,760
1991	14,222,122	5,417
1992	12,975,545	5,179
1993	13,122,438	5,467
1994	12,325,814	5,614
1995	9,258,119	4,520
1996	6,555,923	3,124
1997	5,262,406	3,953
1998	6,127,254	3,863

Table 3: Forestry Incentives Program, Number of Acres

Fiscal Year	Tree Planting	Timberstand Improvement	Special Forestry and Site Preparations
1989	164,133	30,533	3,617
1990	150,717	33,199	2,811
1991	176,201	36,447	2,374
1992	161,767	43,192	3,487
1993	175,742	35,426	2,443
1994	188,017	35,263	3,510
1995	141,194	22,540	1,845
1996	105,650	19,403	1,451
1997	106,665	21,706	2,459
1998	81,579	18,322	1,559

NATURAL RESOURCES CONSERVATION SERVICE

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

Resource Conservation and Development:

For necessary expenses in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011; 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), [$35,000,000] $35,265,000, to remain available until expended (7 U.S.C. 2209): Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.

NATURAL RESOURCES CONSERVATION SERVICE

Resource Conservation and Development Program

Appropriations Act, 1999	$35,000,000
Budget Estimate, 2000	35,265,000
Increase in Appropriation	+$265,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Resource Conservation And Development:				
1. Technical Assistance	$35,000,000	$265,000	--	$35,265,000
2. Financial Assistance	--	--	--	--
3. Loan Services	--	--	--	--
Total Available	$35,000,000	$265,000	--	$35,265,000

Project Statement
(On basis of appropriation)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Resource Conservation and Development:							
1. Technical Assistance	$34,317,000	410	$35,000,000	409	+$265,000(1)	$35,265,000	397
2. Financial Assistance	--:	--:	--:	--:	--:	--:	--
3. Loan Services	60,000	--:	--:	--:	--:	--:	--
Total, Appropriation	$34,377,000	410	$35,000,000	409	+$265,000	$35,265,000	397

Project Statement
(On basis of available funds)

Program	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Resource Conservation And Development:							
1. Technical Assistance	$34,593,263	410	$35,406,718	409	-$141,718	$35,265,000	397
2. Financial Assistance	259,468	--:	269,551	--:	-269,551	--:	--
3. Loan Services	--:	--:	--:	--:	--:	--:	--
Total, Direct Obligations	34,852,731	410	35,676,269	409	-411,269	35,265,000	397
Unobligated Balance, Start of Year	(-1,152,000)	--:	(-676,269)	--:	(+676,269)	--:	--
Unobligated Balance, End of Year	(+676,269)	--:	--:	--:	--:	--:	--
Appropriation Total	(34,377,000)	(410)	(35,000,000)	(409)	(+265,000)	(35,265,000)	(397)
Reimbursable Obligations::							
(a) Technical Assist	193,672	4	1,267,000	5	--:	1,267,000	5
(b) Financial Assist	720,850	--:	33,000	--:	--:	33,000	--
Total Reimbursable Oblig	914,522	4	1,300,000	5	--:	1,300,000	5
Obligational Authority	$35,767,253	414	$36,976,269	414	-$411,269	$36,565,000	402

SOURCES OF REIMBURSEMENTS

Project	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Federal Sources	$541,056	$499,000	--	$499,000
Non-Federal Sources	373,466	801,000	--	801,000
Total Reimbursements	$914,522	$1,300,000	--	$1,300,000

OUTLAYS

Project	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Resource Conservation and Development:				
(a) Technical Assistance	$32,090,162	$35,848,231	+$5,765	$35,853,996
(b) Financial Assistance	367,532	387,257	--	387,257
(c) Loan Services	--	--	--	--
Total Outlays	$32,457,694	$36,235,488	+$5,765	$36,241,253

MAIN WORKLOAD FACTORS

		1998 Actual	1999 Estimate	2000 Estimate
Status of Authorized RC&D Areas:				
Areas authorized start of year		290	315	315
Areas Deauthorized in year		--	--	--
New areas authorized in year		25	--	--
Areas authorized end of year		315	315	315
Applications on hand		(32)	(35)	(42)
RC&D Project Activity:				
Project Plans:				
Adopted	During year	3,119	3,100	3,100
	Cumulative	62,737	65,837	68,937
Completed	During year	2,815	2,800	2,800
	Cumulative	44,675	47,475	50,275

Input of Resources to Projects ($ in 1,000's):
(Resources provided for accomplishing completed projects. Includes direct technical and financial assistance attributable to a project.)

-- RC&D resources	During year	$26,900	0	0
-- Other federal	During year	$123,900	$200,000	$200,000
-- State government	During year	$371,200	$300,000	$300,000
-- Local government	During year	$74,800	$100,000	$100,000
-- Non-government	During year	$394,400	$200,000	$200,000

Loan Services Assistance: Funds are provided to Rural Development to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation

and Development funds because the Agricultural Credit Insurance Fund of Rural Development is not available for such expenses. The workload in FY 1998 consisted of providing loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

Item	1998 Actual		1999 Estimated		2000 Estimated	
	No.	Amount	No.	Amount	No.	Amount
1. Loans obligated during year	0	0	0	0	0	0
2. Borrowers outstanding	70	$2,980,000	70	$2,980,000	70	$2,980,000
3. Loans cumulative	292	$29,484,709	292	$29,484,709	292	$29,484,709

Justification of Increases and Decreases

An increase of $265,000 for the Resource Conservation and Development (RC&D) program ($35,000,000 available in 1999) consisting of:

(1) An increase of $265,000 for pay costs.

This increase supports achieving the goals and objectives of the strategic plan. The strategic goals were based on the assumption of a level of funding in the period 1997-2002 that provided the same level of effort as in FY 1997. None of the goals can be achieved in the absence of level buying power. Absorption of pay costs in FY 2000 would reduce NRCS staffing by approximately 11 FTE. NRCS has absorbed this increase several times in past years, and available funds are at a minimal level. Further absorption is not feasible without a reduction in staff. The increased pay cost funds will be used to pay salaries and benefits for existing staff.

Natural Resources Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 Actual and Estimated 1999 and 2000
RESOURCE CONSERVATION AND DEVELOPMENT

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$859,702	10	791,550	10	788,400	10
ALASKA	566,900	3	454,550	3	452,700	3
ARIZONA	534,599	7	527,700	7	525,600	7
ARKANSAS	689,224	6	615,650	6	613,200	6
CALIFORNIA	645,001	6	709,950	6	707,100	6
COLORADO	544,399	9	577,600	9	575,300	9
CONNECTICUT	191,169	3	175,900	3	175,200	3
DELAWARE	127,200	2	87,950	2	87,600	2
FLORIDA	465,799	4	439,750	4	438,000	4
GEORGIA	1,090,356	13	972,450	13	968,600	12
HAWAII	271,201	3	263,850	3	262,800	3
IDAHO	708,769	12	703,600	12	700,800	12
ILLINOIS	668,524	8	615,650	8	613,200	8
INDIANA	698,155	11	615,650	11	613,200	10
IOWA	1,072,640	16	1,055,400	16	1,051,200	16
KANSAS	550,501	8	532,700	8	530,600	8
KENTUCKY	1,191,980	17	1,055,400	17	1,051,200	16
LOUISIANA	592,772	6	527,700	6	525,600	6
MAINE	448,200	6	444,750	6	443,000	6
MARYLAND	321,999	6	263,850	6	262,800	6
MASSACHUSETTS	188,800	3	175,900	3	175,200	3
MICHIGAN	721,481	9	615,650	9	613,200	9
MINNESOTA	707,689	9	620,650	9	618,200	9
MISSISSIPPI	835,125	9	798,829	9	615,300	9
MISSOURI	790,356	12	703,600	12	700,800	12
MONTANA	651,500	10	615,650	10	613,200	10
NEBRASKA	659,795	9	615,650	9	613,200	9
NEVADA	195,300	2	175,900	2	175,200	2
NEW HAMPSHIRE	249,432	2	175,900	2	175,200	2
NEW JERSEY	182,300	3	175,900	3	175,200	3
NEW MEXICO	737,145	12	718,100	12	715,200	12
NEW YORK	615,834	9	631,150	9	628,600	9
NORTH CAROLINA	859,346	13	804,550	13	801,300	13
NORTH DAKOTA	764,900	13	703,600	13	700,800	13
OHIO	736,000	10	615,650	10	613,200	9
OKLAHOMA	797,600	11	703,600	11	700,800	11
OREGON	420,379	6	439,750	6	438,000	6
PACIFIC BASIN	85,400	1	87,950	1	87,600	1
PENNSYLVANIA	709,056	8	703,600	8	700,800	8
PUERTO RICO	329,149	6	263,850	6	262,800	5
RHODE ISLAND	83,990	1	87,950	1	87,600	1
SOUTH CAROLINA	558,500	8	527,700	8	525,600	8
SOUTH DAKOTA	554,851	9	527,700	9	525,600	9
TENNESSEE	759,114	12	834,900	12	831,600	12

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
TEXAS	1,777,850	16	1,753,573	16	1,746,600	15
UTAH	659,999	6	615,650	6	613,200	6
VERMONT	194,267	3	175,900	3	175,200	3
VIRGINIA	446,268	6	439,750	6	438,000	6
WASHINGTON	472,800	4	444,750	4	443,000	4
WEST VIRGINIA	545,059	9	532,700	9	530,600	9
WISCONSIN	473,105	4	439,750	4	438,000	4
WYOMING	371,200	7	356,800	7	355,400	7
EAST REGION	203,091	2	136,100	1	135,600	0
MIDWEST REG	0	0	121,200	0	120,700	0
N. PLAINS REG	0	0	82,900	0	82,600	0
S. CENTRAL REG	25,000	0	46,400	0	46,200	0
SOUTHEAST REG	50,000	0	152,200	0	151,600	0
WEST REGION	131,400	1	134,300	1	133,800	0
CNTRS/INSTITUTES	2,012,482	7	2,158,300	4	2,149,700	0
NHQ - DC	1,768,672	0	3,496,100	0	3,482,100	0
FOREST SERVICE	289,406	2	332,000	5	330,700	5
UNDISTRIBUTED	0	0	502,617	0	411,700	0
Total Available or Estimate	$34,852,731	410	$35,676,269	409	$35,265,000	397

RESOURCE CONSERVATION AND DEVELOPMENT

STATUS OF PROGRAM

The Resource Conservation and Development (RC&D) Program began in February 1964 under authority of Section 102 of the Food and Agricultural Act of 1962 (P. L. 87-703) and other Departmental authorities. Sections 1528-1538 of the Agriculture and Food Act of 1981 have replaced these authorities. This act authorized a program to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and implement programs for resource conservation and development. Through the establishment of RC&D areas, led by a council, the program establishes or improves coordination systems in rural communities and builds rural community leadership skills to effectively utilize Federal, State and local programs for the communities' benefit. The RC&D program authority was extended through 2002 by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act).

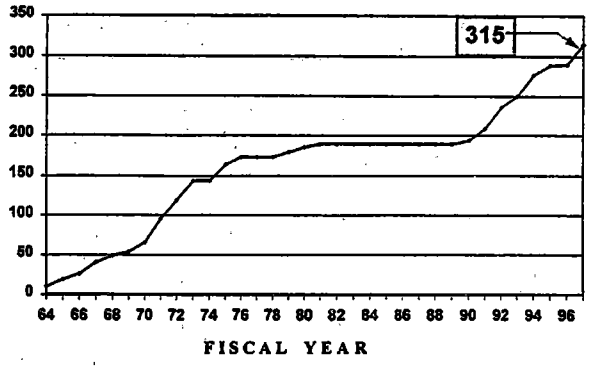
The Natural Resources Conservation Service (NRCS) provides program administration. Assistance is provided, as authorized by the Secretary of Agriculture, to RC&D areas through their organized RC&D Councils. Additional USDA agencies that have conservation or development activities--Economic Research Service, Cooperative State Research, Education and Extension Service, Forest Service, Farm Services Agency, and Rural Development--are involved in development of program policy and guidance as members of the USDA RC&D Policy Advisory Board and Working Group. In addition to administrative support, these agencies provide limited technical and financial assistance to RC&D Councils. Councils also obtain the assistance of other local, State, and Federal agencies; private organizations; and foundations.

The RC&D program is a unique combination of private enterprise and creative federalism, which, encourages the blending of natural resource use with local economic and social values. RC&D Councils and their sponsors, in association with State, local, and Federal governments, and non-profit organizations, initiate and lead the planning and implementation of their locally developed RC&D area plans.

Program objectives address improving the quality of life, including social, economic and environmental concerns; continuing prudent use of natural resources; and strengthening the local citizens ability to utilize available sources of assistance through USDA and other Federal agency partnerships.

Area Operations: Currently, 315 RC&Ds, designated by the Secretary, serve 2,302 counties in all 50 states, the Caribbean, and the Pacific Basin. Thirty-three applicants, awaiting the Secretary's designation, will serve 203 additional counties. The 1990 Food, Agriculture, Conservation and Trade Act limited assistance to not more than 450 active designated areas. Designated areas now serve approximately 73 percent of the counties in the United States.

Number of USDA Designated RC&D Areas



An RC&D area is a locally defined multi-county area, sponsored and directed by a council that will carry out a program encouraging natural resource conservation and utilization, accelerated economic development, and/or improvement of social conditions where needed to foster a sound local economy. The council consists of public and private sector sponsors and other local organizations that represent a diverse cross-section of community interests. Sponsors include county and city governments, soil and water conservation districts, substate districts, tribal governments, and other interested private organizations in the area. This grassroots involvement is highly valuable in shaping decision-making at the local level.

The council holds public meetings to identify community concerns, needs, and problems within its area. The council develops an area plan, with assistance from Federal agencies that states goals, objectives, and action items to address the local communities' priorities and concerns. The council then proceeds to collect information about identified problems, develops alternatives, and recommends solutions. Implementation of an action item may include one step or a full range of steps, such as problem identification, development of alternatives, plan development, funding, and implementation.

RC&D program funds provide technical assistance in the form of a USDA RC&D coordinator to the council. The RC&D coordinator is a facilitator for the local people to build and implement their individualized and locally determined program, as identified in the area plan. Coordinators work closely with councils to plan, develop, and implement their area plan. The coordinator acts as a team coach, facilitator, liaison, and technical consultant to assist the council in its activities. He or she is a vital and important link between the RC&D council, it's other partners, and USDA. The goal is an empowered, self-sufficient Council that has the capacity to build effective public/private partnerships, resulting in strong rural community leadership and accomplishment

Status of Resource Conservation and Development Program
As of September 30, 1998

State	Area Applications on Hand			Areas Designated for Assistance		
	No.	Acres	Counties	No.	Acres	Counties
Alabama	--	--	--	9	32,898,231	67
Alaska	5	77,120,000	--	5	119,404,000	6
Arizona	--	--	--	6	90,243,391	27
Arkansas	--	--	--	7	33,314,813	75
California	--	--	--	7	49,745,945	30
Colorado	--	--	--	6	49,939,073	42
Connecticut	--	--	--	2	3,127,056	8
Delaware	--	--	--	1	1,265,920	3
Florida	--	--	--	5	18,500,950	34
Georgia	--	--	--	11	29,427,813	126
Hawaii	1	384,125	1	3	3,699,685	3
Idaho	--	--	--	8	56,971,949	40
Illinois	2	3,573,090	12	7	18,942,839	56
Indiana	--	--	--	7	13,749,678	55
Iowa	--	--	--	12	24,006,617	66
Kansas	2	7,209,152	14	6	21,149,240	43
Kentucky	2	2,001,324	13	12	22,835,812	102
Louisiana	--	--	--	6	25,031,761	54
Maine	--	--	--	5	19,106,313	16
Maryland	--	--	--	3	4,540,502	17
Massachusetts	--	--	--	2	3,988,405	10
Michigan	1	3,324,300	7	7	32,271,415	71
Minnesota	1	3,369,020	9	7	42,896,598	59
Mississippi	--	--	--	6	33,084,254	82
Missouri	1	3,052,339	8	8	27,021,426	67
Montana	--	--	--	7	78,379,167	49
Nebraska	2	4,261,280	13	7	34,612,532	57
Nevada	--	--	--	2	32,319,607	9
New Hampshire	--	--	--	2	5,871,374	10
New Jersey	--	--	--	2	4,416,936	17
New Mexico	--	--	--	8	84,320,670	33
New York	--	--	--	7	26,789,933	48
North Carolina	1	1,445,230	5	9	17,613,928	57
North Dakota	--	--	--	8	44,405,257	53
Ohio	2	5,572,040	18	7	20,425,737	68
Oklahoma	1	6,976,534	8	8	36,378,176	67
Oregon	--	--	--	5	34,474,233	29
Pacific Basin	--	--	--	1	896,000	2
Pennsylvania	1	2,218,531	6	8	25,452,562	58
Puerto Rico	1	520,555	1	3	1,665,883	8
Rhode Island	--	--	--	1	677,120	5
South Carolina	--	--	--	6	17,555,680	42
South Dakota	--	--	--	6	35,186,978	36
Tennessee	1	1,431,700	5	8	15,599,399	61
Texas	5	42,359,576	46	18	126,875,332	206
Utah	2	9,617,981	8	5	46,403,945	25

State	Area Applications on Hand			Areas Designated for Assistance		
	No.	Acres	Counties	No.	Acres	Counties
Vermont	--	--	--	2	6,107,890	14
Virginia	--	--	--	5	9,568,262	39
Washington	2	4,489,600	6	5	24,045,920	17
West Virginia	--	--	--	6	15,477,529	54
Wisconsin	1	3,127,680	9	5	27,700,110	50
Wyoming	1	8,550,400	2	4	54,696,653	21
TOTALS	33	181,101,536	203	315	1,614,814,202	2,302

For multistate areas in the above table, the number of applications and areas designated is tabulated for the States having leadership and responsibility for the RC&D area. The "Acreage" column reflects actual acreage in each State covered by the applications or areas. The "Counties" column reflects whole and parts of counties in the States in which they are located and not in the State that has leadership. For States having portions of counties in more than one designated RC&D area, or on file as an application, the "Counties" column reflects no duplications.

Program Support: Administrative leadership for this program is assigned to NRCS which provides the council support in the form of a staff person, the USDA RC&D coordinator, and an office. NRCS and other USDA agencies provide USDA planning assistance, as well as technical assistance for implementing the plan, with expertise on the specific issues involved.

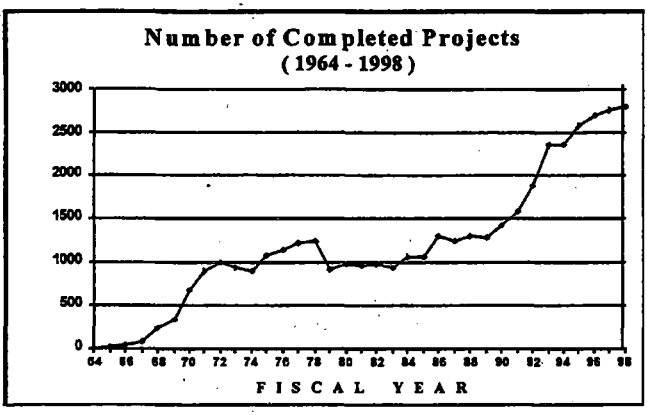
The Forest Service (FS) provides assistance to councils and their committees as requested by individual councils. This is accomplished primarily through State forestry agencies. The Cooperative State Research, Education and Extension Service (CSREES) provides arrangements for State Cooperative Extension Service in selected RC&D areas to provide educational assistance to meet the councils' special needs. The Rural Development (RD) services RC&D loans that have been made under the Bankhead-Jones Farm Tenant Act, Public Law 75-210, as amended, to local organizations for financing the local share of the cost of installing approved RC&D projects in designated areas.

In addition, other USDA agencies, and agencies from other departments. provide assistance to RC&D councils within their existing authorities and programs as needed. State and local units of government also participate, as well as foundations and private businesses. Thus, RC&D activities are broader than those created by assistance from USDA alone. The RC&D councils rely on the USDA assistance to ensure that their efforts are technically sound and to leverage support from other sources.

The RC&D program is continuing to respond to management recommendations identified in FY 1995, and councils are continuing to place high priority on the more diversified activities in the area of rural development.

Program Accomplishments: RC&D Councils undertake projects to accomplish the goals set out in their area plans. Since 1964, 38,588 projects have been completed by RC&Ds nationwide. A total of 2,815 RC&D projects were completed in FY 1998 alone. These projects were completed with a combination of NRCS and USDA RC&D technical assistance, NRCS RC&D challenge grants, and financial assistance from other sources. Councils are adopting and completing projects that will help their communities socially and economically over the long term.

Projects undertaken by RC&Ds include natural resource improvement, community improvement, forestry, education, economic development, water quantity and quality, recreation and tourism, marketing and merchandising, fish and wildlife, and waste and waste utilization.

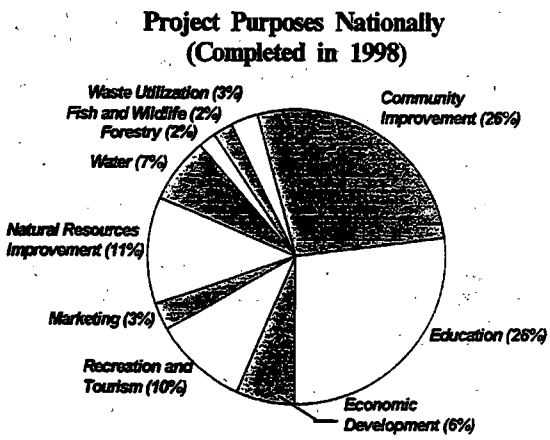


Natural resource improvement projects include resource base protection such as soil erosion control, noxious plant and pest control, streambank improvement, preservation of prime land, composting, and mine reclamation; resource studies such as soil, water, plant, and wildlife; energy conservation and alternative sources of energy such as biomass other than wood; and recycling of glass, metals, paper, wood, and furniture.

Community improvement projects can be defined as improving community infrastructure; performing studies on zoning and ordinances, facilities or services needed; constructing and improving public trails; and installing public resources. These can include building community centers; improving old community buildings; constructing, improving or repairing subsidized housing (apartments, single family homes, halfway houses, retirement homes); improving roads; improving and restoring parks, walking and bike trails; and installing dry fire hydrants.

Forestry projects can include performing environmental improvements on forested areas; improving management of forests such as land treatment for production; providing education on safety or harvesting techniques; developing or expanding forest related industries such as log cabins, truss frames, fuelwood, or wood craft; developing energy sources such as wood waste for energy; developing or improving value added forestry related products; establishing cooperatives; performing studies such as forest inventories, species, or forest products; and improving rural road infrastructure with timber bridges.

Education projects cover environmental education, conservation studies, and council awareness. Projects include outdoor classrooms; public school programs; job training programs; community awareness activities; agriculture and forestry demonstrations; equipment and technique demonstrations such as no-till drills or specialized tree planters; organizing community events such as fairs or rallies; preparing brochures, videos, or displays; and disseminating information about the RC&D program.



Economic development projects include studies such as producer surveys, marketing surveys, or feasibility studies; assisting with grant, loans, or other financing; assisting in the formation or expansion of agriculture or natural resource related businesses such as farm equipment or other agriculture related suppliers, manufacturing, bed & breakfast/motel, or other businesses involved with value-added products. Projects can include improvement of agricultural production such as crop, pasture and range, livestock, and dairy.

Water projects are aimed at the improvement of surface and groundwater quality and quantity. Many deal with pollution control and dispersing water. Projects can include watershed management; construction or rehabilitation of irrigation, flood control and water drainage systems; construction or rehabilitation of aquaculture, wastewater treatment and purification operations; and the efficient use of aquifers.

Recreation and tourism projects include feasibility studies; establishment or improvement of water-based recreational areas for swimming, boating, and canoeing, boat launch sites; establishment or improvement of non water-based recreational areas such golf courses, rodeo arenas, trails, or ball parks; historic site preservation; establishment or upgrade of a tourist attraction; and promotional activities of local tourist attractions such as brochures, place mats, or commercials.

Marketing and merchandising projects include studies; formation of cooperatives, or associations; development of business or marketing plans; and development of advertising and promotional materials for businesses.

Fish and Wildlife projects concentrate on the protection, improvement or development of fish and wildlife habitat.

Waste and waste utilization projects include: efficient and environmentally sound disposal of animal waste; development or improvement of a landfill; waste collection; solid waste disposal; and composting.

NATIONAL SUMMARY OF RC&D OUTCOMES AS OF SEPTEMBER 30, 1998

	ADOPTED		PLANNED		COMPLETED		AMOUNT	
	FY98	TO DATE	FY98	TO DATE	FY98	TO DATE	FY98	TO DATE
							($1,000)	
Natural Resource Improvement	364	13,382	337	10,690	308	9,658	$113,130	$1,409,253
Community Improvement	758	12,963	708	10,495	748	9,040	817,742	3,223,908
Recreation-Tourism	316	7,581	274	5,570	284	4,487	312,288	1,206,583
Information-Education	789	8,829	784	7,682	734	6,879	96,121	629,770
Forestry	69	1,417	62	1,111	59	1,022	2,462	88,724
Water & Water Quality	86	4,922	88	3,526	76	2,671	16,591	707,858
Economic Development	211	3,214	211	2,761	166	2,198	54,719	701,975
Fish and Wildlife	58	897	58	649	47	485	29,463	255,931
Marketing and Merchandising	114	1,405	104	1,162	89	880	104,140	243,925
Waste and Waste Utilization	222	1,301	202	1,053	202	820	248,502	329,729
Other	132	3,837	137	2,886	102	2,863	66,935	315,417
TOTAL	3,119	59,728	2,965	47,585	2,815	41,003	$1,862,093	$9,113,073

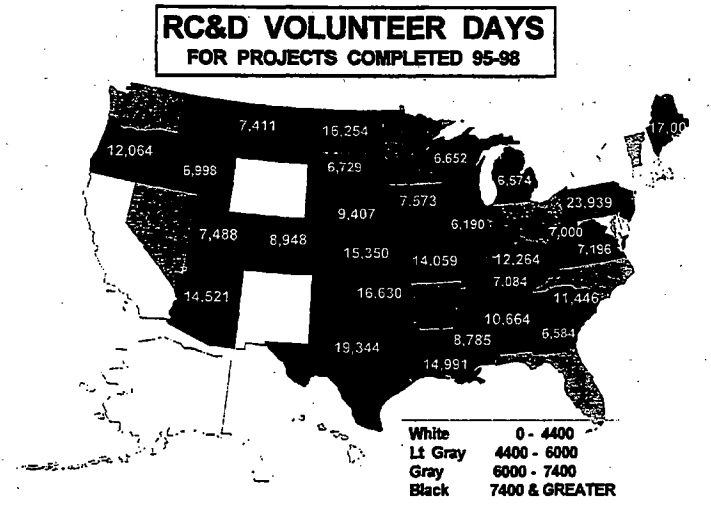
Indicators used in the NRCS RC&D database are providing several measures of success for the RC&D areas. Areas from 45 states have indicated that councils and their partners have created 237 new businesses, helped expand approximately 2,200 businesses resulting in 2,208 jobs. The councils have been very effective in obtaining external grant funds, bringing in over $115,500 million for projects completed this year.

Efforts to improve natural resources have resulted in improvement of 800,000 acres of wildlife habitat, improvement of 199,000 acres of lakes, and 14,700 miles of streams.

Educational projects have helped 546,000 people develop new skills. All projects have helped 256,000 economic or socially disadvantaged people.

These accomplishments have been achieved as the result of 11,600 partners participating in RC&D council projects. This shows the ability of councils to bring all players together to benefit local communities.

More information on the RC&D program and linkages to individual RC&D council homepages can be found on the NRCS RC&D homepage at http://www.ftw.nrcs.usda.gov/rcnd_2.html.



FY 1998 Challenge Grant Projects

NRCS awarded $1.05 million of the FY 1998 RC&D appropriation as competitive "Challenge Grant" funds to designated RC&D councils nationwide. These dollars funded 114 projects in 47 States, Puerto Rico, and the Virgin Islands. The challenge grants are being used for projects that address priority natural resource and economic development issues, capacity building for community leadership, outreach to encourage participation in RC&D program efforts by underrepresented and limited resource groups and individuals and partnerships for innovative rural development activities. These priority issues are directly related to the objectives in the NRCS strategic plan.

The 114 projects were selected from more than 300 proposals seeking over $3 million in requested assistance. Many of the projects include leveraged resources. All of the challenge grants projects will contribute to NRCS' strategic plan objectives. These projects are underway and are expected to be completed over the next two to three years.

The following are examples of a number of projects that were funded with challenge grants:

The Sycamore Trails RC&D Council of Indiana completed two workshops designed to assist leaders in rural areas in solving their communities' problems. Officials from RD, NRCS, Indiana Department of Commerce, the West Central Indiana Development District joined with private sector financing experts in presenting potential sources for technical and financial assistance. The workshops were given high marks by attendees, which included 45 community leaders and citizen activists from county and town councils, township trustees, county auditors, school systems, county Cooperative Extension offices, community foundations, economic development councils, citizen groups, park boards, and historical societies. These workshops gave the attendees a 'road map' to find ways to improve the lives of area citizens. The challenge grant also provided a number of scholarships to a grant writing workshop that taught representatives of local community organizations how to find funding for their specific projects.

The Pathfinders RC&D Area of Iowa received a challenge grant to assist the small limited resource community of Mt. Sterling, Iowa, to address their wastewater disposal problems. The challenge grant funds are being used to prepare a preliminary engineering report and engineering design for an innovative and feasible sanitary sewer system. Mt. Sterling lacks a sewer disposal system and has been sited by the Iowa Department of Natural Resources for water quality violations. Immediately adjacent, and down hill, from the city is the State owned Fox River Wildlife Management Area. The State is in the process of developing 210 acres of open water wetlands. The proposed innovative wastewater system (clustered septic tanks, modified drainfields, and wastewater wetlands) is projected to be approximately half the cost of a conventional centralized collection and treatment system designed for small communities. The project is on schedule. Public participation included community surveys and income documentation of each household. A community plan and preliminary engineering report have been completed. Grant and loan applications have been completed.

The Huron Pines RC&D of Michigan received a challenge grant for their "Great Lakes Better Backroads Education Program." The purpose of this program is to improve the water quality in the Great Lakes region by providing techniques and hands-on instruction for the design and maintenance of non-paved backroads. Improperly designed or maintained backroads are a major source of sedimentation and water pollution in watersheds. The RC&D formed a steering committee for this projects, prepared and published a guidebook, presented seven workshops and distributed the guidebooks in conjunction with the workshops and to various organizations in northern Michigan. This project resulted in a stronger working relationship between resource agencies, road commissions, departments of transportation, public groups and sportsmen. The guidebook provides a useful resource for anyone associated with road maintenance and surface water conveyance. The RC&D was able to leverage the $5,000 challenge grant funds by over a factor of three by bringing in over $16,000 in additional funds.

Other Selected Examples of Progress by RC&D Councils:

The following examples of council activities reflect the concepts behind the RC&D program and what makes it a truly unique government program. These concepts include: the value of public/private partnerships in making the best use of limited resources; the value of grass-roots involvement in addressing local and regional issues; bringing USDA and other agencies together to focus on common problems and opportunities; leveraging limited Federal funds with private funds to accomplish goals; and achieving a balance between rural economic development and natural resource protection.

The Central Florida RC&D Council has taken the lead in providing preventative solutions to the affordable housing problem in Polk County. The Central Florida Homebuyers Club is a pre-purchase, purchase, and foreclosure prevention home ownership counseling organization. The Club delivers information, education, guidance, and support services on an individualized and confidential basis to Polk County residents with the goal of owning their own home.

The Shawnee RC&D Council of Illinois received a $500,000 grant from the Illinois Environmental Protection Agency for reforestation of 2,200 acres within the Cache River Watershed. To date 1,600 acres of highly eroding cropland and riparian areas have been reforested. The project is scheduled to continue through June 1999.

The Trinity RC&D Council of California is working with the U.S. Forest Service in developing a use permit for the Indian Valley facility--a surplus Forest Service Guard Station located southwest of Hayfork, California in the Shasta-Trinity National Forest. Plans include renovating and reopening the facility as an education/recreation retreat camp for use by various groups including Trinity County Youth Outreach and other family counseling programs. Numerous partnerships have been created with local agencies who want

to take part in the development and use of the facility. The project will serve as a model for similar projects involving other surplus Forest Service sites.

The Big Springs RC&D of Missouri held its Second Annual Sawdust Application as a Soil Amendment Field Day in June. This project is evaluating the effectiveness of applying aged sawdust as a top dressing to enhance forage production. Problems being addressed with this project include: enhancing the ability of Ozark soils to retain and improve nutrients and increase moisture holding capacity of the soil; increasing the organic matter of the soil and improve soil fertility for increased forage production; and attempting to find a use for an under-utilized resource (aged sawdust) from the area.

The South Jersey RC&D Council of New Jersey held a groundbreaking ceremony in September 1998 at Rowand Pond Wildlife Management Area in Camden County, NJ. The event culminates a seven-year struggle to obtain design specifications and funding to restore a 100-year-old millpond. NRCS designed the "new" water control structure. "New" in the fact that the structure is being built using recycled plastic manufactured into conventional sized lumber. This was a first for the agency, a first for the material, and a first in the world--a plastic lumber spillway.

In early 1998, the East Central Colorado RC&D of Colorado coordinated a new locally led regional partnership focusing on water quality education. Most regions, rural, and urban alike are plagued by a multitude of abandoned wells that often number in the thousands. Five Soil Conservation Districts, along with State natural resource & health agencies, local groundwater management districts, NRCS, and Colorado State University Cooperative Extension cooperated to develop an educational program on water quality in the Ogallala region. The RC&D is also coordinating production of a video and a brochure as materials for distribution from this program.

The Arkansas River Valley RC&D of Arkansas has a very successful RC&D Dry Hydrant and Rural Fire Protection Program. Residents in the BDR Rural Fire District, in Crawford County, AR, have seen a 45% reduction in their homeowners' insurance rates as a result of this program. This fire district serves over 10,000 residents and protects almost 3,100 homes in the communities of Bond Special, Dean Springs, and Rudy, AR. It is estimated that the homeowners will save over $1,000,000 annually in insurance costs.

The Northeast Mississippi RC&D Council facilitated and coordinated the Noxubee County Farmers Market Project. County officials, church leaders, State and Federal agencies joined the Beat Four (4) Farm Cooperative in construction of a vegetable and fruit marketing facility, which will sell the produce of Noxubee County, MS, farmers. The Noxubee County Board of Supervisors gave the lease for the co-op site. The Council facilitated the raising of over $40,000 and in-kind services for this project.

NATURAL RESOURCES CONSERVATION SERVICE

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

Farmland Protection Program:

For necessary expenses in providing financial and technical assistance to State, local, and tribal governments for the preservation of farmland through permanent easements, as authorized by section 388 of the Federal Agriculture Improvement and Reform Act (7 U.S.C. 7201), $50,000,000 to be derived from the Land and Water Conservation Fund, to remain available until expended.

NATURAL RESOURCES CONSERVATION SERVICE

Farmland Protection Program

Appropriations Act, 1999	--
Budget Estimate, 2000	$50,000,000
Increase in Appropriation	+50,000,000

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

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Farmland Protection Program	--	--	+$50,000,000	$50,000,000

Project Statement - Current Law

	1998 Actual		1999 Estimated		Increase	2000 Estimated	
		Staff		Staff	or		Staff
Program	Amount	Years	Amount	Years	Decrease	Amount	Years
Farmland Protection Prog.	--:	--:	--:	--:	+$48,000,000	$48,000,000:	--
Technical Assistance	--:	--:	--:	--:	+2,000,000	2,000,000:	24
Total, FPP	--:	--:	--:	--:	+50,000,000(1):	50,000,000:	24

Justification of Increases and Decreases

(1) An increase of $50,000,000 in discretionary funding for the Farmland Protection Program (FPP) in support of the President's Land Legacy Initiative.

This increase for FPP is proposed as part of the President's Land Legacy Initiative to be derived from the Land and Water Conservation Fund. These funds, along with increases in other accounts, highlight the Administration's commitment to making new tools available to States, tribes, local governments, and private partners to protect great places; to conserve open space for recreation and wildlife habitat; and to preserve forests, farmlands, and coastal areas.

The FPP was established to protect farmland from urban development and other nonagricultural land conversions; preserve farmland for future generations; maintain, restore, and enhance ecosystems; protect historical landscapes, scenic beauty, and open space; and sustain rural economic stability and development.

The FPP meets these goals by providing matching funds (up to 50 percent of the fair market easement value) to State, local, and tribal governments and land trusts to leverage their farmland preservation efforts. To be eligible, a land trust or State, local, or tribal government must have a farmland protection program that provides for the purchase of permanent farmland easements, and it must have pending offers. Under the proposal, eligible entities would submit funding applications to NRCS. Program application would be prioritized based on criteria such as quality of the land (including environmental, historical, and scenic qualities), likelihood of conversion, and availability of nonfederal funds.

Necessary technical assistance to administer this program of $2 million is reflected within the $50 million appropriation request.

NATURAL RESOURCES CONSERVATION SERVICE

Wetlands Reserve Program
(Appropriated Funds)

NOTE: The 1996 FAIR Act re-authorized the WRP with funding provided by the Commodity Credit Corporation (CCC) beginning FY 1997. Current account balances will remain within the account until expended. Funds are no longer requested under the appropriated account.

Project Statement
(On basis of available funds)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 estimated Amount	1999 estimated Staff Years	Increase or Decrease	2000 estimated Amount	2000 estimated Staff Years
Easement payments	$1,053,436	--	--	--	--	--	--
Easement overhead costs	--	--	$644,581	--	-$644,581	--	--
NRCS Technical Assistance	17,657,091	238	$3,373,000	44	-1,373,000	$2,000,000	25
Total Direct Obligations	18,710,527	238	4,017,581	44	-2,017,581	2,000,000	25
Unobligated balance brought forward	(-24,728,108)	--	(-6,017,581)	--	(+4,017,581)	(-2,000,000)	--
Unobligated balance carried forward	(+6,017,581)	--	(+2,000,000)	--	(-2,000,000)	--	--
Adjusted Appropriation	(0)	--	(0)	--	(0)	--	--
Reimbursable Oblig.	65,901	1	0	--	0	--	--
Obligational authority	$24,794,008	239	$4,017,581	44	-$2,017,581	$2,000,000	25

NOTE: Since 1997, the technical assistance activities for the WRP CCC funded program, through the use of unobligated WRP appropriated funds. It is expected that unobligated balances will be fully utilized in FY 2000.

OUTLAYS

	1998 Actual	1999 Estimate	Increase or Decrease	2000 Estimate
Wetlands Reserve Program	$32,567,920	$29,492,267	-$27,492,267	$2,000,000

Natural Resources Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 Actual and Estimated 1999 and 2000
WETLANDS RESERVE PROGRAM

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$34,400	--	$20,000	--	--	--
ARIZONA	--	--	--	--	--	--
ARKANSAS	1,249,649	18	--	--	--	--
CALIFORNIA	974,399	13	100,000	1	--	--
COLORADO	370,871	6	--	--	--	--
CONNECTICUT	-12,201	0	--	--	--	--
DELAWARE	1,208	0	--	--	--	--
FLORIDA	785,970	8	--	--	--	--
GEORGIA	309,800	4	--	--	--	--
HAWAII	25,100	--	--	--	--	--
IDAHO	169,400	3	--	--	--	--
ILLINOIS	239,493	7	85,000	1	--	--
INDIANA	173,177	4	--	--	--	--
IOWA	1,025,399	13	243,500	3	--	--
KANSAS	69,066	1	--	--	--	--
KENTUCKY	353,841	3	--	--	--	--
LOUISIANA	1,724,660	23	223,000	3	--	--
MAINE	2,000	--	--	--	--	--
MARYLAND	-62,902	--	17,000	--	--	--
MASSACHUSETTS	200	--	1,000	--	--	--
MICHIGAN	615,360	6	167,000	2	--	--
MINNESOTA	715,201	8	--	--	--	--
MISSISSIPPI	371,771	8	--	--	--	--
MISSOURI	1,204,100	19	--	--	--	--
MONTANA	778,601	10	184,000	2	--	--
NEBRASKA	313,816	4	--	--	--	--
NEVADA	--	--	9,000	--	--	--
NEW HAMPSHIRE	-111,630	--	--	--	--	--
NEW JERSEY	1,900	--	--	--	--	--
NEW YORK	1,206,553	11	133,000	2	--	--
NORTH CAROLINA	319,633	5	43,000	1	--	--
NORTH DAKOTA	9,200	--	55,000	1	--	--
OHIO	326,999	6	227,000	3	--	--
OKLAHOMA	1,948,500	6	248,000	4	--	--
OREGON	1,112,197	8	160,000	2	--	--
PENNSYLVANIA	45,264	--	59,000	1	--	--
PUERTO RICO	7,070	--	81,000	1	--	--
SOUTH CAROLINA	262,510	4	144,000	2	--	--
SOUTH DAKOTA	173,196	9	332,000	5	--	--
TENNESSEE	-13,389	2	212,000	3	--	--
TEXAS	263,600	5	210,000	3	--	--
UTAH	303,998	4	--	--	--	--
VERMONT	9,778	--	--	--	--	--
VIRGINIA	36,365	--	38,000	--	--	--

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
WASHINGTON	438,999	6	--	--	--	--
WEST VIRGINIA	36,800	1	33,000	--	--	--
WISCONSIN	817,050	11	225,000	3	--	--
WYOMING	98,601	2	70,000	1	--	--
NAT'L INFO TECH	25,003	--	--	--	--	--
NATIONAL HEADQUARTERS	-40,049	--	--	--	--	--
UNDISTRIBUTED	--	--	698,081	--	--	--
Total Available or Estimate	$18,710,527	238	$4,017,581	44	$2,000,000	25

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE

Wetlands Reserve Program

Budget Estimate, 1999	$127,870,000
Budget Estimate, 2000	207,065,000
Increase in CCC Funding	+$79,195,000

SUMMARY OF INCREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Wetlands Reserve Program	$118,070,000	--	+$72,707,000	$190,777,000
Technical Assistance [1/]	9,800,000	--	--	9,800,000
Total available CCC	127,870,000	--	+72,707,000	200,577,000
Additional Tech. Assistance over Section 11 Cap	--	--	+6,488,000	6,488,000
WRP Program Costs [2/]	$127,870,000	--	+$79,195,000	$207,065,000

[1/] Technical assistance is funded from the CCC Charter Act Section 11 authorities. FY 1999 however, includes the use of $3.3 million in technical assistance costs funded from unobligated balances of the appropriated WRP account not shown here. This figure includes funds provided to other Federal agencies for technical assistance and costs associated with monitoring acreage after easements are recorded.

[2/] Funding shows amounts anticipated to be needed.

Project Statement
(On basis of appropriation)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Wetlands Reserve Prog.	$193,597,000	--	$118,070,000	--	+$72,707,000(1)	$190,777,000	--
Technical Assistance [1/]	--	--	9,800,000	127	--	9,800,000	123
Total available CCC	193,597,000	--	127,870,000	127	+72,707,000	200,577,000	123
Additional Tech. Assist Over CCC Sect. 11	--	--	--	--	+6,488,000(2)	6,488,000	81
WRP Program Costs	$193,597,000	--	$127,870,000	127	+$79,195,000	$207,065,000	204

Project Statement
(On basis of available funds)

Project	1998 Actual Amount	Staff Years	1999 Estimated Amount	Staff Years	Increase or Decrease	2000 Estimated Amount	Staff Years
Wetlands Reserve Prog...	$211,777,151	--	$118,070,000	--	+$72,707,000	$190,777,000	--
Technical Assistance [1]...	--	--	9,800,000	127	--	9,800,000	123
Total available CCC	$211,777,151	--	$127,870,000	127	+$72,707,000	$200,577,000	123
Additional Tech. Assist.							
Over CCC Sect. 11	--	--	--	--	+6,488,000	6,488,000	81
CCC-WRP Prog. Costs...	$211,777,151	--	$127,870,000	127	+$79,195,000	$207,065,000	204
Appr. WRP Tech. Asst...	17,657,091	238	3,373,000	44	-1,373,000	2,000,000	25
Total, All Funds.....	$229,434,242	238	$131,243,000	171	$77,822,000	$209,065,000	229

OUTLAYS

	1998 Actual	1999 Estimate	Increase or Decrease	2000 Estimate
Wetlands Reserve Program ..	$88,421,800	$179,252,000	$29,907,000	$214,397,000

Justification of Increases

(1) An increase of $72,707,000 in CCC costs for increased WRP permanent easement associated costs, non-permanent easement associated costs, restoration cost-share agreement associated costs, associated with enrolling over 199,000 acres in WRP and restoration repair through the Commodity Credit Corporation (CCC).

The WRP is a mandatory program, authorized under Section 1237 of the Food Security Act, as added by Section 1438 of the Food, Agriculture, Conservation, and Trade Act of 1990, as amended by the 1993 Omnibus Budget Reconciliation Act, as amended by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act). The WRP is one component of the larger Environmental Conservation Acreage Reserve Program (ECARP), which also includes the Conservation Reserve Program (CRP), and the Environmental Quality Incentives Program (EQIP).

The 1996 Act modified the WRP by changing the funding source, extending the duration of the program, adding cost-share agreements, types of easements offered, and restructuring the contract payment terms and length.

The 1996 Act authorized the Secretary not to exceed 975,000 acreage enrollment by the end of 2002 under current law. Actual acreage enrollment through FY 1998 was 665,447. For FY 1999, estimated funding will provide enrollment of 120,000 acres, as authorized by the 1999 Appropriations Act. For the FY 2000 budget, approximately 199,826 acres are proposed for enrollment resulting in a cumulative WRP acreage enrollment of 975,000 acres through FY 2000 in support of the Clean Water Action Plan.

In order to reach the 975,000 acre limitation and minimize the impact of WRP enrollment acreage lost due to title and lien problems and program participant drop-out, the budget request assumes the enrollment of 199,826 acres reflecting the re-enrollment of approximately 10,000 acres.

The proposed budget recognizes the environmental, social and economic importance of wetlands. Wetlands provide fish and wildlife habitats, maintain ground water supplies and water quality, protect shorelines from erosion, store floodwaters, trap sediments, and provide recreational and educational opportunities. The WRP provides a means for protecting valuable wetland resources through a voluntary approach. Landowner interest has been very strong with easement offers far exceeding projected enrollment levels. The continued use of voluntary programs such as the WRP will reduce the net loss of our nation's wetlands and provide the mechanism to address future wetlands issues.

Approximately 100,000 million acres of wetlands have been destroyed since colonial settlement. Losses continue to exceed wetland gains by an estimated 100,000 acres each year. At this rate, achieving a no net loss of wetland acres per year would require an increase in gross wetland gains of 200,000 acres annually. The Nation continues to face serious economic, social, and ecological programs as a direct result of wetland loss. The Wetlands Reserve Program (WRP) is the cornerstone of the Federal effort to reverse the wetland loss trend.

Additionally, landowner interest in the program continues to far exceed program acreage and funding restrictions. In 1998, the national ratio of eligible offered acres to enrolled acres was approximately 2.5:1. This ratio varies significantly on a regional level. The highest level of demand at 4:1 is in the NRCS South Central Region which includes Arkansas, Louisiana, Oklahoma and Texas. The high demand is expected to continue.

Based on an evaluation of WRP program activity and an assessment of land values under a nationwide program to include such States as California, Florida, Washington, and Iowa adjusted the program cost rates are included in the budget proposal. These adjusted rates reflect higher land values in certain areas of the country, the overall inflating land values nationwide, improvements in the level of restoration, and inflation. The rate adjustments are as follows:

	FY 1999	FY 2000	CHANGE
Permanent easements:	$900	$950	+$50
Installment payments:	$180	$190	+$10
Restoration costs:	$150	$185	+$35
Easement overhead:	$25	$35	+$10
NRCS technical assistance:	$70	$70	n/c
Other technical assistance:	$5	$5	n/c
Non-permanent easements:	$675	$800	+$125
Installment payments:	$135	$160	+$25
Restoration costs:	$112.50	$139	+$26.5
Easement overhead:	$45	$35	-$10
NRCS technical assistance:	$70	$70	n/c
Other technical assistance:	$5	$5	n/c
Restoration agreements:	$150	$235	+$85
NRCS technical assistance:	$70	$70	n/c
Other technical assistance:	$5	$5	n/c
Monitoring costs:	$5	$5	n/c

WRP supports the Strategic Plan goal of a healthy and productive land that sustains food and fiber production, sustains functioning watersheds and natural systems, enhances the environment, and

improves urban and rural landscapes. Additionally, it supports objectives 1.2 Healthy Watersheds providing clean and abundant water supplies for people and the environment and 1.4 Healthy and productive wetlands sustaining watersheds and wildlife.

(2) $18.288 million is needed in technical assistance funding to complete the proposed WRP acreage enrollment, to provide for the monitoring of previously enrolled acreage, and to make any necessary modifications to existing contracts. Of this amount, the budget proposes to fund $2 million from unobligated balances of WRP appropriation and $9.8 million through transfers under CCC Charter Act, section 11 authority.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 Actual and Estimated 1999 and 2000
CCC Conservation Program
(WETLANDS RESERVE PROGRAM)

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$310,000	--	--	--	--	--
ARIZONA	2,600,982	--	--	--	--	--
ARKANSAS	11,516,280	--	--	--	--	--
CALIFORNIA	20,099,500	--	--	--	--	--
COLORADO	1,898,208	--	--	--	--	--
CONNECTICUT	0	--	--	--	--	--
DELAWARE	0	--	--	--	--	--
FLORIDA	21,043,796	--	--	--	--	--
GEORGIA	2,814,182	--	--	--	--	--
HAWAII	277,200	--	--	--	--	--
IDAHO	3,738,690	--	--	--	--	--
ILLINOIS	11,240,172	--	--	--	--	--
INDIANA	4,816,574	--	--	--	--	--
IOWA	18,834,130	--	--	--	--	--
KANSAS	901,764	--	--	--	--	--
KENTUCKY	3,164,286	--	--	--	--	--
LOUISIANA	17,707,829	--	--	--	--	--
MAINE	528,241	--	--	--	--	--
MARYLAND	480,697	--	--	--	--	--
MASSACHUSETTS	0	--	--	--	--	--
MICHIGAN	6,544,500	--	--	--	--	--
MINNESOTA	5,348,657	--	--	--	--	--
MISSISSIPPI	8,117,500	--	--	--	--	--
MISSOURI	11,347,778	--	--	--	--	--
MONTANA	8,256,348	--	--	--	--	--
NEBRASKA	2,633,252	--	--	--	--	--
NEW HAMPSHIRE	104,512	--	--	--	--	--
NEW JERSEY	5,000	--	--	--	--	--
NEW MEXICO	0	--	--	--	--	--
NEW YORK	3,513,324	--	--	--	--	--
NORTH CAROLINA	3,187,000	--	--	--	--	--
NORTH DAKOTA	34,732	--	--	--	--	--
OHIO	5,430,056	--	--	--	--	--

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
OKLAHOMA	2,368,554	--	--	--	--	--
OREGON	4,753,470	--	--	--	--	--
PENNSYLVANIA	387,497	--	--	--	--	--
PUERTO RICO	1,552,500	--	--	--	--	--
SOUTH CAROLINA	2,649,455	--	--	--	--	--
SOUTH DAKOTA	2,290,971	--	--	--	--	--
TENNESSEE	2,342,912	--	--	--	--	--
TEXAS	2,531,261	--	--	--	--	--
UTAH	274,609	--	--	--	--	--
VERMONT	108,850	--	--	--	--	--
VIRGINIA	449,813	--	--	--	--	--
WASHINGTON	8,460,976	--	--	--	--	--
WEST VIRGINIA	349,400	--	--	--	--	--
WISCONSIN	5,714,270	--	--	--	--	--
WYOMING	1,047,423	--	--	--	--	--
Total Available or Estimate	$211,777,151	--	$127,870,000	--	$207,065,000	--

NOTE: Staff years for the CCC WRP enrollment are reflected as reimbursements under Conservation Operations.

COMMODITY CREDIT CORPORATION (CCC)
WETLANDS RESERVE PROGRAM

STATUS OF PROGRAM

Current Activities: The Wetlands Reserve Program (WRP) was mandated by Section 1237 of the Food Security Act of 1985 (P.L. 99-198), as amended by the Food, Agriculture, Conservation and Trade Act of 1990 (P.L. 101-624) and the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127), to assist owners in restoring and protecting wetlands. WRP is a mandatory Commodity Credit Corporation (CCC) program administered by Natural Resources Conservation Service (NRCS). However, program payments and financial reporting are handled by the Farm Service Agency (FSA), the agency with CCC financial responsibility.

The WRP is a voluntary program that provides technical and financial assistance to eligible landowners to address wetland, wildlife habitat, soil, water, and related natural resource concerns on private lands in an environmentally beneficial and cost effective manner. WRP supports the NRCS Strategic Plan Goal 1- which relates to a healthy and productive land. In addition, WRP supports the President's Clean Water Action Plan for increasing wetland implementation. The program achieves solutions to local community issues related to farms, ranches, rural lands and other areas by establishing easements on eligible lands. This unique program offers landowners an opportunity to establish, at minimal cost, long-term conservation and wildlife habitat enhancement practices and protection beyond that which can be obtained through any other USDA program.

The goal of WRP is to achieve the greatest wetland function and value, along with optimum wildlife habitat on every acre enrolled in the program. At least 70 percent of the wetland and upland areas will be restored to the original natural condition to the extent practicable. The remaining 30 percent of the project area may be restored to other than natural conditions. For example, rather than restore a bottomland hardwood site to all trees, a portion of the site could be restored to an emergent marsh condition if the landowner or the agency wanted to create habitat for certain wildlife species. This flexibility allows the agency to implement projects that meet landowner objectives and maximize wildlife benefits.

The WRP focuses on:

- Enrolling marginal lands having a history of crop failures or low yields;
- Restoring and protecting wetland values on degraded wetlands;
- Maximizing wildlife benefits;
- Achieving cost effective restoration with a priority on benefits to migratory birds;
- Protecting and improving water quality; and
- Reducing the impact of flood events.

The program is available in all 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Somoa, the Commonwealth of the Northern Mariana Islands, and the Trust territories of the Pacific Islands on all lands meeting any of the following eligibility criteria:

- Altered, cropped, and grazed wetlands along with upland buffer areas;
- Rangeland and wooded areas where hydrology is degraded but restorable;
- Eligible acres already enrolled in the Conservation Reserve Program;
- Riparian areas linking protected wetlands;
- Natural wetlands that contribute to the value of the easement restoration area; and
- Wetlands restored under a Federal or State cost-share program that are not under easement.

The WRP has a total acre enrollment limitation of 975,000 acres. At the current rate of enrollment, this maximum level will be met in FY 2000.

Program Options:

WRP provides landowners an opportunity to enroll acreage through permanent easements, 30-year easements and restoration cost-share agreements. Features of the various options are as follows:

- Permanent Easements: Easement duration is in perpetuity. CCC provides landowners an easement payment after the easement is filed that is generally based on the agriculture assessed value of the property and pays 100 percent of the eligible restoration costs.

- 30-year Easements: Easement duration is 30 years. CCC provides landowners an easement payment after the easement is filed that is the equivalent of 75 percent of the value for a permanent easement and 75 percent of the eligible restoration costs.

- Restoration cost-share agreements: Restoration cost-share agreements are made available to participating landowners as an alternative mechanism to restore wetlands, without requiring an applicant to sell an easement. Agreements are generally for a 10-year period, although longer agreement periods may be required for unique projects that are funded at a higher level.

For both permanent and 30-year easements, CCC pays for all the overhead costs associated with recording the easement in the local land records office including recording fees, charges for abstracts, surveys, appraisal fees, and title insurance associated with acquiring an easement. These costs are authorized for payment under Section 303 of the Uniform Relocation Assistance and Land Acquisition Policies Act of 1970.

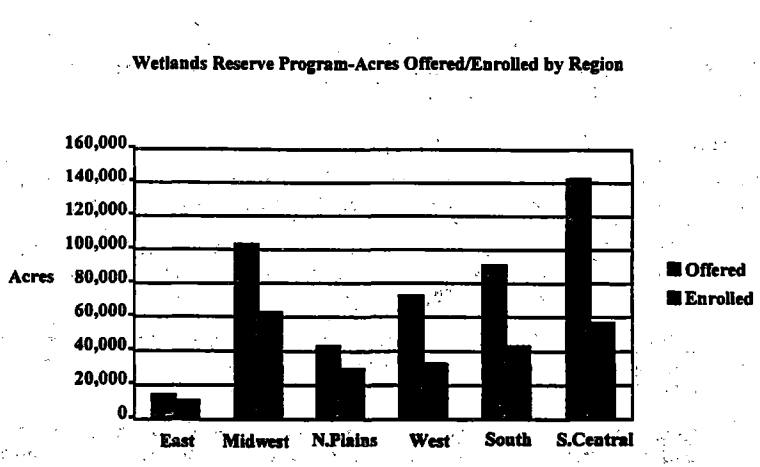
Other agencies and private organizations may provide additional assistance for easement payments and restoration costs as a way to leverage program funds and achieve greater program benefits.

Technical Assistance: The NRCS field representative, with input from the State Wildlife Agency and the Fish and Wildlife Service (FWS), develops a preliminary site plan for offered acres initially determined eligible. The plan specifies the manner in which the wetlands and adjacent lands must be restored. Once an offer is accepted, NRCS assists in establishing required practices for the easement area.

NRCS continues to provide assistance to the landowner after the initial completion of restoration activities. The assistance may be in the form of review of restoration measures, clarification of technical and administrative aspects of easement and agreement management needs, and basic biological and engineering advice on how to achieve optimum results for wetland dependent wildlife.

Program Progress:

Demand for the program continues to exceed the NRCS annual acreage allocation. As a result, many landowners have to wait several years before being accepted into the program. In 1998, the national ratio of eligible offered acres to enrolled acres was 2.5:1. This ratio varies significantly on a regional level. The highest level of demand at 4:1 is in the NRCS South Central region, which includes Louisiana, Arkansas, Oklahoma and Texas. The following table provides a comparison between the acres offered and those enrolled by NRCS region.

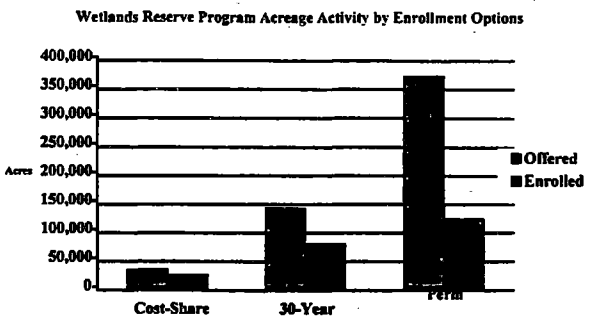


NRCS Region	States
East	CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT and WV
Midwest	IL, IN, IA, MI, MN, MO, OH, and WI
Northern Plains	CO, KS, MT, NE, ND, SD, and WY
West	AK, AZ, CA, HI, ID, NV, NM, OR, Pacific Basin, UT, and WA
South	AL, FL, GA, KY, MS, NC, PR, SC, TN, and VA
South Central	LA, AR, OK, and TX

With the WRP, acres are the specific controlling factor. In 1998, the acreage cap was set at 212,000 acres. Funding needs are determined by projecting the number of acres by type of project (permanent easements versus 30-year easements versus cost-share agreements) and the geographic location where acres will likely be acquired. Costs vary widely across the Nation. The average cost of a permanent easement in 1998 was about $975 per acre. The easement cost varied from a high of $2,000 in California to a low of $500 in upstate New York. The average cost of a 30-year duration easement is about $890 and varies in cost similar to permanent easement cost. Restoration cost-share agreement projects average about $290 per acre, with individual costs ranging from $50 per acre upwards to $500 per acre.

During the early years of the program, most of the projects were being acquired in areas having land costs at the lower end of the cost scale. As the program has increased in popularity and with the recognized need to enroll a variety of wetland types from all areas of the Nation with wetland conservation needs, many of the projects are now being enrolled in areas where land costs are somewhat greater. For example, the importance of wetland restoration in California, Florida, and Iowa is widely recognized. These areas are receiving increased emphasis even though the land costs there are higher than in Arkansas, Louisiana, and Mississippi. However, the popularity of the program in the Lower Mississippi River Valley areas of these three southern States continues to account for a large amount of the program allocation in 1998 and can be expected to do so in the future.

Landowner interest in the three types of WRP projects is not equal. Approximately 68 percent of the landowners interested in enrolling in WRP seek permanent easements; 26 percent seek 30-year easements; and less than 6 percent seek restoration cost-share agreements.



WRP projects vary considerably across the country. The average size of a project is approximately 190 acres. Offers in the Lower Mississippi River Valley States, including Arkansas, Louisiana, and Mississippi, tend to be larger with an average of 400 to 600 acres, while offers in the Midwest States and New England States tend to be smaller with averages of 40 to 60 acres.

The type of wetlands being restored varies from floodplain forest, to prairie potholes, and coastal marshes. Floodplain forest and associated sloughs and small emergent marsh wetlands account for approximately 65 percent of the program's restoration activity. A majority of the enrolled acres tend to occur in areas subject to frequent flooding. Many of the involved landowners talk about their difficulty in farming the offered acres and that the areas should probably never have been drained or cleared for agriculture. Frequently, the landowner describes how, as a child, he or she knew the wetland as a favorite hunting site.

During 1998 NRCS enrolled acres in WRP as follows:

Type of Project	Acres Offered by Landowners	Acres Funded
Restoration Cost-share Agreements	29,133	20,157
30-Year Easements	137,432	73,736
Permanent Easements	366,392	118,024
Total	532,957	211,917

States with the largest proportion of acreage and funding allocation include: Arkansas, California, Florida, Illinois, Iowa, Louisiana, Mississippi, Missouri, Montana, Oklahoma, New York, and Texas.

Total WRP enrollment data including 1998 and prior years is as follows:

Total easement acres enrolled:	665,447
Total easement acres perfected:	409,744
Total cost-share agreement acres contracted:	37,622
Total projects:	3,632
Total easement projects:	3,346
Total cost-share agreement projects:	286

In 1998, NRCS continued to expand partnership efforts with conservation entities. Outreach efforts to join in partnerships with both State and non-governmental entities were featured in the 1998 program delivery. The restoration expertise and implementation capability, particularly with State wildlife agencies, and the Fish and Wildlife Service were utilized to supplement internal NRCS capabilities. In addition, NRCS' technical expertise, in cooperation with the National Association of Conservation Districts, State Association of Conservation Districts, U.S. Forest Service, and with local Conservation Districts, has been utilized to enhance program implementation.

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE

Environmental Quality Incentives Program

CURRENT LAW

Budget Estimate, 1999	$174,000,000
Budget Estimate, 2000	200,000,000
Increase in Estimate	+$26,000,000

NOTE: The FAIR Act of 1996 authorized $200 million annually for EQIP in FY 1999 and FY 2000. The Appropriations Act of 1999 reduced the available funding level for EQIP to $174 million in FY 1999.

PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000	$200,000,000
Change due to proposed legislation	+100,000,000
Net Request, President's 2000 Budget Request	$300,000,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Environmental Quality Incentives Program:				
Financial Assistance	$137,052,000	--	+21,060,000	$158,112,000
Technical Assistance	33,060,000	--	+4,940,000	38,000,000
Educational Assistance	3,888,000	--	--	3,888,000
Total, EQIP	$174,000,000	--	+$26,000,000	$200,000,000

Project Statement - Current Law
(On basis of available funds)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Environmental Quality Incentives Program:							
Financial Asst.	$158,192,541	--	$137,052,000	--	+ $21,060,000	$158,112,000	--
Technical Asst.	38,000,000	--	33,060,000	--	+4,940,000	38,000,000	--
Educational Asst.	3,807,459	--	3,888,000	--	--	3,888,000	--
Total, EQIP	200,000,000	--	174,000,000	--	+26,000,000 (1)	200,000,000	--

NOTE: Staff years for EQIP are reflected under reimbursable staff years in the Conservation Operations account. However, they are 748 for FY 1998, 547 for FY 1999, and 916 for FY 2000.

Justification of Increases and Decreases

(1) An increase of $26,000,000 to restore EQIP funding to $200,000,000 as authorized by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act).

This increase restores NRCS' ability to carry out the EQIP program at the level authorized by the 1996 Act. This increase is needed to meet the serious conservation needs of farmers and ranchers across the Nation. The EQIP program provides technical, educational, and financial assistance to eligible farmers and ranchers to address soil, water, and related natural resource concerns on their lands, in an environmentally beneficial and cost-effective manner. Overall, the program attempts to achieve solutions to local community issues related to farms, ranches, and rural lands by implementation of EQIP structural, vegetative, and land management practices on eligible lands on a voluntary basis.

During FY 1998, NRCS received approximately 55,000 applications for participation in EQIP. NRCS was able to provide $156 million in financial assistance to 36 percent (19,758 contracts) of the applications. The proposed increase would allow NRCS to support nearly 2,700 more contracts.

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE
Environmental Quality Incentives Program

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	Current Law	2000 Program Changes	President's Request
Environmental Quality Incentives Program:			
Financial Assistance	$158,112,000	+$71,000,000	$229,112,000
Technical Assistance	38,000,000	+19,000,000	57,000,000
Educational Assistance	3,888,000	+10,000,000	13,888,000
Total available	200,000,000	+100,000,000	300,000,000

Explanation of Proposed Legislation:

The President's Budget Request provides $300 million in total for the Environmental Quality Incentives Program (EQIP) for fiscal year (FY) 2000. This request assumes that funding above the FAIR Act authorized level of $200 million will be directed to Presidential and Departmental priorities including the Clean Water Action Plan (CWAP) and Civil Rights Action Team (CRAT) recommendations. Technical assistance for the program is calculated at the FY 1998 level of 19 percent.

Clean Water Action Plan

This increase will help NRCS provide the voluntary component of the USDA/EPA AFO strategy by providing a boost in the current financial assistance available to farmers and ranchers operating animal feeding operations where manure can be collected and used as a resource. Basic financial assistance provided through EQIP to operators for cost-share and incentive components of their contracts will help address the environmental concerns resulting from nonpoint source pollution.

The proposal will allow NRCS to provide increased assistance to small and limited resource farmers (less than 150 unit operations) as well as mid-sized operations (150 - 1,000 unit operations). The outcome will be accelerated implementation of nutrient management tied to manure production in high priority

watersheds, improved air and water quality, and economically viable communities using voluntary approaches to solve resource concerns.

Farmers and ranchers, with help from the U.S. Department of Agriculture, have made tremendous progress in cutting erosion and protecting water quality in the past ten years. Despite these accomplishments, the water quality challenges agriculture faces continue to multiply. Consider the following:

- Pfiesteria outbreaks in the Mid-Atlantic tied to nutrient enrichment of coastal tributaries and estuaries.
- Hypoxic zone in the Gulf of Mexico tied to nutrients coming from the Mississippi River watershed.
- New York City water supply threatened by pathogens and nutrients originating in a rural watershed that provides the source of the city's drinking water.
- State Water Quality agencies report that nutrients and sediment from agricultural lands is one of the greatest sources of the nonpoint pollution that is impairing lakes and streams in their states.

It is clear that solving the nonpoint source pollution problem is critical to meeting national goals for safe drinking water and clean lakes, streams, and rivers. The solutions chosen have tremendous implications for the sustainability, productivity, and competitiveness of U.S. agriculture. In many cases, we already know how to solve the water quality problem, but getting the solutions on the ground far exceeds our capacity to deliver assistance to farmers, ranchers, and communities. In other cases, more work is needed to develop new farming and ranching systems that are both profitable and environmentally friendly.

It is clear that nutrient management is critical to meeting national goals for safe drinking water and clean lakes, streams, and rivers. The solutions chosen have tremendous implications for the sustainability, productivity, and competitiveness of U.S. agriculture. In many cases, we already know how to solve the water quality problem, but getting the solutions on the ground far exceeds our capacity to deliver assistance to farmers, ranchers, and communities. The Secretary's animal feeding operations voluntary strategy will fail without 1) trained technical staff who will either directly assist operators or will train and certify private sector consultants who would provide direct assistance and 2) maintenance of technical standards that are responsive to new innovative technology developments.

The additional funding will increase the technical staff levels in areas with high concentrations of animal operations and where the natural resources are the most vulnerable. It will increase technical assistance available to farmers and ranchers operating animal feeding operations where manure can be collected and used as a resource. The focus is on basic technical assistance provided through EQIP needed by these operators to assess their natural resources and design management systems that will meet the need of their operation and address the national environmental concerns resulting from nonpoint source pollution issues.

The process of developing and implementing a waste management plan is quite complex. The plan must address the manure from the time it leaves the animal until it is properly absorbed back into the environment. This usually involves a combination of structures and management practices to achieve this goal. In addition, any changes in the animals diet, the weather patterns, number of farms in the community, number of animals on the farm or new technology all may result in a need to revise an existing plan. The Workload Analysis study recently completed by NRCS and national partnership by conservation districts identified 29,700 staff years of work to complete the voluntary technical assistance component of the AFO strategy. This does not include follow-up or changes due to management innovations, technology updates, or weather and price cycles. NRCS cannot and does not plan to take on all of this technical assistance workload. This increase, as well as the increase in Conservation Technical Assistance, is needed in order to provide our local customers with a bare minimum level of assistance on these important environmental and social issues.

Accelerated Outreach Efforts

Acceleration of assistance has been a hallmark of EQIP from its beginning in 1997 when $5 million was designated by NRCS for use on American Indian and Alaska Native lands that had serious natural resource problems and concerns. Because USDA conservation programs have not been available for American Indian and Alaska Native lands until recently, much of these lands used for agricultural purposes have some of the most serious natural resource problems and environmental degradation conditions in the nation. Outreach efforts were initiated and assistance provided to interested tribal entities to develop priority area funding proposals. Although the program began late in fiscal year 1997, 20 tribal entities in 13 states participated.

In FY 1998, NRCS further promoted the program with American Indians and Alaska Natives and requests were received from 83 tribal entities in 20 states for a total of $29 million. NRCS designated $10 million for this purpose and assisted 59 tribal entities. With increased outreach and assistance provided to American Indians and Alaska Natives through the NRCS American Indian program delivery actions, especially the increased presence at tribal headquarters, we expect requests for assistance, participation, and interest in the program to increase substantially.

Acceleration of technical assistance is a primary component of increased outreach efforts to American Indians and Alaska Natives as called for in the USDA Civil Rights Action Team and Civil Rights Implementation Team reports. The Civil Rights Implementation Team report identified the need for and benefits of increasing EQIP funding to historically underserved individuals and groups due to several factors, including:

- Individuals of minority groups have a difficult time competing directly against large scale producers because their small scale operations can lead to production inefficiencies.
- Discrimination and the appearance of discrimination against minority groups have been important factors that limit participation of minorities in government and non-government programs, including marketing, loan, and commodity support programs as well as technical and educational assistance.
- Limited education and lack of socialization in the culture of agriculture impedes an agricultural producer's adoption of more efficient operational techniques and more profitable marketing strategies.

EQIP technical assistance to socially-disadvantaged or historically underserved producers needs to be increased with more one-on-one and personalized assistance to assist with solving critical conservation problems and improving agricultural practices which improve our use of natural resources. Taken in isolation, EQIP funding will only be successful if USDA also strengthens technical assistance, educational assistance, research, and training to historically underserved individuals and groups. A good example of a comprehensive package of assistance to farmers is the "Ways to Grow" effort conducted in North Carolina. This effort used 44 on-farm demonstrations and case studies to show how training, education, technical, and funding assistance not only helps in the conservation of natural resources but also improves the production and marketing of traditional and alternative agricultural products. Similar studies of programs which emphasize technical and educational assistance in the proper ratio to financial assistance show similar success in participation and natural resource conservation.

Presently, a low percentage of American Indians, Alaska Natives, and other historically underserved customer groups have conservation plans in place. Having an existing conservation plan is a key ingredient for successful conservation efforts. Consequently, more time is needed for providing technical and educational assistance to historically underserved customers so that they can recognize and understand the various aspects of conservation planning and implementation.

In most instances, historically underserved farmers and ranchers do not have the educational background or opportunities to know the best farming practices that will assure profitable production, let alone recognize

the natural resource and environmental problems caused by their current farming techniques, or have the understanding to adjust their farming practices to solve the problems. Once provided the education and technical assistance to improve their production capabilities and natural resource conditions, some problems can be solved without additional financial incentives because the producers have the needed funds and knowledge.

An example of this was the Kentucky Small Farm program, from 1986 to 1991, which NRCS helped support. On-farm demonstrations and one-on-one educational programs were used to provide assistance to small farmers. Program managers estimated that over a five-year period participating farmers increased their incomes by $10,000, with increases in their assets and net worth. More funds were available to apply conservation practices.

This EQIP education assistance increase will expand NRCS' ability to provide educational opportunities to American Indians and Alaska Natives. Under EQIP, educational assistance is provided through direct relationships between customers and NRCS employees, with the assistance of highly qualified education providers. NRCS educates farmers and ranchers on the importance of applying sound conservation efforts on the land. This assistance is delivered through means of on-site demonstrations, workshops, seminars, and one-on-one training. NRCS plans to have cooperative arrangements with 1994 Land Grant tribal colleges for much of this education assistance. There are 28 land grant tribal colleges which NRCS has not been utilizing in conservation education. The increased educational assistance funds will allow NRCS to work with these tribal colleges to provide the needed education to tribes and tribal members.

COMMODITY CREDIT CORPORATION (CCC)
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 Actual and Estimated 1999 and 2000
Environmental Quality Incentives Program

	1998	1999	2000
	Amount	Amount	Amount
ALABAMA	$3,200,000	$3,209,000	--
ALASKA	432,000	421,000	--
ARIZONA	4,605,200	6,887,000	--
ARKANSAS	6,490,000	3,680,000	--
CALIFORNIA	7,692,551	8,087,000	--
COLORADO	6,382,661	7,390,000	--
CONNECTICUT	615,000	686,000	--
DELAWARE	1,127,715	852,000	--
FLORIDA	4,773,230	4,689,000	--
GEORGIA	4,267,000	3,612,000	--
HAWAII	1,050,999	574,000	--
IDAHO	4,143,000	2,810,000	--
ILLINOIS	4,198,000	3,078,000	--
INDIANA	3,215,014	2,481,000	--
IOWA	5,490,000	4,085,000	--
KANSAS	5,127,762	4,294,000	--
KENTUCKY	2,914,706	2,721,000	--
LOUISIANA	5,310,921	3,151,000	--
MAINE	2,545,000	1,871,000	--
MARYLAND	2,235,285	1,863,000	--
MASSACHUSETTS	860,000	824,000	--
MICHIGAN	4,146,340	3,866,000	--

	1998	1999	2000
	Amount	Amount	Amount
MINNESOTA	5,593,249	5,097,000	--
MISSISSIPPI	5,390,688	4,343,000	--
MISSOURI	4,975,000	4,364,000	--
MONTANA	6,264,000	5,710,000	--
NEBRASKA	5,086,029	4,211,000	--
NEVADA	1,372,449	1,259,000	--
NEW HAMPSHIRE	372,088	533,000	--
NEW JERSEY	1,069,994	847,000	--
NEW MEXICO	4,533,313	5,130,000	--
NEW YORK	4,564,304	3,336,000	--
NORTH CAROLINA	5,725,796	4,377,000	--
NORTH DAKOTA	4,485,626	3,712,000	--
OHIO	3,296,400	2,882,000	--
OKLAHOMA	5,391,000	4,580,000	--
OREGON	4,219,000	3,948,000	--
PACIFIC BASIN	469,800	279,000	--
PENNSYLVANIA	4,224,748	2,991,000	--
PUERTO RICO	1,159,000	846,000	--
RHODE ISLAND	238,115	371,000	--
SOUTH CAROLINA	2,080,000	2,000,000	--
SOUTH DAKOTA	4,332,166	4,208,000	--
TENNESSEE	3,056,000	2,673,000	--
TEXAS	16,335,000	13,336,000	--
UTAH	3,865,687	3,133,000	--
VERMONT	1,297,775	1,173,000	--
VIRGINIA	2,644,412	2,798,000	--
WASHINGTON	4,995,108	3,706,000	--
WEST VIRGINIA	1,827,500	1,584,000	--
WISCONSIN	4,357,000	3,981,000	--
WYOMING	3,881,417	3,461,000	--
FY 98 Contract Mod. Reserve	2,074,972	2,000,000	--
Total Available Or Estimate	$200,000,000	$174,000,000	$300,000,000

COMMODITY CREDIT CORPORATION (CCC)
ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

STATUS OF PROGRAM

Current Activities: The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), amended Subtitle D of Title XII of the Food Security Act of 1985 (16 U.S.C. 3830 et seq.), by adding Chapter 4, the Environmental Quality Incentives Program (EQIP). The 1996 Act, combined into a single program the functions of: the Agricultural Conservation Program (ACP); the Great Plains Conservation Program (GPCP); the Water Quality Incentives Program (WQIP); and the Colorado River Basin Salinity Control Program (CRSC). Policy administration of EQIP is provided under the Natural Resources Conservation Service (NRCS), while financial reporting and program payments are handled by the Farm Service Agency (FSA), the agency designated for financial responsibility for CCC. EQIP program funding resources are made available through CCC, as enacted under the 1996 Act.

The EQIP program provides technical, educational, and financial assistance to eligible farmers and ranchers to address soil, water, and related natural resource concerns on their lands, in an environmentally beneficial and cost-effective manner. Overall, the program attempts to achieve solutions to local community issues related to farms, ranches, and rural lands by implementation of EQIP structural, vegetative, and land management practices on eligible lands on a voluntary basis.

The purpose of EQIP is to carry out the single program in a manner that maximizes environmental benefits per dollar expended, and that provides:

- flexible technical and financial assistance to farmers and ranchers that face the most serious threats to soils, water, and related natural resources, including grazing lands, wetlands, and wildlife habitat;
- assistance to farmers and ranchers in complying with Federal and State environmental laws, and encourages environmental enhancement;
- assistance to farmers and ranchers in making beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, and related natural resources; and
- for the consolidation and simplification of the conservation planning process to reduce administration burdens on producers.

Eligible lands under the program may include:

- Agricultural land (including cropland, rangeland, pasture, and other land on which crops or livestock are produced), including agricultural land that poses a serious threat to soil, water, or related resources by reason of the soil types, terrain, climatic, soil, topographic, flood, or saline characteristics, or other factors or natural hazards.

Under the final rule, three category types were provided for the development and implementation of program practices to eligible landowners. The first relates to structural practices, the second to vegetative practices, and the third to land management practices. The EQIP program will provide a wide range of conservation practices developed from these three categories to assist eligible landowners in the protection of soil erosion, water quality, land and water management, and other environmental benefits realized for the landowner, and also, the local community. The program practice categories are outlined as follows:

- Land management practices mean conservation practices that primarily require site-specific management techniques and methods to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Examples of land management practices include, but are not limited to, nutrient management, manure management,

integrated pest management, integrated crop management, irrigation water management, tillage or residue management, stripcropping, contour farming, grazing management, and wildlife habitat.

- Structural practices mean conservation practices that primarily involve the establishment, construction, or installation of a site-specific measure to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Examples of structural practices include, but are not limited to, animal waste management facilities, terraces, grassed waterways, tailwater pits, livestock water developments, and capping of abandoned wells.

- Vegetative practices mean a conservation practice which primarily involves the establishment or planting of a site-specific vegetative measure to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Examples of vegetative practices include, but are not limited to, contour grass strips, filterstrips, critical area plantings, tree planting, and permanent wildlife habitat.

Cost-share payments: Under this provision, the Secretary shall pay an eligible program participant an amount not more than 75 percent of the cost to implement one or more structural or vegetative practices. Payments for expenditures incurred under EQIP during the first year of a contract will not be made until the subsequent fiscal year.

Incentive payments: The Secretary shall make incentive payments in an amount and rate determined by the Secretary to implement one or more land management practices.

Limitations on payments: The total amount of cost-share and incentive payments paid to a person may not exceed $10,000 for any fiscal year, and $50,000 for any multi-year contract.

Technical assistance: NRCS will work with the program participant in developing a conservation plan for offered acres initially determined eligible. The plan specifies the manner in which enrolled acres are developed under the conservation practices chosen, operated, and maintained, as well as any compatible uses reserved to the landowner. NRCS will assist landowners in developing the conservation plan and in establishing required practices for lands accepted into the program. Qualified personnel not affiliated with NRCS may provide technical and other assistance.

Targeting: The 1996 Act requires that 50 percent of available EQIP funding for technical assistance, cost-share payments, incentive payments, and education be targeted at practices relating to livestock production.

Partnerships: NRCS, in cooperation with Federal, State, and local partners, functions as a diverse, dynamic, united coalition to address local and national conservation issues effecting our Nation. Through interactive communication between the local community, local interest groups, and local and Federal agencies, the coalition provides the local people with information and resources needed to address local priorities and implement State and national programs, such as EQIP. Many States and local governments provide cost-share programs, such as the Idaho Agricultural Water Quality Program, the Maryland State Cost-share Program, the Delaware Water Pollution Fund, or local programs administered through conservation districts, such as the: Clean Water Grants in Massachusetts, and Zeroscape Planning in Colorado, to name a few. The EQIP program will complement many of these State and local programs in efforts to address specific local conservation and natural resource issues. Partnership efforts will be forged with Federal, State, and local entities, including the National Association of Conservation Districts, State Associations of Conservation Districts, and local conservation districts in efforts to deliver a program beneficial to program participants and the environment.

Program requirements: Participation is on a voluntary basis. In cooperation with the local conservation districts, a participant develops a conservation plan for the farm or ranching unit concerned. The

participant's conservation plan serves as the basis for the contract. CCC provides funding for cost-share or incentive payments to apply needed conservation practices and land use adjustments within a time schedule specified by the conservation p[lan].

To be eligible for EQIP, applicants mus..

- be in compliance with the highly erodible land and wetland provisions of the Food Security Act of 1985;
- have control of the land for the life of the proposed contract period;
- submit a conservation plan that is acceptable to NRCS, is approved by the conservation district, and is in compliance with the terms and conditions of the program; and

Lands enrolled in EQIP must be privately owned or on publicly owned land where the land is under private control for the contract period and is included in the participant's operating unit. Installation of conservation practices must contribute to an improvement in the identified natural resource concern, and the participant must have written authorization from the government landowner to apply conservation practices.

Priority areas and significant Statewide natural resource concerns: NRCS may designate a watershed, an area, or region of special environmental sensitivity or having significant soil, water, or related natural resource concern as a priority area. NRCS shall give special consideration to applicants in priority areas who have conservation plans that address natural resource concerns for which the priority area was designated.

For consideration for participation in a designated priority area, a Federal, State, or local government agency, working cooperatively with a respective local work group and State technical committee, will make a proposal to CCC in the form of a priority area proposal. The priority area proposal will include such data so that the NRCS State conservationist and State technical committee can use to make informed judgments on the quality of the proposal submitted.

The NRCS State conservationist, in consultation with the State technical committee, and based on recommendations of a local work group, may approve an area as a priority area, and may approve program assistance to participants with significant Statewide natural resource concerns outside a funded priority area.

FY 1998 ACTIVITY

During FY 1998, local work groups recommended nearly 1,300 priority areas to State conservationists for approval in 1998. Over 650 priority areas were approved by State conservationists. These proposals again far exceeded the available funding for FY 1998. The number and quality of these priority areas indicate that many more local work groups were involved in the process in FY 1998. A synopsis of fund allocations is as follows:

ST	TECHNICAL ASSISTANCE	FINANCIAL ASSISTANCE	PRIOR YR. CONTRACT MODS.	TOTAL FA	EDUCATION ASSISTANCE	TOTAL ALLOCATION
AL	$620,000	$2,564,766	$15,234	$2,580,000	0	$3,200,000
AK	82,000	344,608	3,946	348,554	$8,000	438,554
AZ	982,000	3,532,250	450	3,532,700	90,500	4,605,200

ST	TECHNICAL ASSISTANCE	FINANCIAL ASSISTANCE	PRIOR YR. CONTRACT MODS.	TOTAL FA	EDUCATION ASSISTANCE	TOTAL ALLOCATION
AR	$1,092,000	$5,259,777	$18,223	$5,278,000	$120,000	$6,490,000
CA	1,448,000	5,681,910	15,189	5,697,099	611,000	7,756,099
CO	1,348,000	4,770,107	138,459	4,908,566	128,716	6,385,282
CT	117,000	448,824	0	448,824	49,176	615,000
DE	212,000	905,261	1,454	906,715	9,000	1,127,715
FL	925,000	3,780,284	23,316	3,803,600	44,630	4,773,230
GA	811,000	3,389,206	9,344	3,398,550	57,450	4,267,000
HI	224,000	803,759	0	803,759	23,240	1,050,999
ID	787,000	3,271,062	34,938	3,306,000	50,000	4,143,000
IL	798,000	3,204,976	142,645	3,347,621	52,379	4,198,000
IN	655,000	2,449,250	110,764	2,560,014	0	3,215,014
IO	1,106,000	4,147,415	52,832	4,200,247	183,753	5,490,000
KS	1,053,000	4,037,490	17,772	4,055,262	19,500	5,127,762
KY	549,000	2,238,665	91,911	2,330,576	35,130	2,914,706
LA	832,000	4,226,568	107,732	4,334,300	144,621	5,310,921
ME	544,000	1,857,882	46,833	1,904,715	96,285	2,545,000
MD	451,000	1,759,902	17,230	1,777,132	7,153	2,235,285
MA	195,000	645,188	435	645,623	19,377	860,000
MI	790,000	3,218,262	92,078	3,310,340	46,000	4,146,340
MN	1,082,000	4,135,290	151,959	4,287,249	224,000	5,593,249
MS	865,000	4,379,638	46,762	4,426,400	99,268	5,390,668
MO	957,000	3,887,402	9,598	3,897,000	121,000	4,975,000
MT	1,208,000	4,975,659	80,341	5,056,000	0	6,264,000
NE	954,000	3,983,434	84,495	4,067,929	64,100	5,086,029
NV	286,000	1,078,449	0	1,078,449	8,000	1,372,449
NH	71,000	294,994	6,094	301,088	0	372,088
NJ	203,000	830,394	0	830,394	36,600	1,069,994
NM	734,000	3,749,756	6,982	3,756,738	42,575	4,533,313
NY	909,000	3,613,272	4,304	3,617,576	37,728	4,564,304
NC	1,123,000	4,508,999	13,797	4,522,796	80,000	5,725,796
ND	851,000	3,476,527	28,019	3,504,546	130,080	4,485,626
OH	660,000	2,576,206	10,194	2,586,400	50,000	3,296,400
OK	1,060,000	4,147,448	57,081	4,204,529	126,471	5,391,000
OR	802,000	3,173,000	0	3,173,000	244,000	4,219,000
PB	110,000	233,800	29,000	262,800	97,000	469,800
PA	845,000	3,216,927	129,064	3,345,991	33,757	4,224,748
PR	232,000	916,000	0	916,000	11,000	1,159,000
RI	47,000	182,115	0	182,115	9,000	238,115
SC	395,000	1,675,321	9,679	1,685,000	0	2,080,000
SD	826,000	3,440,191	12,825	3,453,016	53,150	4,332,166
TN	581,000	2,394,256	57,231	2,451,487	23,513	3,056,000
TX	3,122,000	12,809,733	146,449	12,956,182	256,818	16,335,000
UT	783,000	2,965,411	45,757	3,011,168	71,519	3,865,687
VA	500,000	2,054,000	78,662	2,132,662	11,750	2,644,412
VT	276,000	921,625	100,150	1,021,775	0	1,297,775
WA	950,000	4,030,270	0	4,030,270	168,720	5,148,990

ST	TECHNICAL ASSISTANCE	FINANCIAL ASSISTANCE	PRIOR YR. CONTRACT MODS.	TOTAL FA	EDUCATION ASSISTANCE	TOTAL ALLOCATION
WV	$344,000	$1,408,545	$64,955	$1,473,500	$10,000	$1,827,500
WI	840,000	3,508,950	8,050	3,517,000	0	4,357,000
WY	763,000	3,095,515	21,402	3,116,917	1,500	3,881,417
Total	$38,000,000	$154,200,539	$2,143,635	$156,344,174	$3,807,459	$198,151,633
FY98 Contract Mod. Reserve:						1,848,347
US TOTALS:						$200,000,000

Program Requests: A synopsis of the FY 1998 program application and funded contract activity is as follows:

State	Total Applications Received	Total Estimated Cost	FY1998 Applications/ Contracts Funded	Percent Applications/ Contracts Funded
ALABAMA	1,279	$6,834,119	640	50%
ALASKA	63	928,760	22	35%
ARIZONA	368	7,034,808	182	49%
ARKANSAS	3,004	21,374,407	1,208	40%
CALIFORNIA	746	10,600,082	377	51%
COLORADO	1,250	16,326,674	616	49%
CONNECTICUT	67	2,063,000	9	13%
DELAWARE	349	2,507,995	152	44%
FLORIDA	1,275	11,798,037	394	31%
GEORGIA	2,777	22,594,590	492	18%
HAWAII	60	1,217,901	49	82%
IDAHO	479	10,083,083	215	45%
ILLINOIS	1,840	15,355,000	465	25%
INDIANA	1,669	8,742,809	289	17%
IOWA	1,380	13,157,000	526	38%
KANSAS	2,622	19,645,208	663	25%
KENTUCKY	1,620	14,098,927	208	13%
LOUISIANA	3,365	3,901,400	1,202	36%
MAINE	342	4,113,436	179	52%
MARYLAND	943	4,024,951	606	64%
MASSACHUSETTS	154	1,060,000	99	64%
MICHIGAN	287	4,432,543	195	68%
MINNESOTA	555	11,643,004	262	47%
MISSISSIPPI	1,981	11,352,222	868	44%
MISSOURI	779	8,553,000	406	52%
MONTANA	701	15,020,138	297	42%
NEBRASKA	1,141	14,194,852	316	28%
NEVADA	115	2,264,682	63	55%
NEW HAMPSHIRE	52	383,156	37	71%
NEW JERSEY	171	3,172,000	54	32%

State	Total		FY1998 Applications/ Contracts Funded	Percent Applications/ Contracts Funded
	Applications Received	Estimated Cost		
NEW MEXICO	590	8,232,066	199	34%
NEW YORK	425	6,370,458	249	59%
NORTH CAROLINA	1,646	8,505,000	1,253	76%
NORTH DAKOTA	598	5,420,439	401	67%
OHIO	956	8,693,102	491	51%
OKLAHOMA	2,724	16,932,592	856	31%
OREGON	514	3,401,484	202	39%
PACIFIC BASIN	65	434,000	39	60%
PENNSYLVANIA	1,187	15,962,611	262	22%
PUERTO RICO & VI	a/	a/	a/	a/
RHODE ISLAND	15	221,102	7	47%
SOUTH CAROLINA	1,030	4,806,143	413	40%
SOUTH DAKOTA	480	6,388,911	281	59%
TENNESSEE	1,950	9,083,100	514	26%
TEXAS	6,868	67,526,393	1,977	29%
UTAH	572	9,964,000	264	46%
VERMONT	290	6,121,484	88	30%
VIRGINIA	844	6,981,010	245	29%
WASHINGTON	330	9,522,185	170	52%
WEST VIRGINIA	677	4,964,604	262	39%
WISCONSIN	1,163	10,777,657	340	29%
WYOMING	458	9,967,757	154	34%
US Totals	54,816	$488,753,882	19,758	36%

a/ Data not available at time of publication due to hurricane cleanup efforts.

STATE EXAMPLES

Mississippi

Assisting producers to meet State Laws: About 2 years ago, the Mississippi Department of Environmental Quality announced that burial pits for disposal of dead animals (poultry) would no longer be permitted as of October 1, 1998. At that time, the EQIP program was just beginning. Two priority EQIP areas (East Central Animal Waste and South Animal Waste) were developed to address this need by poultry producers. Since that time, nearly 1,000 poultry composters have been contracted (585 have been constructed and permitted) with landowners through EQIP. The composters are an environmentally safe alternative to burial pits. As the landowners' burial pit permits expire, more landowners will need the composters to dispose of dead animals. Since there are some 3,800 poultry operations in the State, producers will require a large amount of additional funding over the next two years. In addition, poultry producers have also received EQIP funds for dry stack facilities (to store litter), grazing systems management (on land where litter is spread), and erosion control on critically eroding land. This assists producers to install complete systems.

During the last two years, an estimated $2.5 million has been spent assisting poultry producers to comply with State law.

Tail Water Recovery in the Delta – There has been concern in the Delta for the last several years concerning conservation of irrigation water and declining ground water. Previous programs did not provide enough incentives to assist landowners. EQIP now provides a systems approach to assisting landowners with conserving groundwater in the Delta. Systems include placement of wells, land shaping to recover all runoff, and tailwater recovery areas which collect runoff and allows the producer to pump the water back on the fields. Before this system, the runoff water just went into the ditches and rivers. The new systems are efficient and have little waste.

EQIP educational funds were used in the Delta to conduct field days and educational sessions to alert producers of this water conservation system and how the program could assist them.

West Virginia

Leveraging Resources - The Northern Panhandle Soil Conservation District, with assistance from NRCS personnel, convened the local work group to discuss EQIP priority areas. The group decided to put an emphasis on a small watershed with resource concerns related to livestock operations. Working together with a locally led watershed association, the Division of Environmental Protection (DEP), West Virginia State Soil Conservation Agency, and State Park Authorities selected Tomlinson Run Lake in Hancock County, which was recently placed on the State DEP list of lakes that failed to meet water quality standards.

Combined with the news that the local conservation district helped establish the Tomlinson Lake Watershed Association, the decision to make Tomlinson Lake Run an EQIP priority area pleased local farmers. With the EQIP funds being available, the proposal area was able to leverage low interest State revolving funds for all EQIP contracts. The low interest loans will enable small and limited resource farmers to finance their share of the costs and address the majority of their conservation concerns.

Texas

Water Conservation - In FY 1998, 46 Hale County producers applied for EQIP cost-share assistance. Thirty of the applications were selected and funded on 8,800 acres for a total of $186,100 in cost-share assistance. Applications are selected for funding based on the expected environmental improvement to be achieved and not on dollars requested. Most of the cost-share will be used to install irrigation pipe to eliminate field ditches, replace old leaking concrete pipe, and supply water to new pivot sprinklers. Once the planned conservation practices are installed, the irrigation water efficiency on these participating farms will be increased from 15 to 60 percent. This improvement in irrigation water efficiency will result in more irrigation water reaching the crop. By improving the water efficiency, less irrigation water will be required. All of the Ogallala water not pumped, as a result of reducing water waste, will be available for use in future years.

New Mexico

Healing "Mother Earth" with the Navajo Nation - The local work group for the Zuni River Watershed priority areas was organized and hosted by the McKinley Soil and Water Conservation District (SWCD) and covers an area of 412,000 acres of private, State, Federal, and tribal lands. The landscape of the watershed is covered with ponderosa forests in the Zuni Mountains, pinyon-juniper areas at lower elevations, and rangeland.

The local workgroup is as diverse as the landscape, and includes the Navajo Chapters of Ramah, Breadsprings, and Chichiltah; private landowners; an acequia association; local citizens with environmental

concerns; Forest Service; FSA and FSA county committee members; NRCS; and BIA Natural Resources Department staff.

With such diversity there was a wide range of issues, opinions, and priorities. One of the issues was how to distribute funds to tribal and non-tribal landowners within the priority area. After considerable discussion, a level of funding was established to be allocated to tribal and non-tribal lands for the first fiscal year. It was agreed they would develop EQIP contracts totaling approximately $190,000 on tribal lands and about $75,000 on non-tribal lands. The working group agreed unanimously that this funding distribution was consistent with the priority resource concerns identified by the group and that this was the best use of the funds.

In the first year, eight contracts were developed. Funds were also received for an educational effort involving a demonstration project to will be managed by the McKinley SWCD. The demonstration project will be located on tribal land, but will be available to all landusers in the priority area.

Idaho

EQIP Educational Assistance - Working with NRCS and the Idaho Soil Conservation Commission, the Payette Soil and Water Conservation District (SWCD) obtained an EQIP education grant in FY 1998 to provide Spanish language irrigation management training to Hispanic farm employees. Utilizing the EQIP grant, a Spanish irrigation guide was developed and a irrigation water management workshop especially for Spanish speaking irrigators was conducted. The workshop was very successful and appreciated by those attending and their employers. There are currently plans being made to expand this effort to other conservation districts in Idaho. The grant provided the district with an excellent opportunity to reach out to "historically underserved" sector of the agricultural community while accomplishing something for traditional cooperators as well.

EQIP EVALUATION EFFORTS

Internal Reviews - The first phase of NRCS' National EQIP Evaluation has been completed and the final report has been published. The results reflect the combined findings from 12 States and 35 counties. The purpose of this phase of the evaluation was to review program startup activities, to identify potential problems and inconsistencies, and to identify effective implementation strategies. The results of this evaluation showed that the 1997, and more so in the 1998, proposals for EQIP funding were developed with significant involvement of within-county local work groups. Attendance and broad agency representation in the local work groups were excellent in most offices visited. Moreover, several States did an excellent job in leveraging EQIP funds with other State/local funding sources to enhance targeting of locally important natural resource concerns.

Phase II of the NRCS' National EQIP Evaluation was also just completed. This effort includes a review of the program's implementation activities, including its effectiveness to maximize environmental benefits on the landscape and to determine if desired outcomes defined through the Statute and program procedure are being achieved. Similarly, the Office of the Inspector General (OIG) has just completed a review of the program and briefings on their draft report are in progress.

EQIP Roundtable Sessions - Before and during the development of EQIP, farmers, ranchers, Federal, State, tribal, and local and private partners nationwide informed NRCS that the old top-down way in which the conservation programs traditionally operated could be improved. More flexibility, more local input into the decision-making process, and more program diversity would promote and accelerate the adoption of conservation at the farm and ranch level. An existing dialogue with the conservation partnership was expanded by NRCS at the onset of program development to gather this public input. Public input was solicited during listening forums and at Civil Rights Action Team (CRAT) hearings were held. The

continuation of this open dialogue is essential as the program progresses into its third year of implementation.

The first year of the EQIP program (FY 1997) was recognized as a transition year as farmers, ranchers, conservation districts, other conservation partners, and USDA adjusted to the new way that EQIP is implemented, as compared to the former programs that EQIP replaced. The changes in the program require that this transition continue to focus on identifying where the program will be delivered in FY 1999 and beyond.

The grass-roots evaluation effort at the recent EQIP roundtable meetings has provided essential input from farmers and ranchers, conservation partners, USDA field employees, and others. Selected improvements will be implemented, as soon as possible, for use on the State and local level and to prepare funding proposals for FY 2000.

EQIP Roundtable Session Findings

Eight Environmental Quality Incentives Program (EQIP) Roundtable sessions were held in Greenwood, MS; Albany, NY; West Friendship, MD; Denver, CO; Kearney, NE; Texarkana, AR; Window Rock, AZ; and Columbia, MO. The attendance for the sessions has totaled 775 attendees, including 196 speakers. Approximately 200 additional written comments brought the total testimony in the regions to nearly 400 responses. The statements provided during the roundtables have been very positive and supportive of EQIP. A brief synopsis of the input is as follows:

Major Supportive Statements

- EQIP focuses on the land and natural resource problems, not on traditional politics of prior program;
- EQIP should continue as it is truly locally-led. Many producers, including Indian Nations, have the feeling they finally have their own program which addresses their conservation needs;
- EQIP is increasing producer's awareness of water quality issues within priority watersheds;
- The EQIP program is the first program that USDA has ever had that comes the closest to addressing "Mother Earth" resources;
- The concept of targeting resources to priority areas is a noble one, and should be kept;
- The program provides an opportunity for those that did not traditionally participate in prior programs;
- EQIP educational assistance is a major help to new customers; and
- EQIP is a successful program. Need to continue emphasis on water quality and continue a voluntary approach.

Major Recommendations for Improvement

- Increase EQIP funding to meet the serious conservation needs of farmers and ranchers;
- Change the first fiscal year delayed payment provision required by statute;
- Strengthen efforts in education and enhance public knowledge of the benefits of the program (more education to farmers about EQIP and conservation systems). Use educational assistance funds to multiply the effects of EQIP;
- Provide funds to the States sooner; and
- Improve applicant-ranking criteria to ensure that both small- and larger-scale farms have access to the program.

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE
Wildlife Habitat Incentives Program

CURRENT LAW

Appropriation Act, 1999	$20,000,000
Budget Estimate, 2000	--
Decrease in Authority	-$20,000,000

NOTE: The FAIR Act of 1996 authorized a total of $50 million for WHIP through FY 2002. All funds will have been fully obligated by FY 1999 end.

PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000	--
Change due to proposed legislation	+$10,000,000
Net Request, President's 2000 Budget Request	$10,000,000

Project Statement-Current Law
(On basis of transfer of funds)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Wildlife Habitat Incentives Program	$25,000,000	--	$15,000,000	--	-$15,000,000	--	--
NRCS Tech. Assist. Reimb. WHIP	5,000,000	67	5,000,000	62	-5,000,000	--	--
Total Program Costs	$30,000,000	67	$20,000,000	62	-$20,000,000(1)	--	--

Project Statement-Current Law
(On basis of available funds)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
Wildlife Habitat Incentives Program:							
1. Technical assistance	$4,993,451	67	$4,538,591	62	-$5,006,549	--	--
2. Financial assistance	21,119,227	--	19,348,731	--	-18,880,773	--	--
Total direct obligations	$26,112,678	67	23,887,322	62	-23,887,322		
Unobligated balance, start of year	--	--	(-3,887,322)		(+3,887,322)	--	--
Unobligated balance, end of year	(+3,887,322)	--		--	--	--	--
Appropriation total	(30,000,000)	(67)	(20,000,000)	(62)	(-20,000,000)		
Reimbursable obligations:							
(a) Technical assistance	2,525	--	--	--	--	--	--
(b) Financial assistance	--	--	--	--	--	--	--
Total reimbursable oblig.	2,525		--	--	--	--	--
Obligational authority	$30,002,525	67	$20,000,000	62	-$20,000,000	--	--

SOURCES OF REIMBURSEMENTS

Project	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Federal Sources	--	--	--	--
Non-Federal Sources	$2,525	--	--	--
Total Reimbursement	$2,525	--	--	--

OUTLAYS

Project	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Wildlife Habitat Incentives Program	$4,566,750	$13,645,000	-$253,000	$13,392,000

Justification of Increases and Decreases

(1) A decrease of $20,000,000 for the Wildlife Habitat Incentives Program conservation program costs consisting of $4,538,591 in technical assistance and $15,461,409 in financial assistance.

The Secretary was authorized under the FAIR Act of 1996 to utilize a total of $50 million of available Conservation Reserve Program (CRP) funds transferred from the Commodity Credit Corporation (CCC) to implement the WHIP program beginning FY 1998 through the year 2002. All funds authorized will have been fully obligated by FY 1999 end.

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE
Wildlife Habitat Incentives Program

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	Current Law	2000 Program Changes	President's Request
Wildlife Habitat Incentives Program	--	7,500,000	7,500,000
NRCS Technical Assistance	--	2,500,000	2,500,000
Total Available	--	$10,000,000	$10,000,000

Explanation of Proposed Legislation:

This legislative proposal requests $10 million for the Wildlife Habitat Incentives Program (WHIP) for fiscal year 2000. The program promotes, under a voluntary approach to landowners, the use of various wildlife habitat development and management practices to increase wildlife habitat protection and restoration. The Secretary was authorized under the FAIR Act, to utilize a total of $50 million made available through the Commodity Credit Corporation (CCC) under the Conservation Reserve Program (CRP) authorities to implement the WHIP program beginning FY 1997 through FY 2002. All available program funds will have been fully obligated by the end of FY 1999.

WHIP technical and financial funding provides the valuable and needed program practices that enhance the development and creation of wildlife habitat at an affordable cost. It helps local communities,

including farmers, ranchers, and others to use their land in ways that improve, restore, and enhance the natural resource base. Through the WHIP, many of the natural resource issues are being addressed.

It is estimated that approximately 1 million acres (i.e., 7,400 contracts) will be enrolled in the program in FY 1999, at a cost of $20 million. The FY 2000 budget request of $7,500,000 for the implementation of WHIP practices and $2,500,000 for technical assistance would continue to support program goals as well as to provide follow-up assistance, certification, and status reviews on enrolled acres. Funds for NRCS technical assistance are critical for the continued implementation and maintenance of program activities.

In order for WHIP to continue to be a successful national program, it needs to remain available for all those interested in incorporating wildlife into the overall management of their farm or ranch operations. State NRCS offices have made an enormous effort to develop partnerships and outreach methods with government and private organizations to target program implementation at specific State priorities. During the first year of the program, WHIP partners provided $1.00 match for every $3.00 spent by the agency. The budget proposes to continue facilitating the development of these state level partnerships, to achieve the greatest amount of success for wildlife habitats.

As a new program in FY 1998, state estimates of need exceeded the available funds almost four to one. Program demand and popularity is expected to increase as the program becomes more broadly known. In anticipation of current and future demand, the budget proposes continued program funding through proposed legislation.

Continued WHIP funding and implementation of this initiative would support the NRCS Strategic Plan Objective 1.5--Providing high quality habitat on private land supporting the Nation's wildlife heritage. This initiative would also support NRCS Strategic Plan Objective 2.1--A strong and effective grassroots conservation partnership across the United States and its territories, commonwealths, and affiliated governments, by providing strong grass roots partnerships and a diverse customer base.

NATURAL RESOURCES CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 Actual and Estimated 1999 and 2000
WILDLIFE HABITAT INCENTIVES PROGRAM

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	$213,479	0	$300,021	1	--	--
ALASKA	42,499	0	442,500	1	--	--
ARKANSAS	1,313,047	4	445,000	1	--	--
ARIZONA	310,997	0	376,348	1	--	--
CALIFORNIA	897,453	2	412,548	1	--	--
COLORADO	1,702,444	5	885,058	2	--	--
CONNECTICUT	181,665	1	438,834	1	--	--
DELAWARE	23,463	0	51,537	0	--	--
FLORIDA	639,346	2	500,403	1	--	--
GEORGIA	831,001	2	363,299	1	--	--
HAWAII	250,895	1	361,606	1	--	--
IDAHO	457,422	1	400,028	1	--	--
ILLINOIS	673,948	2	556,042	1	--	--
INDIANA	92,162	0	101,861	0	--	--
IOWA	119,254	1	454,696	1	--	--

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
KANSAS	606,674	2	510,825	2	--	--
KENTUCKY	586,343	2	527,406	2	--	--
LOUISIANA	371,123	1	360,014	1	--	--
MAINE	622,113	2	668,231	2	--	--
MARYLAND	167,493	0	320,007	1	--	--
MASSACHUSETTS	232,946	1	642,854	1	--	--
MICHIGAN	659,625	1	728,375	2	--	--
MINNESOTA	653,811	2	808,688	2	--	--
MISSISSIPPI	1,310,461	2	655,002	2	--	--
MISSOURI	931,592	2	701,908	2	--	--
MONTANA	544,650	1	552,850	2	--	--
NEBRASKA	654,185	2	665,802	2	--	--
NEVADA	153,637	0	213,863	1	--	--
NEW HAMPSHIRE	335,728	0	361,767	1	--	--
NEW JERSEY	247,344	1	252,656	1	--	--
NEW MEXICO	516,640	1	336,935	1	--	--
NEW YORK	625,488	1	371,919	1	--	--
NORTH CAROLINA	620,183	2	397,067	1	--	--
NORTH DAKOTA	339,150	1	300,000	1	--	--
OHIO	187,438	0	300,023	1	--	--
OKLAHOMA	1,206,409	3	421,090	1	--	--
OREGON	301,126	1	524,369	2	--	--
PENNSYLVANIA	539,386	1	512,370	1	--	--
PACIFIC BASIN AREA	15,000	0	625	0	--	--
PUERTO RICO	18,238	0	77,000	0	--	--
RHODE ISLAND	64,892	1	360,910	1	--	--
SOUTH CAROLINA	903,752	1	387,186	1	--	--
SOUTH DAKOTA	934,064	3	502,186	1	--	--
TENNESSEE	588,804	1	522,377	1	--	--
TEXAS	603,185	2	521,814	1	--	--
UTAH	187,056	0	300,444	1	--	--
VERMONT	249,295	1	754,865	2	--	--
VIRGINIA	541,891	1	741,557	2	--	--
WASHINGTON	656,482	2	399,518	1	--	--
WEST VIRGINIA	436,301	1	516,199	0	--	--
WISCONSIN	212,510	1	893,740	2	--	--
WYOMING	538,588	3	627,662	2	--	--
UNDISTRIBUTED FUNDS	--	--	57,437	--	--	--
Total available or estimate	$26,112,678	67	$23,887,322	62	$10,000,000	30

COMMODITY CREDIT CORPORATION (CCC)
WILDLIFE HABITAT INCENTIVES PROGRAM

STATUS OF PROGRAM

Current Activities: The Federal Agriculture Improvement and Reform Act of 1996, Section 387, authorized the Wildlife Habitat Incentives Program (WHIP) as a voluntary approach to improving wildlife habitat in our Nation. Program administration of WHIP is provided under the Natural Resources Conservation Service (NRCS). A continuous sign-up process was initiated for FY 1998.

The WHIP is a voluntary program that provides technical and financial assistance to eligible participants to develop upland wildlife, wetland wildlife, threatened and endangered species, fish and other types of wildlife habitat in an environmentally beneficial and cost effective manner. The purpose of the program is to create high quality wildlife habitats that support wildlife populations of local, state, and national significance. WHIP supports the NRCS strategic plan goal that relates to healthy and productive lands.

The WHIP places emphasis on:

- wildlife and fishery habitats identified by local and State partners in each State;
- habitats and wildlife species experiencing declining or significantly reduced populations including rare, threatened, and endangered species; and
- practices beneficial to fish and wildlife that may not otherwise be funded.

Eligible lands under the program include:

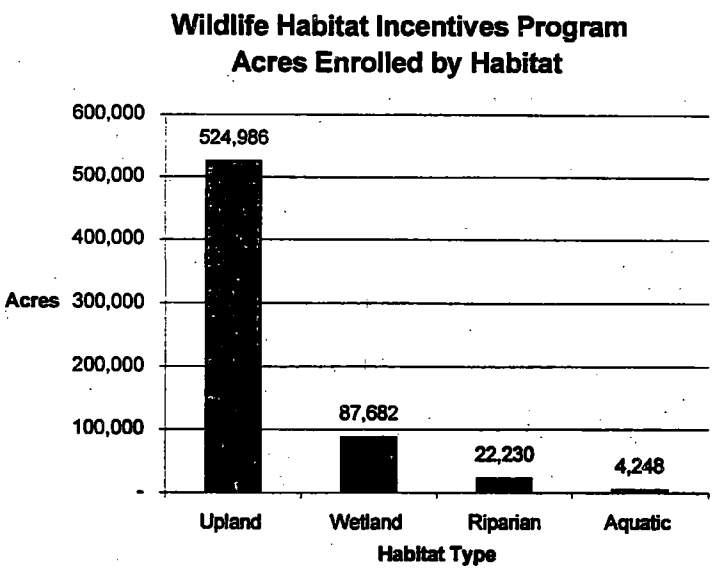
- privately owned land;
- Tribal land;
- State/local government lands on a limited basis; and
- Federal land when the primary benefit is on private lands and the project cannot meet its objectives without the Federal land.

Features of the program include:

- Wildlife habitat development practices: Any practice determined necessary by NRCS to develop important habitat for the target species is eligible. Program practices are prioritized at the State level. Examples of practices authorized under the WHIP program are: native grassland restoration and management, management of field-edge habitat for wildlife, restoration of riparian areas, and, establishment of aquatic habitat.

- Cost-Share payments: Under this program, the Secretary shall pay an eligible program participant up to 75 percent of the cost of installing the wildlife habitat development practices.

- Technical assistance: NRCS, along with Conservation Districts and in cooperation with other partners, provides technical assistance to program participants to develop wildlife habitats. The wildlife habitat development plan identifies the cost share practices that will be installed as well as the operation and maintenance requirements for the life of the agreement. Agreements last from 5 to 10 years.



*-Currently 42,854 acres enrolled in the program are not attributed to a single habitat type. This figure, with the numbers in the graph totals 672,000 acres.

FY 1998 Activity:

- Program implementation: States began implementing WHIP in FY 1998. Thirty million dollars was distributed to states for financial and technical assistance. Eighty-four percent, or $21 million of financial assistance that was distributed was obligated. The balance will be obligated in the first quarter of FY 1999. A total of 4,600 long-term agreements were signed enrolling 672,000 acres in the program nationally. On average, NRCS agreed to reimburse participants $4,600 for each cost-share agreement. The average agreement encompassed 146 acres.

- Wildlife priorities were established on a State-by-State basis. States generally selected 2 to 6 priorities consistently including one or more upland and riparian habitats. Wetlands, aquatic in-stream habitat and other unique wildlife habitat such as caves and salt marshes were also identified as priorities in a number of States. Nationally, acres were distributed among 4 major habitat types as follows:

Upland Wildlife Habitat

Of the total 672,000 WHIP acres enrolled, 82 percent, or 524,986 acres encompassed upland wildlife habitat including grasslands, shrub/scrub and forests. Several types of early successional grasslands, such as tall grass prairies, have declined more than 98 percent according a 1995 U.S. Fish and Wildlife Service Report. One of the primary focuses of WHIP nationally, is restoration of some of these now scarce areas. Wildlife dependent on native grasslands includes neo-tropical migratory birds, waterfowl, amphibians, reptiles and many mammals. Specific species that will benefit from re-establishment of grasslands in one or more states include: grasshopper sparrow, bobwhite quail, swift fox, short-eared owl, Karner-blue butterfly, gopher tortoise, western-harvest mouse, and Gunnison-sage grouse.

Other upland priorities include the establishment of windbreaks and edge around cropland, forests including pine barrens and long leaf pine, wildlife corridors, and shrub scrub steppe habitats. Wildlife species that will benefit from development of these habitats include: Louisiana black bear, Eastern collared lizard, Bachman's sparrow, ovenbird, acorn woodpecker, and western grey-squirrel.

Practices installed on upland habitat include: various types of seeding and plantings, fencing, livestock management, prescribed burning, shrub thickets with shelterbelts. Additional practices were installed for the benefit of forest land management including creation of forest openings, various types of disking or mowing including meander disking through woodlands, woody cover control, brush management, upland wildlife management, aspen stand regeneration, and exclusion of feral animals.

Wetland Wildlife Habitat

Wetland wildlife will benefit from 14 percent of WHIP lands where wetland habitat will be enhanced or created. WHIP wetland acres include acreage that is not eligible for the NRCS Wetland Reserve Program cost-share agreements such as winter flooding of crop fields for waterfowl. Other wetland types that will be enhanced include tidal flushing areas, salt marshes, wetland hardwood hammocks, mangrove forests, and wild-rice beds. Created wetlands include freshwater marshes and vernal pools in abandoned gravel mines. Practices that will be used to enhance or create wetland wildlife habitat include: installation of culverts or water control structures, invasive plant control, fencing, creation of greentree reservoirs, moist soil unit management, and creation of shallow water areas. Among the wildlife species that will benefit from creation or enhancement of wetland habitat are: blackcrowned night heron, snowy egret, canvasback duck, ibis, piping plover, short-nosed sturgeon, osprey, California-clapper rail, fairy shrimp, and Santa Cruz long-toed salamander.

Riparian and Instream Aquatic Wildlife Habitat

Riparian and in-stream aquatic wildlife habitats make up 3 and 1 percent, respectively, of all WHIP acreage. This category includes riparian areas along streams, river, lakes, sloughs and coastal areas, as well as the streams, lakes and rivers themselves. Species that will benefit from the wildlife practices installed in riparian or aquatic areas include: Columbia sharp-tail grouse, Le/Conte's sparrow, bull trout, grayling, westslope cutthroat trout, Preble's meadow jumping mouse, southwest willow flycatcher, woodcock, Hellbender, river otter, brook trout, short-nose sturgeon, puritan tiger beetle, Higgin's eye pearly mussel, Pallid shiner, ornate box turtle, alligator snapping turtle, lest tern, leopard darter, Arkansas darter, Ouachita Rock-pocketbook mussel, Bonneville cutthroat trout, Oregon chub, painted turtle, belted kingfisher, yellow-billed cuckoo, California freshwater shrimp, valley-elderberry longhorn beetle, American shad, and Pacific giant salamander.

Practices that will be installed to improve aquatic and riparian wildlife habitat include: tree plantings, fencing with livestock management and off-stream watering, in-stream structures, seeding, streambank protection and stabilization, stream deflectors, creation of small pools, installation of buffers, removal of dams, fencing, creation of fish passages past structures, alternative watering facilities, and establishment of instream structures such as logs or rocks.

Threatened and Endangered Species

Of the total acreage enrolled in WHIP, approximately 20 percent of the acreage enrolled in WHIP will benefit threatened and endangered species. Threatened and endangered species targeted through WHIP include, but are not limited to the following: American-burying beetle, Neosho madtom, Topeka shiner, gray bat, kit fox, bog turtle, gopher tortoise, dusky-gopher frog, Eastern-indigo snake, southern-hognose snake, black-pine snake, Louisiana-black bear, red-cockaded woodpeckers, Mississippi-sandhill crane,

Florida panther, wood storks, snail kites, Florida sandhill crane, caracara, grasshopper sparrow, Snake River-Chinook salmon, Umpua River-cutthroat trout, coho salmon, steelhead, bulltrout, Lahontan-cutthroat trout, Yuma-clapper rails, Sonoran pronghorn, Mexican voles, and lesser long-nosed bats.

Partnerships

NRCS, in cooperation with other Federal agencies, State and local partners, and the private sector, functions as part of a diverse, united coalition to address local and national conservation issues affecting our nation. NRCS works at the local level and through the State Technical Committee to establish wildlife priorities. This process allows for local input as well as the coordination of wildlife priorities with other wildlife interest in the state encouraging the leveraging of other state, federal and private dollars to address state and local wildlife priorities. Partners provide technical expertise identifying wildlife concerns, assisting in the development of wildlife habitat development plans and monitoring progress. In addition, partners provide financial assistance through additional cost-share dollars, purchase of seed, by supplying equipment, or installing practices for the participant. The emphasis placed on partners in WHIP has improved communication and coordination among various interests addressing wildlife concerns. They are an essential part of the success of the program.

Mississippi is one of several states that used WHIP funds to establish educational areas. Mississippi NRCS partnered with 21 middle and high schools as well as two universities to establish wildlife habitat such as plantings and nesting boxes, that would provide outdoor classrooms where students could learn about ecology and wildlife.

In Wyoming, 25 percent of the funds in the State were targeted to an area comprising half of one county. Thirty landowners entered into WHIP agreements in land surrounding two state wildlife management areas. The State's wildlife areas are rich in water and wetlands, but lacked upland bird habitat and nesting cover limiting overall wildlife benefits. The land enrolled in WHIP provides the missing habitat for pin tails, mallards, pheasant and sharptails as well as neotropical migratory birds. In addition, the participants can lease their land during hunting season gaining additional income.

Maine NRCS, in cooperation with a number of partners, removed a dam on the Soudabscook River this summer providing Atlantic salmon, river herring, sea run trout, and alewives access to a 160 square mile watershed. The positive publicity immediately following removal of the dam yielded over $50,000 in unsolicited private donations with more promised when another project is ready to be implemented. Removal of the dam reduced flooding to homes on the river, and is already attracting sport fishermen to the area. This is important in a state where tourism is a major source of income.

Arizona NRCS had WHIP contracts with four Indian Tribes in 1998 and has set aside funding to enable all tribes in the state to participate in the program, if interested, in FY 1999. Existing WHIP contracts with tribes will provide restoration of water resources and prescribed burning to manage for big horn sheep as well as riparian restoration that will benefit threatened and endangered species.

COMMODITY CREDIT CORPORATION (CCC)
NATURAL RESOURCES CONSERVATION SERVICE

Farmland Protection Program

CURRENT LAW

Budget Estimate, 1999	--
Budget Estimate, 2000	--
Increase in Estimate	--

PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000	--
Change due to proposed legislation	+$27,500,000
Net Request, President's 2000 Budget Request	27,500,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

Item of Change	1999 Estimated	Pay Costs	Program Changes	2000 Estimated
Farmland Protection Program	--	--	--	--

Project Statement - Current Law

	1998 Actual		1999 Estimated		Increase or	2000 Estimated	
Program	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Farmland Protection Prog.	$17,279,997	--	--	--	--	--	--
Technical Assistance	720,000	--	--	--	--	--	--
Total, FPP	$17,999,997	--	--	--	--	--	--

NOTE: Staff years for FPP are reflected under reimbursable staff years in the Conservation Operations account. In FY 1998, NRCS was reimbursed for 12 staff years.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	Current Law	2000 Program Changes	President's Request
Farmland Protection Program	--	+$27,500,000	$27,500,000
Total available	--	27,500,000	27,500,000

Explanation of Proposed Legislation:

Historically, American settlements were located in areas where the land was most productive. Consequently, some of the Nation's most valuable and productive farmland is located in urban and developing areas. Urban sprawl has been a major cause of farmland conversion.

According to the 1987 Census of Agriculture, one-third of the Nation's agricultural products are produced in metropolitan counties containing large cities. Another one-fourth of these agricultural products are produced in counties adjacent to significant urban populations. Nearly 85 percent of domestic fruit and vegetable production and 80 percent of our dairy products come from urban-influenced areas. These areas are continually threatened by rapid development and urban sprawl. Since 1960, an average of 1.5 million acres of farmland have been converted to other uses each year.

In addition to the gross acreage of farmland converted to urban development, a greater cause for concern is the quality of farmland that is being converted. Currently, the United States is losing more than 2 acres of

our best farmland to development every minute of every day. In most States, prime farmland is being converted at 2 to 4 times the rate of other less-productive land. Moreover, as development occurs, remaining acreage is placed under a greater environmental, economic, and social strain as agrarian and urbanizing interests compete. It generates adverse impacts on water quality and soil health. For the agricultural producer, increasing costs of production and liability risks are harmful byproducts of urban development. For urban dwellers, issues such as pesticide overspray, animal nutrient odors, run-offs, and noise are significant concerns.

There is a substantial national interest in strategically protecting the farmland. Once developed, productive farmland with rich topsoil will be lost forever. Food security for the Nation must be taken into account. Agricultural lands are important components of historic landscapes and are equally important for their open space and scenic beauty.

The purposes of FPP are to strategically protect farmland from urban encroachment and other nonagricultural land conversions; preserve farmland for future generations; maintain, restore, and enhance ecosystems; protect historical landscapes, scenic beauty, and open space; and sustain rural economic stability and development.

These purposes are accomplished through acquiring conservation easements or other interests on these threatened lands. It is achieved by providing matching funds to States, Tribes, and local government entities to form partnerships in easement acquisition and leverage their farmland protection efforts. In addition, this allows for a cooperative working relationship with landowners to provide technical assistance in developing and implementing conservation plans to ensure appropriate use of the natural resources.

This legislation is necessary for NRCS to continue the vital preservation of prime farmland across this country.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 and Estimated 1999 and 2000
FARMLAND PROTECTION PROGRAM

	1998	1999	2000
	Amount	Amount	Amount
CALIFORNIA	$1,000,000	--	--
COLORADO	1,000,000	--	--
CONNECTICUT	1,000,000	--	--
DELAWARE	1,330,000	--	--
FLORIDA	600,000	--	--
KENTUCKY	700,000	--	--
MAINE	360,000	--	--
MARYLAND	1,399,997	--	--
MASSACHUSETTS	1,200,000	--	--
MICHIGAN	1,050,000	--	--
NEW HAMPSHIRE	225,000	--	--
NEW JERSEY	1,400,000	--	--
NEW YORK	1,400,000	--	--
NORTH CAROLINA	300,000	--	--
PENNSYLVANIA	1,400,000	--	--
RHODE ISLAND	675,000	--	--
VERMONT	1,200,000	--	--
WASHINGTON	450,000	--	--
WISCONSIN	590,000	--	--
Total available or Estimate	$17,279,997	--	$27,500,000

COMMODITY CREDIT CORPORATION (CCC)
FARMLAND PROTECTION PROGRAM

STATUS OF PROGRAM

The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) authorized the Farmland Protection Program (FPP), under CCC. The FPP is designed for the Federal government to establish partnerships with State, tribe, or local government entities in sharing the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to nonagricultural uses.

The Natural Resources Conservation Service (NRCS) has been designated by the Secretary of Agriculture as the lead agency to administer FPP, while the Farm Service Agency (FSA) handles financial responsibilities. Program policy, procedures, and guidelines are developed by NRCS with concurrence from FSA.

FPP will:

- Establish partnerships with State, tribe, or local government entities to leverage their purchase of conservation easements or purchase of development rights programs by providing matching funds of no more than 50 percent of the purchased easement price;
- Acquire perpetual conservation easements or other interests on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits; and
- Protect topsoil by limiting conversion to nonagricultural uses of the land.

Eligible lands under the program include:

- Lands with prime, unique, or other productive soil; and
- Other incidental lands that would not otherwise be eligible, but are considered part of a pending easement offer by a State, tribe, or local government entity.

Features of the program include:

Program operation: FPP is carried out through existing State, tribe, or local government entities' farmland protection programs. Any local or State agency, county or group of counties, municipality, town or township, soil and water conservation district, or American Indian tribe or tribal organization, which has a farmland protection program that purchases conservation easements for the purpose of protecting topsoil by limiting conversion to nonagricultural uses of land, and which has pending offers with willing landowners, may apply for FPP funds. Individual landowners would need to apply to and be accepted by the State, tribe, or local government programs to participate in FPP. Easements and other interests proposed for acquisition are for perpetuity.

Potential participating entities must provide written evidence of:

- their commitment to the long-term conservation of agricultural lands through the use of legal devices, such as right-to-farm laws, agricultural districts, zoning, or land use plans;
- the use of voluntary approaches to protect farmland from conversion to nonagricultural uses;
- their capability to acquire, manage, and enforce easement rights or other interests in land; and
- available funds of at least 50 percent of the total cost of easement acquisitions.

Once selected, both the entity awarded and the United States sign a cooperative agreement. Cooperating entities process the easement acquisition, hold, and manage easements acquired. The Federal share for any easement acquisition is limited to the maximum of 50 percent of the purchased easement price. A contingent remainder right must be incorporated in each easement deed for the protection of the Federal investment. A conservation plan is also required for each easement acquired in part with the Federal funds

to ensure responsible land stewardship. A failure to abide by the terms in the cooperative agreement or in the recorded easement deed may result in the easement rights being vested in the United States and/or for the cooperating entity to reimburse the United States for the Federal share of the easement price.

Program funding: FPP funds are made available from CCC. A total of $35 million was authorized in the 1996 Act. When easement acquisitions are completed, cooperating entities submit appropriate documentation to the respective NRCS State office and request reimbursement of the Federal share of the easement price. FSA issues payment after receipt of NRCS certification of reimbursement amount requested.

Technical assistance: NRCS assists landowners developing conservation plans for lands accepted in FPP. The plan specifies the stewardship for lands utilized according to the conservation practices designed and recommended. The conservation plan will specify the compatible uses reserved to the landowner according to the easement deed.

Current Activities: NRCS uses a request for proposals (RFP) process for FPP participation. A notice of RFP is published in the Federal Register each year. Program policy and procedures are addressed in the notice. Proposals are received by the NRCS State offices and forwarded through the respective NRCS regional offices to the national office for selection. Cooperative agreements were signed between the selected cooperating entities and USDA to obligate FPP funds. As of September 1998, the entire $35 million authorized in the 1996 Act had been obligated in financial and technical assistance.

Table 1: FPP Funds Requested

Fiscal Year	RFP Published Date	States Applied	Pending Easements	Proposed Acreage	Est. Easement Value ($ mil.)	FPP Funds Requested ($ mil.)
96	8/21/96	20	628	176,000	$329	$130.6
97	5/28/97	12	98	10,000	40	6.5
98	3/20/98	20	481	99,000	205	61.2
Total			1,207	285,000	$574	$198.3

Table 2: FPP Funds Awarded

Fiscal Year	States Awarded	Approved Easements	Acres to be acquired	Est. Easement Value ($ mil.)	FPP Funds Awarded ($ mil.)
96	17	203	76,756	$116	$14.30
97	10	29	4,969	18	1.92
98	19	228	45,658	96	17.28
Total	19 *	460	127,383	$230	$33.50

*/ Because States received funds more than once, total is not the sum of States awarded in those 3 years.

Tables 1 and 2 show that FPP funds requested were $130.6 million, $6.5 million, and $61.2 million while only $14.3 million, $1.9 million, and $17.3 million were available for fiscal years (FY) 1996, 1997, and 1998, respectively. Namely, respective FPP funds were available at 11, 30, and 28 percent of the funds requested in those years.

Since FPP's inception in 1996, 19 States have received $33.5 million for financial assistance from FPP funds. More than 127,000 acres on 460 farms, with an estimated easement value of $230 million, will be permanently protected from conversion to nonagricultural uses. For every Federal dollar, an additional $6 will be spent by the participating State and local government entities.

As of November 30, 1998, easements or other interests purchased in part with FPP funds were completed on 98 farms. Approximately 21,000 acres of mostly prime and unique farmland on urban fringe are permanently protected from conversion to nonagricultural uses. The total easement price of these 98 farms was approximately $44.2 million ($9.6 million from FPP and $34.6 million from partnerships), with an average price of $2,110 per acre. For the easements already acquired, the average Federal share accounts for 22 percent, and the average State and local government share accounts for 78 percent.

Table 3: Summary of FY 1998 Proposals Received and Allocations

State	FPP Proposals Received			Funds Allocated
	Number of Easements	Acres Offered	Value	
CALIFORNIA.	7	2,522	$4,568,500	$1,000,000
COLORADO.	7	4,092	7,343,155	1,000,000
CONNECTICUT.	14	2,138	5,838,000	1,000,000
DELAWARE	28	9,763	18,600,000	1,330,000
FLORIDA.	3	15,075	6,077,000	600,000
KENTUCKY.	26	4,503	9,460,200	700,000
MASSACHUSETTS.	34	3,542	10,000,000	1,200,000
MARYLAND	83	16,027	41,410,828	1,399,997
MAINE.	9	4,966	2,494,500	360,000
MICHIGAN	56	7,232	11,331,000	1,050,000
NORTH CAROLINA	19	1,324	2,173,500	300,000
NEW HAMPSHIRE	5	510	2,755,000	225,000
NEW JERSEY	16	2,444	10,000,000	1,400,000
NEW YORK	78	7,515	36,205,956	1,400,000
PENNSYLVANIA	53	7,232	14,681,312	1,400,000
RHODE ISLAND	7	974	11,380,000	675,000
UTAH	1	115	625,000	0
VERMONT	19	6,741	6,000,000	1,200,000
WASHINGTON	8	841	1,278,400	450,000
WISCONSIN	8	1,198	2,387,000	590,000
TOTAL	481	98,754	$204,609,351	$17,279,997

Table 4: FPP Cumulative Summary

State	Total Obligations For FPP Funding	Easements Acquired*		Pending Easements	
		Number	Acres	Number	Acres
CALIFORNIA	$3,400,000	1	192	12	3,488
COLORADO	2,000,000	1	380	6	4,075
CONNECTICUT	2,000,000	2	372	13	2,802
DELAWARE	2,330,000	6	1,376	15	4,422
FLORIDA.	1,033,000	1	1,932	3	38,203
KENTUCKY.	1,100,000	–	–	16	5,666
MASSACHUSETTS.	2,400,000	12	956	24	3,071
MARYLAND	2,999,997	3	264	83	11,650
MAINE.	360,000	–	–	3	3,650
MICHIGAN.	2,400,000	2	106	31	3,992
NORTH CAROLINA	452,000	2	84	14	1,147
NEW HAMPSHIRE..	325,000	–	–	6	384
NEW JERSEY.	2,600,000	12	2,553	18	2,908
NEW YORK.	1,900,000	1	37	50	5,683
PENNSYLVANIA	3,270,000	34	7,722	26	4,483
RHODE ISLAND.	1,175,000	5	211	3	1,275
VERMONT	2,300,000	16	4,746	14	6,650
WASHINGTON	650,000	–	–	13	913
WISCONSIN	830,000	–	–	12	1,990
TOTAL	$33,524,997	98	20,931	362	106,452

* Easements acquired through November 30, 1998.

NATURAL RESOURCES CONSERVATION SERVICE

Conservation Farm Option

CURRENT LAW

Budget Estimate, 1999	--
Budget Estimate, 2000	$37,500,000
Decrease in Estimate	-37,500,000

PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000	$37,500,000
Change due to proposed legislation	-37,500,000
Net Request, President's 2000 Budget Request	0

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	2000		
Item of Change	Current Law	Program Changes	President's Request
Conservation Farm Option	--	-$37,500,000	0
Total available	--	-37,500,000	0

Explanation of Proposed Legislation:

The President's budget proposes to offset funding for Wildlife Habitat Incentives Program and Farmland Protection Program by reduction in funds for the Conservation Farm Option program. These programs are a higher priority than the Conservation Farm Option.

WEDNESDAY, MARCH 3, 1999.

MARKETING AND REGULATORY PROGRAMS

WITNESSES

MICHAEL V. DUNN, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS
CRAIG A. REED, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE
ENRIQUE FIGUEROA, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE
JAMES R. BAKER, ADMINISTRATOR, GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. SKEEN. I want to say good afternoon, and today we have with us the Marketing and Regulatory Programs of the Department of Agriculture, and Under Secretary Dunn—and that does sound better than Assistant Secretary, does it not?

Mr. DUNN. Thank you very much for your assistance, Mr. Chairman, on that.

Mr. SKEEN. You have done yourself proud.

We are leaving it up to you to present a brief opening statement, and I would ask that Mr. Reed, the APHIS administrator, Dr. Figueroa, the administrator of AMS, and GIPSA administrator, Mr. Baker, will follow your lead.

Your prepared statements will be printed in full for the record. Now it is all yours, if you will introduce your group, and we will launch this little boat.

Mr. DUNN. Thank you very much, Mr. Chairman.

Mr. SKEEN. Thank you, sir.

INTRODUCTION OF WITNESSES

Mr. DUNN. Today, I have with me Mr. Baker, the administrator, Grain Inspection, Packers and Stockyards, Dr. Figueroa, who is the administrator of Ag Marketing Service, and Dr. Reed, who is the administrator of Animal Plant Health Inspection Services, and Mr. Steve Dewhurst, who is director of the OBP&A for the United States Department of Agriculture.

OPENING STATEMENT

Mr. Chairman, I will give a brief oral statement, with my written testimony being submitted as part of the record.

Mr. SKEEN. Thank you.

Mr. DUNN. Thank you, sir.

I think it comes as no surprise to folks that the Department has been under so much stress this year because our producers have

been under stress. The farmers and ranchers, the folks that we all work for, your constituencies have been under stress. This has been a very, very tough year for us as we look at the outlook for what may happen in the future, and it is especially important for Marketing and Regulatory Programs.

With the advent of the 1996 Farm Bill, we see more and more of the responsibilities for marketing to come under the Marketing and Regulatory Programs' umbrella. Certainly, Mr. Chairman, these agencies need to be able to respond to the conditions of the future.

We had devastating news for pork producers this year. In December, we reached an all-time low, about 8 cents per pound for pork producers. This translates into real agony for the men and women that are involved in agriculture out in the countryside, your constituents, our constituents.

In Marketing and Regulatory Programs, we looked to see what could we do to assist these pork producers. Under Ag Marketing Services, the one thing we could do is purchase additional pork products to get into the school lunch program, to get into nutrition programs. What we did, Mr. Chairman, is we reached our legislative cap that we could have for pork purchases. Under the law, we can go to 25 percent of Section 32 for any single commodity. We did that for the pork producers.

More importantly, when we did that, we told the packers what we wanted them to do was to have a part of that portion to come from overtime work, kills that were going on over the weekend and on second shifts. Because what we were told by pork producers, that the kill capacities just simply was not out there to take care of the demand that they had for pork slaughter.

In GIPSA, we went in to look at what transpires out there in the marketplace, and we had a study in 1996. And what we found in that study was that primarily smaller pork producers, those that market less, did not realize higher prices that some of the other contract larger producers might get. And we took that information to Ag Marketing Service and asked them to take a look at that and to report what is actually happening out there in the marketplace so producers have a better understanding of what the price for pork might be. In the beginning of this year, they did change how they reported pork prices out there.

But, Mr. Chairman, probably the most help that we could for family farmers at this time was really through Animal and Plant Health Inspection Services. What we did there was go to an emergency situation using $80 million from CCC monies and began an indemnification program to eradicate pseudorabies. This was a win-win situation for us.

What we were able to do was take approximately 1.17 to 1.9 million head of pork out of production, sending it to slaughter to rendering plants, indemnify the producers for that, and thus free up this kill capacity of the slaughter plants. That is the way that we see Marketing and Regulatory Programs needing to operate in the future to respond to these types of situations that we have in the marketplace.

Well, let me get down to business, Mr. Chairman, on what we are asking for in our funding request. We are proposing $825 million of program activities. Under current law, taxpayers would fund $458 million, and beneficiaries of service will pay $367 million. Marketing and Regulatory Programs administer over 50 percent of the Department user fee programs at the present time.

Under Grain Inspection, Packers and Stockyards, Mr. Chairman, at these times when producers are getting low prices, they come to us and they say is there something going on out there? Is the marketplace being constricted because of monopolies out there? What is going on? And they are asking us to take a hard look at what is going on out there and give them information about what is taking place.

So what we are proposing to do is to enhance our monitoring and analysis of packer competition in the industry structure.

Second, we are looking at broadening the size and scope of the poultry compliance investigation. The Baltimore paper has just finished up a series of reports about what can be done to assist poultry operators out there.

Mr. Chairman, we desperately need those additional funds that we requested to give us the research and personnel needs and probably some more teeth in Packers and Stockyards legislation to be able to do something to assist these producers out there.

We need to establish an electronic filing procedure, a method in which we can get rapidly, almost on a real-time basis, the information of what is going on out there in the packing industry so that we can analyze that to see if there is any funny business going on. That electronic filing system would be the single best factor that we could have to give us a better understanding of what is happening in the packing industry.

And we need to identify the emerging grain-testing techniques and to develop analytical techniques for identifying generic differences in grain varieties. We are going to be seeing greater and greater requests for identity preserved on grains, and we need to develop an automated procedure for testing for mycotoxins, all of that under Grain Inspection, Packers and Stockyards.

Under Ag Marketing Service, we are currently finishing up with our milk marketing order reforms. As this committee has asked us to do, we will publish that by the 4th of April, but it will not be implemented until the end of October. What we will try to do, Mr. Chairman, is ensure that we publish those milk marketing order reforms before you go on spring break that will give us an opportunity to come up and brief you and your staff, so that when you go back out to the countryside, you will not be caught off-guard and having us do it on the 4th of April, for instance.

Another major area that Ag Marketing Service is working on is putting together the organic standards. We should have those out this year. It has been a major undertaking by the Department to be able to put that together.

The AMS is putting a high priority on the demands of meeting the pesticide residue data that is needed for EPA to implement the Food Quality Protection Act. For 2000, a rapid response capability

will be established that will enable EPA to complete risk assessments, evaluation of pesticides affecting multiple commodities in a more timely fashion. AMS will modify existing methodologies to test meat, poultry, eggs and drinking water for pesticide residue.

Export markets are of tremendous concern to our producers out there, and they are asking us to give them more information. If they are to be in a global marketplace, they need to know what is happening in that global marketplace. So for greater demand for that market news, AMS is proposing to incorporate reports from major export markets into the existing market news and information. We will also be establishing a market news and information for organic crops, which is really, we see, as a major thrust of assisting small, family-size farm operations that primarily are in the organic industry at this time.

We will identify alternative marketing strategies for small and medium farmers as well and disseminate that information in a series of meetings across the Nation.

And, finally, Mr. Chairman, for Animal and Plant Health Inspection Services, APHIS has a 2000 budget request of $10 million above the level appropriated for 1999, but we have made significant changes in what our priorities are for APHIS.

The increased budget priorities involve $14.2 million for the detection and exclusion of pest and disease, $6.3 million for more timely and accurate surveillance information on plant and animals, including funds for emergency preparedness against acts of bio-terrorism, $3.8 million for emerging plant pest and invasive species, and $2.6 million for data gathering and risk analysis.

Mr. Chairman, it is important, if we are going to be in a global marketplace, if family farmers are reliant upon that export market, and some of the reasons why we are in a situation today of low prices is because of our precipitive drop in our export marketplace. APHIS needs to take the lead to reduce those sanitary-phytosanitary barriers that are out there to open up those marketplaces for us.

Simultaneously, the greatest threat that we have is for those foreign pest and disease to come into this United States. Classic swine fever, which we know is right off our shores on the Hispaniola Island could come in and continue to devastate the pork markets that we have here in the United States today. So we have to have that type of vigilance, as well as opening up those marketplaces.

We recently have found a new invasive species that is coming in, something called the long-horned beetle, Asian long-horned beetle. And in New York and Chicago, this beetle is wreaking havoc with our hardwood trees. We are losing maple trees. We are going into the City of Chicago and the City of New York, and we are cutting down trees because it is the only way we know how to get rid of these invasive insects at this time.

We must, Mr. Chairman, ensure that we protect our shores from these. I am very proud of what APHIS did. In a short span of 32 days, they promulgated regulations to exclude solid wood packing material from China, which was the origin of this beetle. And we have over 70-percent compliance at this time from China sending goods into the United States.

Mr. Chairman, with that, I will conclude and open it for questions or to hear from the administrators.

[The prepared statements and biographies of Michael Dunn, Enrique E. Figuerora, Craig A. Reed, and James R. Baker follow:]

Statement by
Michael Dunn
Under Secretary of Agriculture
for Marketing and Regulatory Programs
before the House Subcommittee on Agriculture,
Rural Development and Related Agencies

March 2, 1999

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs of the U.S. Department of Agriculture and to present our fiscal year (FY) 2000 budget proposals.

With me today are Dr. Craig Reed, Administrator of the Animal and Plant Health Inspection Service, Dr. Enrique Figueroa, Administrator of the Agricultural Marketing Service, and James Baker, Administrator of the Grain Inspection, Packers and Stockyards Administration. They have statements for the record and will answer questions regarding specific budget proposals.

STRATEGIC GOALS

The Marketing and Regulatory Programs contribute to the Department's three strategic goals which support the rural economy, assure food safety and sensibly manage the natural resources. Specifically, the MRP goals include:

- providing consumers access to safe, affordable, and high quality products and assuring producers access to fair and competitive markets,
- facilitating the global marketing of U.S. agricultural products,
- increasing customer awareness of our services,
- providing efficient, entrepreneurial, and cost effective services, and
- creating and maintaining a diverse and highly skilled workforce.

FUNDING SOURCES

The Marketing and Regulatory Program activities are funded by both the taxpayers and beneficiaries of program services.

On the appropriation side, we are requesting $435.4 million for salaries and expenses and $7.2 million for buildings and facilities for the Animal and Plant Health Inspection Service; $60.2 million for Marketing Services and $1.2 million for the Federal-State Marketing Improvement Program for the Agricultural Marketing Service; and $26.4 million for the Grain Inspection, Packers and Stockyards Administration.

Legislation will be submitted, which if enacted would recover $28 million more in user fees. This legislation would authorize new license fees to recover the cost of administering the Packers and Stockyards (P&S) Act, additional license fees for facilities regulated under the Animal Welfare Act, additional biotechnology permit fees, and additional grain inspection fees for developing grain standards. I will use the remainder of my time to highlight the Department's budget requests for the Marketing and Regulatory Programs.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is carried out in two major segments of American agriculture. The strategic goal for the Packers and Stockyards Programs is to ensure open and competitive markets for livestock, meat, and poultry. GIPSA's strategic goal for the Federal Grain Inspection Service is to provide the U.S. grain market with Federal quality standards and a uniform system for applying them. The agency has both service and regulatory roles.

Program Plan and Accomplishments

During FY 1998, GIPSA consolidated the Packers and Stockyards headquarters activities and established three field offices for the P&S program to replace 11 offices. Resident agents will handle the most basic services and routine investigations in outlying areas. The restructuring funds provided in FY 1999 will significantly improve the Program's ability to provide financial protection and promote fair business practices and a competitive marketing environment for livestock, meat, and poultry. The new structure and the addition of economic, statistical and legal expertise to the investigative staff of the field offices significantly strengthens GIPSA's ability to investigate anticompetitive practices and provide greater flexibility and efficiency in enforcing the trade practice and payment protection sections of the Act. GIPSA's front-line staff has been increased from 72 percent to 80 percent of the P&S staffing.

Financial investigations during FY 1998 resulted in $3.7 million being restored to custodial accounts established and maintained for the benefit of livestock sellers. Packer trust activities returned over $5 million to livestock sellers during the fiscal year. During FY 1998, 130 insolvent dealers and market agencies corrected or reduced their insolvencies by $10.1 million. Insolvent packers corrected or reduced their insolvencies by $1.8 million.

The enforcement case against IBP, Inc., is still in litigation. It charged that IBP entered into a marketing agreement and paid preferential prices to an exclusive group of feedlots in Kansas. The case was dismissed, but upon appeal, the Judicial Officer

found that one of the terms of the agreement, the "right of first refusal," has the effect or potential effect of reducing competition. In August 1998, IBP appealed the action to the Eighth Circuit Court of Appeals in St. Louis, MO.

GIPSA's broad investigation of fed steer and heifer procurement in the Texas Panhandle included 16 months of procurement data, involving over 37,000 transactions covering over 6 million head of cattle. The investigation is presently under peer review to determine whether there are better investigative techniques that would strengthen future enforcement of the Act against anticompetitive behavior in the livestock, meat and poultry industries.

An investigation of slaughter hog procurement in the western Corn Belt revealed that smaller sellers tended to sell lower quality hogs at low spot market prices, while larger sellers were more likely to have higher quality hogs sold under marketing agreements or under higher carcass merit pricing. Further analysis indicated that publicly reported prices did not reflect actual transaction prices. These findings have been reported to small farmers in a series of outreach meetings.

Contract poultry grower complaints involve: (1) grower payments based upon performance comparisons with other growers; (2) inaccurate feed weights; and (3) inaccurate weighing of live birds. An Advance Notice of Proposed Rulemaking was published in the Federal Register in early 1997 to consider the need for regulations to provide growers with assurance that their contract settlements will be equitable. The more than 3,400 comments have very divergent views. Common ground was found for a rule, which has been proposed, to require firms subject to the P&S Act to accurately weigh feed provided to contract livestock and poultry growers.

GIPSA's Federal grain inspection personnel work with over 2,000 State and private inspectors to provide high-quality inspection and weighing services on a user-fee basis. Federal inspectors service 42 export elevators located in Georgia, Illinois, Indiana, Louisiana, Maryland, New York, Ohio, Oregon, and Texas. A small Federal staff also provides service at 6 export elevators in Eastern Canada for U.S. grain transshipped through Canadian ports. Eight delegated States provide service at an additional 20 export elevators located in Alabama, California, Minnesota, Mississippi, South Carolina, Virginia, Washington, and Wisconsin. Sixty-two (62) designated agencies service the domestic market under GIPSA supervision. In 1998, this unique mix of Federal, State, and private inspection agencies provided over 1.9 million inspections on over 214 million metric tons of grains and oilseeds; weighed over 89.1 million metric tons of grain; and issued over 79,000 official weight certificates.

For an average cost of 26 cents per metric ton of grain in FY 1998, exporters received USDA export certificates from GIPSA on which they relied to facilitate the marketing of over $20 billion worth of cereals and oilseeds. Likewise, here at home, buyers and handlers requested over 1.8 million domestic inspections that facilitated the trading of 122 million metric tons of cereals and oilseeds destined for domestic use.

To make inspection services more effective and efficient, a new official moisture meter was developed. It presents a marked increase in the productivity of inspectors, ease of operation, as well as a lower cost for inspections. Also in the area of cost saving technology, GIPSA continued to assist major export elevators in their ongoing efforts to automate official weighing and grain handling operations. Five fully automated weighing systems have been approved for operation. Six other systems are being

evaluated. Automated weighing systems constantly monitor grain flow which allows GIPSA to achieve superior supervision of weighing and grain flow, and improves the elevators' efficiency.

We also are implementing new testing services to keep pace with an increasingly sophisticated market that requires end-use quality information. In FY 1998, new testing services were offerred for corn oil, protein, and starch that are used to determine value, establish premiums, and negotiate price.

Our commitment to reaching our customers does not end at our borders. In FY 1998, GIPSA representatives met in the United States with 68 teams from 49 countries to provide information, technical guidance, and educational seminars. These international outreach efforts help promote greater harmony between U.S. and international standards, and foster a better understanding of the U.S. grain marketing system, the official U.S. grain standards, and the national inspection system. This, in turn, reduces the risk of new barriers in today's open and freer global marketplace, enhances purchasers' confidence in U.S. grain, and facilitates the export of U.S. agricultural products.

GIPSA's 2000 Budget Request

To fund these important activities, GIPSA's budget request for FY 2000 is $26.4 million for Salaries and Expenses and $42.6 million in our revolving fund for grain inspection.

For FY 2000, the President's budget requests an appropriation for grain inspection of $11.5 million. There are proposed increases of $425,000 to identify emerging grain

testing needs to improve market efficiency; $190,000 for specific grain quality testing; and $50,000 for the automation of mycotoxin testing. These increased funds are needed to improve grain inspection services and to help control the costs of inspection. Proposed legislation, if enacted, would authorize the collection of $3.6 million in new user fees to cover the costs of grain standardization activities.

The budget proposed an appropriation of $14.9 million for the P&S Programs. There are proposed increases of $225,000 to allow GIPSA to establish electronic filing procedures for quarterly and annual reports, which is consistent with the requirements of the Paperwork Reduction Act of 1995; $636,000 for activities in the packer competition and industry structure areas; and $750,000 for poultry compliance activities. These funds are necessary to improve GIPSA's regulatory and enforcement performance in ensuring fair, open and competitive markets in livestock, meat and poultry. The budget includes a reduction of $2.5 million for the one-time costs of reorganizing P&S' field structure. Additionally, legislation is being submitted which, if enacted, would authorize the collection of $14.9 million in new license fees to cover the cost of the P&S Programs.

AGRICULTURAL MARKETING SERVICE

The fundamental mission of AMS is to facilitate the strategic marketing of agricultural products, ensure fair trading practices, and promote a competitive and efficient marketplace. The AMS programs enable the private sector marketing system to provide food and other agricultural products more efficiently, with greater dependability, and with assurance of equitable treatment among the participants. AMS' strategic goals are: 1) to facilitate the strategic marketing of U.S. agricultural products in domestic and international markets and 2) to ensure fair and competitive agricultural marketing through marketing tools and regulations. AMS' activities include the dissemination of

market information, development of grade standards -- many of which are used in the voluntary grading programs funded by user fees -- protection of producers from unfair marketing practices, random testing of commodities for pesticide residues, oversight of industry funded programs to promote agricultural products, and research and technical assistance aimed at improving efficiency of food marketing and distribution. AMS also administers marketing agreements and orders at the national level and purchases commodities that support domestic feeding programs.

Major Rulemakings

AMS is on track to complete the rulemaking on Federal milk market order reform and consolidation by October, 1999, as required by the 1999 Appropriations Act. Since publication of the proposed rule in January 21, 1998, AMS has contacted over 20,000 interested parties, held numerous meetings throughout the country, and received nearly 4,500 comments.

Another major rulemaking undertaken by AMS in 1998 was the proposed rule to establish National Organic Standards. USDA's goal is to establish clear, consistent regulations that stimulate the growth of the organic sector, satisfy consumer expectations and allow organic producers flexibility in making site-specific, real-time management decisions. To accomplish this goal, AMS is currently working with the organic community and consumers to develop a revised regulation that responds to the 275,000 comments received in response to the proposed rule. AMS will publish the revised proposed regulation before October 1, 1999.

AMS Funding

For 2000, we are requesting an increase of $11.4 million in appropriated funds for Marketing Service Programs for total funding of $60.2 million. For 2000, the additional funding will support a number of programmatic activities that support our strategic goals.

Meeting the demands for pesticide residue data generated by implementation of the Food Quality Protection Act continues to be a high priority for AMS. For 1999, we utilized funds made available to the President's Food Safety Initiative to maintain the level of sampling under the Pesticide Data Program (PDP). Without these funds, we would not have been able to maintain State participation or establish the statistical validity of the pesticide residue testing program.

The data collected through PDP will ensure that American agriculture is protected from the unnecessary loss of pesticides. PDP data plays a crucial role in EPA's pesticide evaluations, because it provides information concerning the actual presence of pesticide residues on foods. Without PDP data, EPA would need to rely on assumptions that may overstate the risk of important pest controls.

For 2000, the budget includes an increase of $2.4 million to initiate data collection to establish a rapid response capability that will enable EPA to complete risk assessment evaluations for pesticides affecting multiple commodities in a more timely fashion. More than 9,000 tolerances will need to be reviewed in the next 10 years. In addition, AMS will modify existing methodologies to test meat, poultry, eggs, and drinking water for pesticide residues. This data is necessary for EPA to fulfill the requirements of FQPA.

In support of the President's Food Safety Initiative, we are again proposing an increase of $6.2 million to broaden the scope of PDP to include microbiological testing of fruits and vegetables. This level is needed to develop scientifically-sound estimates of pathogenic contamination. Those data will be used to assess the food safety risk posed by microbiological pathogens on fruits and vegetables and to target resources at the highest risk areas. Program costs will be minimized by utilizing PDP's existing sampling infrastructure, state laboratories, and data reporting capabilities. However, unless the base program is maintained, we will be unable to implement this aspect of the program.

Full implementation of the National Organic Program is expected by 2000. In order to facilitate implementation of this program, the FY 2000 budget includes an increase of $800,000 to develop of an international certification program, to accredit State officials and private persons as certifying agents so that they can assure that producers meet the requirements of the regulation, establish a system to prevent fraudulent labeling, and to conduct extensive outreach to producers and consumers. In addition, we are proposing an increase of $600,000 to initiate market news reporting of organically-grown fruit and vegetables. At this time the rapidly growing market for organically grown commodities is operating with very little reliable or consistent market information. Small producers will especially benefit by having more timely market information. Statistics show that small producers are the majority of organic farmers. With improved market information they will be in a better position to compete with large producers and handlers.

Agricultural exports are playing an increasingly important role in the U.S. agricultural economy, increasing in 1998 by $1.2 billion to a total of $58.5 billion. Customer surveys conducted by AMS have indicated a great demand for timely information on

commodity prices in foreign markets as a means to further increased exports in the years ahead. The 2000 budget includes an increase of $0.4 million to develop or obtain reports from major export markets and incorporate them into existing market news reports. Improving AMS' ability to gather overseas market information will enable U.S. producers to compete successfully in the international marketplace.

In support of the recommendations made by the Secretary's Advisory Committee on Agricultural Concentration, AMS' 2000 budget request includes an increase of $0.7 million to make livestock transaction price reports more transparent and to ensure fair competition. AMS will provide more detailed market information through increased reporting on: 1) terms of contract sales or supply contract transactions, 2) value-based pricing indicators, 3) shares of slaughter by grade and yield, 4) daily live cattle and hog crossings from Canada and Mexico, 5) volumes of forward sales of boxed beef, 6) expanded producer sources of hog marketing information, and 7) marketing of the direct feeder pig trade.

USDA must assist small producers in making the transition to a more market-driven economy, as recommended by the Small Farms Commission. The AMS budget includes an increase of $0.3 million for the Wholesale Market Development Program to identify alternative marketing strategies for small and medium-sized farmers. Working with State Departments of Agriculture, AMS will develop technical assistance materials that emphasize the economic benefits of improving product quality, diversifying, and expanding markets. A number of marketing workshops are planned for minority, limited resource, and other small farmers to facilitate the adoption of alternative strategies.

The 2000 budget includes an increase of $3.1 million from funds made available from Section 32 to improve the administration of the Commodity Purchase Program and

Marketing Agreements and Orders. This includes an increase of $1.5 million to upgrade the Processed Commodity Inventory Management System, which is now 15 years old; $0.2 million to pay the Small Business Administration for the costs that they incur in certifying firms participating in the Small and Disadvantaged Business program; and $1.4 million to improve the enforcement of regulations under marketing orders, including minimum quality requirements with regard to imported products.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The fundamental mission of APHIS is to anticipate and respond to issues involving animal and plant health, conflicts with wildlife, environmental stewardship, and animal well-being. Together with their customers, and stakeholders, they promote the health of animal and plant resources to facilitate their movement in the global marketplace and to ensure abundant agricultural products and services for U.S. customers. APHIS has 5 strategic goals. They include:

- safeguarding plant and animal resources from foreign pests and diseases;
- quickly detecting outbreaks foreign agricultural pests and diseases;
- controlling plant and animal pests and diseases and wildlife damages;
- ensuring the humane care and treatment of animals; and
- developing safe and effective scientific pest and disease control methods.

Increases in global trade has emphasized APHIS' role in responding to other countries' animal and plant health import requirements and to negotiate science-based standards. APHIS is relied upon to ensure that America's agricultural exports are not facing unjustified trade restrictions and that America's producers are protected from exotic pests and diseases. The World Trade Organization (WTO), GATT, and other agreements require sanitary and phytosanitary barriers to be based upon risk assessment procedures, regionalization and equivalence. We welcome the opportunity and challenge to develop new partnerships with States, industry, and the public to open

new export market opportunities and to prevent, monitor and respond to new threats of plant and animal pest and diseases.

Program Plan and Accomplishments

The agricultural quarantine inspection program has inspectors at ports of entry and land borders to minimize the risk of exotic agricultural pests and diseases being introduced into the United States. With increased global trade, there is increased potential for pest and disease entry. In FY 1998, APHIS officers inspected an all-time high of 76 million international air, maritime, and land border passengers/pedestrians. They intercepted almost 2.1 million plant and animal products where more than 14,200 carried potential harmful pests or diseases.

One of the major challenges we face today is the recent discovery of the Asian long-horned beetle in New York and Illinois. This wood-boring pest is one of the most destructive agricultural pests we have seen in a long time, is difficult to control with pesticides and lacks any major predators. If this dangerous pest were established in the United States, it could have a severe impact upon our forest products, nursery, tourist, and maple syrup industries. In New York, approximately 2,500 trees have been removed on public and private land at a cost to State and Federal Governments of over $5 million. We designed the regulations on solid wood packing materials used for imports from China to have a negligible risk of introducing these beetles into the U.S. and to have the least possible impact on trade. We also have requested information regarding whether similar regulations are needed on imports from other countries.

APHIS is also working to eradicate the Mediterranean fruit fly (Medfly) from California and Florida. As part of emergency efforts to eradicate outbreaks, all necessary and

available eradication tools have been utilized, including aerial Malathion treatments and sterile Medfly release activities. To reduce the need for Malathion applications, State and Federal agriculture officials have released several billion sterile Medflies. U.S. producers would lose $1.5 billion annually if Medfly were to become established.

Regarding our Karnal bunt (KB) emergency program, we have worked diligently to keep export markets open, remove as many restrictions as possible, and compensate those producers and others most affected by KB restrictions. These actions helped secure continued access to foreign markets for U.S. wheat, avoiding losses estimated at 10 percent of the nearly $6 billion in U.S. wheat exports. Over $33 million has been provided to mitigate producer and handler losses since the program began in March 1996.

Our Sanitary and Phytosanitary (SPS) Management efforts are key to ensuring fair trade of agricultural products. Last year, American agricultural producers shipped over $55 billion worth of products to overseas markets. And, despite downturns in some Asian economies and the vagaries of the weather, the volume of agricultural exports is projected to increase by 6.7 million tons to 148.7 million tons in FY 1999. We are using GATT and NAFTA to explore new agricultural trading opportunities and opening market access through application of science based sanitary and phytosanitary standards. In 1997, the most recent data available, APHIS played a key role in removing 77 foreign SPS barriers and helping to ensure the movement of close to $2.2 billion in U.S. agricultural exports. Whether it was grapes to China and Chile, tomatoes to Taiwan and Japan, or wheat to Uganda, APHIS played a key role in ensuring access for American-grown products.

Since 1991, when Mexico was officially declared free of Screwworm, we have eradicated screwworm from Belize, Guatemala, El Salvador, and Honduras. Eradication efforts in Panama, the final frontier of the program, have also been going well, and a barrier of sterile flies is already taking shape across the isthmus. We expect to have a sterile screwworm fly production facility operational in FY 2002.

In the animal health monitoring and surveillance program, we are testing the usefulness of a national livestock identification system with dairy herds in California, New York, Pennsylvania, and Wisconsin. If this test is successful, a unified animal identification system could help farmers determine the best herd management practices which protect their livestock from disease. We are hopeful that a national system could improve performance in our disease control and eradication programs, provide some lead time on new or emerging diseases and establish a data base to meet the demands for information about disease free areas which would make more producers eligible to compete in export markets.

APHIS is working both here and abroad to ensure that U.S. poultry industries do not fall victim to another occurrence of the highly pathogenic avian influenza (AI) virus. The last occurrence in 1983-84 resulted in the destruction of more than 17 million birds and cost more than $64 million to eradicate. As a result, APHIS monitored live-bird markets and auctions in the Northeast and Florida for AI. Testing of 2,497 specimens found 243 positives in New York, 126 in New Jersey, 16 in Pennsylvania, and 1 in Connecticut. APHIS is exploring alternative methods for assessing the disease risks with Mexico in order to mitigate their concerns without disrupting trade.

Classical Swine Fever (CSF) must not return to the United States. It was eradicated in 1978 at a cost of about $140 million and it would cause much more damage if it were

to return. Last year, Dominican Republic officials notified us that they identified CSF there as well as in neighboring Haiti. We have provided technical and laboratory assistance to diagnose and manage this CSF outbreak. Importation of Dominican pork and pork products are prohibited, and we have increased inspection and monitoring efforts at U.S. ports of entry. In addition, we are working to enhance domestic surveillance activities for CSF among at-risk swine herds in Puerto Rico and along the U.S. Eastern Seaboard.

Our efforts to keep bovine spongiform encephalopathy (BSE) outside U.S. borders has been successful thus far. But we are taking no chances. We have adopted several measures to ensure that this remains the case, including prohibiting the importation of live ruminants and most ruminant products from all of Europe until a thorough assessment of the risks can be made. APHIS has also established a comprehensive BSE response plan that would allow the Agency to spring immediately into action in the unlikely event we discover the disease here.

We have made great strides in eradicating several diseases that threaten U.S. livestock. For example, 45 States and the U.S. Virgin Islands are now accredited free of bovine tuberculosis. There are only five known infected cattle herds in the entire United States; two in Michigan, which will be depopulated, and three other herds located in the El Paso, Texas Milkshed. Since free-ranging whitetail deer could be an obstacle in our eradication efforts, we are working closely with State officials in Michigan to evaluate their impact on cattle herds. The tuberculosis in captive cervid herds is also on target to achieve nationwide eradication of bovine tuberculosis by the end of 2002.

Our Cooperative Federal-State Brucellosis Eradication program, as of December 31, 1998, has only five herds under quarantine. The three herds in Texas have all tested negative in the most recent test, the one herd in Florida has a single negative reactor, and there is one privately-owned bison herd in South Dakota. We are encouraged by the news from Yellowstone National Park, where the mild winter, implementation of the Interim Bison Management Plan, and help from producers and private citizens have all combined to alleviate the difficulties in the region.

Since 1992, the number of pseudorabies infected herds in the United States has dropped from more that 8,000 to less than 1,500. As part of the response to the pork crisis, the Secretary used his emergency authority to transfer $80 million from the Commodity Credit Corporation to accelerate the voluntary eradication program.

Over the past two hundred years, several thousand foreign plant and animal species have established themselves in the United States. About one in seven become invasive, leading to problems that cost billions of dollars. Invasive species are reducing the economic productivity and the ecological integrity of our Nation's lands and waters. The National Invasive Species Council, with members from more than 20 Federal agencies, will encourage regional participation by State, local, and Tribal governments. Our success in fighting invasive species will depend not only on awareness of this issue at all levels, but also leveraging partnerships.

The Wildlife Services program provides leadership in managing problems caused by wildlife. This program protects American agricultural resources, human health and safety, natural resources, and property. In FY 1998, we helped over 1,500 small sunflower producers reduce damage from blackbirds. In Texas, Ohio, New York and Vermont, we cooperated on a comprehensive oral rabies vaccination program for

coyotes and gray foxes. Wildlife collisions with aircraft at airports have risen dramatically in recent years. We provided technical assistance to 291 airports and conducted 59 operational programs at airports and military air bases. Also, the cooperative program to prevent the inadvertent spread of the brown tree snake from Guam to other Pacific Islands, Hawaii, and the U.S. mainland continues.

The recovery of gray wolves in western Montana, Central Idaho, and Yellowstone National Park is succeeding beyond our expectations and poses a threat to livestock producers. In FY 1998, over 50 incidents of suspected wolf predation on livestock occurred in Idaho, Montana, and Wyoming. Wolf populations in Minnesota, Wisconsin, and Michigan are also increasing in size and range and conflicts with livestock are at record levels.

APHIS uses risk assessment to target inspection resources at the facilities where animal welfare concerns are the greatest. All field personnel have been provided laptop computers to prepare new computer-generated, easy to understand inspection reports. In FY 1999, field inspectors will have direct access to the databases and increased training improving the care of elephants and the other on efforts with Class A dealers. The regulatory oversight of Class B Dealers which sell dogs and cats for research has declined from 104 in 1993 to less than 40 today because they could not comply with the AWA. Our success in tracing animals back through dealer records to the original sources increased from less than 40 percent to nearly 92 percent. With regard to the swim-with-the-dolphin regulations, APHIS suspended implementation due to issues about how the rule applied to wading facilities. APHIS has discussions with the Alliance of Marine Mammal Parks and Aquariums and will determine whether any changes are needed to the regulation.

In FY 1998, APHIS published the Horse Protection Strategic Plan which was met by industry concerns about the Scar Rule and severity of penalties. APHIS is currently receiving comments and suggestions and will be finalizing any modifications to the current plan prior to the beginning of the 1999 show season. APHIS wants to allow the certified Horse Industry Organizations to assume greater responsibility for the enforcement of the Horse Protection Act and still meet the intent of the Act, which is to eliminate the practice of soring.

The volume of transgenic plants tested in the field and entering the marketplace increased the demand for biotechnology permits by 20 percent or more. The significant increase in field testing has been accomplished because APHIS has streamlined and expedited notification procedures. In the international arena, APHIS works to reduce trade barriers and foster harmonization for genetically-engineered plants and micro-organisms.

Animal drug producers requested approval to market over 18,000 veterinary biological products in FY 1998. APHIS withheld 31 for failing to meet requirements and conducted 7 investigations of possible violations of program regulations. Twenty-one regulatory actions were taken to protect animal health by ensuring the purity, potency, safety, and efficacy of veterinary biological products. Our National Veterinary Services Laboratories tested 39,606 submissions in FY 1998, including 2,839 for import and 2,900 for export animals. Our Foreign Animal Disease Diagnostic Laboratory tested submissions from suspect foreign animal disease investigations including the testing of zoo animals.

The Wildlife Services (WS) Methods Development program addresses the research needs to reduce bird damage to agriculture, aquaculture, and aviation industries;

mammal damage to the timber industry and to rangeland; coyote damage to the livestock industry; and threatened and endangered species. The NWRC develops traditional, nonlethal methods such as improved traps and snares, maintenance of minor use chemical pesticides, repellants and attractants, as well as novel approaches such as reproduction inhibitors/immunocontraceptives.

Unfortunately, not everyone supports our efforts to reduce wildlife damage. The fire bombing of two WS facilities in Olympia, Washington caused $1.6 million in structural damage and lost research data. While no personnel were injured in either of these bombings, we grow increasingly concerned about the safety of our personnel.

APHIS' 1999 Budget Request

The budget request proposes $435.4 million for salaries and expenses — about $10 million more than was appropriated for FY 1999.

An increase of $7.2 million would significantly increase APHIS' performance in excluding pests and diseases. A $3.9 million increase for the AQI appropriated program would minimize the threat of exotic agricultural pests and diseases entering the United States along the Mexican and Canadian borders from Hawaii and Puerto Rico. A $2.2 million increase would strengthen fruit fly trapping activities in Florida and California. A $1.1 million increase for other international programs would help USDA officials and trading partners resolve pest and disease problems and Sanitary/Phytosanitary related issues.

An increase of $5.8 million would provide a strong foundation to our efforts in monitoring plant and animal health. It would enable a certification and control program for Johne's Disease in dairy cattle. It would also be used to fill gaps in the Federal,

State and industry partnerships that would investigate and respond to emerging disease issues including bioterrorism.

An increase of $3.8 million address important needs to improve pest and disease management. We would continue eradication of the Asian long-horned Beetle in New York and Illinois. It would also provide a new national rapid assessment and response system for invasive plants.

To help fund these high priority increases, we propose a reduction from APHIS appropriations for boll weevil eradication. Progress on boll weevil eradication can be sustained by relying on the foundations to borrow low cost funds from the Farm Service Agency. The successes in brucellosis eradication allow funding reductions. All production areas are expected to be "Class Free" by the end of 1999. And, the beneficiaries of Wildlife Services are expected to increase their share of the cost of services they receive, The budget also proposes legislation, which if enacted, would recover $9 million of the costs of providing certain animal welfare and biotechnology services.

An appropriation of $7.2 million is proposed for general maintenance and to support continued modernization of APHIS facilities in 2000 and to complement the Agricultural Research Service's request to continue modernization of the Plum Island Animal Disease Center.

As you know, the Federal Agriculture Improvement Act of 1996 requires any funding shortfall between the appropriated amount and $100 million to be obtained from the AQI reserve fund. It has been underfunded three years in a row. The budget request of

$95 million from the AQI user fee account will reduce the unencumbered reserve by $5 million and it will be at the absolute minimum that can sustained until FY 2003.

This concludes my statement. I am looking forward to working with the Committee on the 2000 budget for the Marketing and Regulatory Programs. We believe the proposed funding amounts and sources of funding are vital to providing the level of service expected by our customers -- the farmers and ranchers, the agricultural marketing industry, and consumers. We are happy to answer any questions.

AGRICULTURAL MARKETING SERVICE

Statement of
Enrique E. Figueroa, Administrator
before the
Senate Subcommittee on Agriculture,
Rural Development, and Related Agencies

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to represent the Agricultural Marketing Service in presenting our fiscal year 2000 budget proposals.

MISSION AND FUNDING

Before I present our budget proposals, I would like to review our mission and some of our current issues and accomplishments.

AMS' mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices, and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. This mission is accomplished by a wide range of activities that are funded from a variety of sources. Nearly 75 percent of AMS funding is derived from fees charged for services that we provide to customers on a mostly voluntary basis. In order to carry out our mission and maintain our customer base, we must be customer service-oriented, cost-conscious, and innovative in service delivery. Our fee-based services include agricultural commodity grading

and certification, oversight of industry-generated self-help research and promotion programs, and licensing of fresh and frozen fruit and vegetable traders. Our major appropriated activities include agricultural commodity market news, standardization, pesticide data and recordkeeping, organic standards, wholesale market development, transportation services, surplus commodity purchasing, and oversight of marketing agreements and orders. All of these programs help to improve the strategic marketing of US agricultural products as well as ensuring a fair and open marketplace.

Now I would like to explain some of our recent activities.

SECTION 32

In our Section 32 program, we are assisting U.S. hog producers. High inventories of hogs, large slaughter numbers, and competition from large supplies of competing meats have caused the lowest hog market prices seen in 50 years. In addition to purchasing $48 million in pork products for the School Lunch Program, AMS has spent $77 million in fiscal year 1999 Section 32 funds to remove surplus pork products. AMS also transferred approximately $50 million to the Farm Service Agency to be used to make direct payments to hog producers to offset recent record losses.

FEDERAL MILK MARKETING ORDER REFORM

During fiscal year 1998, AMS continued to work towards consolidating the current 31 Federal milk marketing orders. Our proposed rule suggested 11 consolidated orders, replaced the basic formula price, offered two options for structuring a Class I price, and streamlined order

provisions. We mailed an informational packet describing the contents of the proposed rule to members of Congress, each State Governor and Secretary or Commissioner of Agriculture, the Small Business Administration, and in total, to over 20,000 interested parties. We also publicized the proposed rule via the Internet and on compact disk. We conducted listening sessions in Atlanta, Georgia; Liverpool, New York; Dallas, Texas; and Green Bay, Wisconsin to facilitate comments on the proposed rule. We received nearly 4,500 comments that we made available to the public on compact disc. We will complete the milk order consolidation by October 1999.

NATIONAL ORGANIC STANDARDS PROGRAM

Early in fiscal year 1998, we published a proposed rule to establish national organic standards. We posted the proposal, along with background and reference materials, on the National Organic Program website. We held national public meetings to discuss the proposal and then posted the meeting transcripts on our website. We accepted public comment via the Internet, fax, and mail. In total, we received over 275,000 comments from all sources and all comments were posted on our web site, essentially making the entire public record available worldwide via the Internet. We will publish a revised rule in fiscal year 1999.

RAIL AND OTHER TRANSPORTATION ISSUES

As part of the Department's response to the western railroad crisis and the numerous other transportation issues facing U.S. agriculture, AMS is developing a *Long-Term Agricultural Transportation Strategy*, or LATS. LATS is made up of a combination of constituent outreach,

regulatory representation, long-term economic research, and new informational products. We intend to help agricultural shippers anticipate and adjust to logistical problems and also to frame the long-term transportation challenges facing U.S. agriculture. To better understand shipper concerns about current transportation problems, especially current levels of rail service, AMS held ten listening sessions on railroad service problems in Midwestern States and California.

The Department also held a National Agricultural Transportation Summit in July, 1998, to introduce and frame the long-term agriculture transportation issues that U.S. agriculture is expected to face in the 21st century. The Secretaries of Agriculture and Transportation participated in this event to provide a forum through which additional input on transportation issues from agricultural stakeholders could be heard. We are also providing technical and staff assistance in support of the memoranda of understanding that the Department has entered into with the Surface Transportation Board and the Department of Transportation.

YEAR 2000 READINESS

AMS is on schedule with Year 2000 compliance activities for all its automated systems. We will complete validation and verification of all mission critical agency systems, including the Market News Information System, by the end of March 1999. We expect to fully deploy a new, Year 2000 compliant network operatiang system by the beginning of June 1999. In addition to successfully addressing its internal computer and laboratory systems, AMS is actively involved in outreach to its customers. AMS is a leader in the President's Year 2000 Food Supply Working Group. We helped develop the risk assessment methodology for evaluating the preparedness of the agriculture sector and facilitate joint meetings with commodity industry

groups. AMS also works with the Transportation Sector Working Group to ensure that the nation's food distribution channels--shippers, railroads, and other transportation--remain open. Most recently, AMS distributed 40,000 pamphlets to its customers, assuring that AMS was successfully addressing the Year 2000 challenge and that they should also address potential problems in their industries to minimize the impact on America's food supply.

FY 2000 BUDGET REQUESTS

Let me turn now to our budget requests for fiscal year 2000. We are requesting an additional $11.4 million in our Marketing Services fund, $1.7 million in our Section 32 Administrative Fund, and $1.5 million for Marketing Agreements and Orders. Our budget requests are aligned with and strongly support the Secretary's strategic goals "to expand economic and trade opportunities for agricultural producers and other rural residents" and "to ensure food for the hungry, and provide a safe, affordable, nutritious, and accessible food supply."

I would now like to explain each of our budget requests.

INTERNATIONAL MARKET REPORTING

We are requesting an increase of $428,000 to better provide timely market reports on international agricultural prices and trade volume. U.S. agricultural producers do not have access to a centralized, consistent, unbiased source of timely information on international prices and trade volume. Such foreign market information is particularly important to small- and medium-sized U.S. producers who have little or no access to this type of data. Due to the enormous

growth in trade and the opportunity for business abroad, AMS is being asked to expand international market reporting by dairy, meat, poultry, and fruit and vegetable industry representatives. Expansion in international market reporting will allow U.S. companies to take advantage of worldwide marketing opportunities. If U.S. agricultural exporters can increase their trade volume by only two percent due to expanded market news information, they can stand to gain over $1 billion per year.

With additional resources AMS will expand coverage of export and import information relating to price, volume and movement of dairy products, meat, poultry, and fruit and vegetables. We will develop and expand 15 to 20 reports covering various products within the commodity groups. Congress has already required increased reporting of exports and imports of beef, lamb and veal to assist the industry in providing a more transparent market and price discovery system. In keeping with international agreements that have reduced barriers to trade and in light of the already significant role that exporters play, AMS must expand market news coverage into South and Central America and Pacific Rim nations.

ORGANIC MARKET REPORTING

An increase of $580,000 to initiate market news reporting of organically produced crops. With an increasing consumer focus on organically-grown fruits and vegetables, many producers are shifting at least some portion of their acreage to meet this demand. As a result, organic production has become one of the most rapidly growing segments of the U.S. fruit and vegetable industry--currently over $3.5 billion per year, increasing at an estimated 22 percent each year. The organic market is operating with very little reliable or consistent market information. The

lack of widely available timely and unbiased market reports results in some participants in the market being in a less favorable position than others. This imbalance adversely affects returns to producers and prices to consumers. Statistics show that small-scale producers are the majority of organic farmers of fruits and vegetables making it critical that they have access to the same market information as large producers. With increased funding, AMS will provide reliable and timely market information on organically-grown products to the agricultural industry.

MARKET CONCENTRATION

We are requesting an additional $669,000 to expand reporting of the livestock and meat industry. Livestock producers must sell their animals in markets that are characterized by a relatively few, large manufacturers and processors. Four packers slaughter over 80 percent of the U.S. fed cattle supply, large retail buyers have replaced traditional wholesalers, and less than one percent of the feeders supply over 40 percent of all cattle sold. The marketing challenges faced by producers are therefore quite significant. This situation is exacerbated by the incompleteness of available price information.

If approved, this increase will allow AMS to expand coverage of auction markets and daily trading; report trimmed beef; develop import and export volume data for livestock crossing the borders between the U.S., Canada, and Mexico; report information on volume of cattle, hogs, sheep, goats, and horses; and report formula and contract specifications for cattle. We will also develop producer generated direct hog reports, and new direct slaughter hog and hog lean value reports to more clearly represent current marketing practices. AMS will continue to expand live lamb reporting in daily auction and direct trade areas to focus on the shifts in marketing patterns.

We will continue to expand reports for boxed beef, wholesale beef carcass price and volume data, branded products, and price differentials for USDA Prime, the upper two-thirds of USDA Choice, and sub-select price categories. AMS will also continue to develop its Internet site for livestock, meat, grain, hay and feedstuffs marketing information. The funds requested also will allow AMS to expand and develop a total of 20 to 25 reports for livestock markets, covering various livestock categories and marketing areas.

NATIONAL ORGANIC STANDARDS PROGRAM

An increase of $770,000 would enable AMS to finalize implementation of the National Organic Standards program. Of this amount, $639,000 is being requested on a one-time basis. The organic industry today is valued at over $3.5 billion, and is growing at the rate of 22 percent per year. As the industry grows, implementation of the National Organic Program becomes more complex and critical. Effective control and enforcement procedures are needed to ensure the integrity of the organic label, especially for new products such as organic meat and poultry. With full program funding and staffing, AMS will monitor State programs' compliance with the national regulations, and develop a system to prevent fraudulent labeling.

Once the national organic rule has been issued, AMS plans an extensive outreach effort to educate consumers, producers, processors, certifiers, and trading partners about the program. In doing so, AMS will extensively utilize its organic Internet home page to distribute information on all aspects of the program. To reduce paperwork and facilitate rapid response, certifiers' applications and approvals will be handled electronically. Electronic distribution will be supplemented by a broad dissemination of program information through print and other media to

the array of industry, consumers, and others with an interest in the organic program. User fees can be collected and utilized to offset program expenses once the National Organic Program is underway.

AMS will also seek to facilitate the international marketing of organic products. In compliance with the Organic Foods Production Act of 1990, AMS will implement an international program component to accredit foreign certification entities. This will require accreditation of international certifying agents, representation at CODEX meetings, and coordination with the Foreign Agricultural Service. To assist organic producers and handlers in exporting their products, AMS will gather and disseminate information on exports, such as U.S. export requirements and foreign destination import rules.

PESTICIDE DATA RAPID RISK ASSESSMENTS

We are requesting $1.5 million to respond to requirements of the Food Quality Protection Act and pesticide residue information requirements of the Environmental Protection Agency, or EPA. The EPA uses residue data collected by our Pesticide Data Program to conduct dietary risk assessment reviews required by the Food Quality Protection Act. The Act established more stringent safety standards that requires the EPA to review more than 9,000 tolerances for compliance and establishes a critical need for the EPA to complete risk assessment evaluations for pesticides affecting multiple commodities. To satisfy its data needs, EPA has requested the Pesticide Data Program to develop a rapid response capability by adding commodities in the same class as those already tested, but test those commodities at a reduced sampling rate that would maintain statistical validity. Approval of this request would allow AMS to develop a

rapid pesticide residue evaluation program in support of the pesticide re-registration process. This will ultimately benefit producers who are dependent on the minor-use pesticides that must be re-registered by the EPA.

PESTICIDE RESIDUES IN MEAT, POULTRY, EGGS, AND DRINKING WATER.

We are requesting $911,000 to expand the current Pesticide Data program to include residue testing of meat, poultry, egg products, and drinking water as required by the Food Quality Protection Act. Residue information gathered for these commodities will be provided to EPA. Both EPA and USDA will use the data collected for Food Quality Protection Act risk assessment, mitigation, and management activities. There is no other source for this information, and data on meat, poultry, egg products, and drinking water are critical to assessing overall dietary risk.

AMS will modify existing and proven Pesticide Data Program methodologies to incorporate meat, poultry, eggs, and water, beginning with poultry. These added commodities require the development of new methodologies for difficult-to-analyze pesticides, and new methodologies which allow the detection of multi-pesticide classes in more than one tissue. Collecting meat and poultry samples at slaughter plants and testing the samples at a single AMS laboratory will maximize efficiency and minimize costs. In fiscal year 1999, AMS will evaluate methods and finalize a list for testing of poultry. The requested level of funding in fiscal year 2000 will provide for sampling, acquisition of the necessary equipment, quality analysis proficiency sampling, and re-engineering the Pesticide Data Program data system for collection of the new information.

MICROBIOLOGICAL DATA PROGRAM

As part of the President's Food Safety Initiative, we are requesting $6.2 million to develop a Microbiological Data program. This program will collect data pertaining to food-borne pathogens, fecal indicator organisms, spoilage micro flora on domestic and imported fruits and vegetables, and will establish a much needed baseline of microbiological data by which to assess the risks of contamination in the U.S. food supply. Although the domestic food supply is unmatched in both quantity and quality, additional funds are needed to respond to concerns generated by the periodic cases of microbiological contamination resulting in food-borne disease outbreaks in recent years. The program will determine the incidence, number, and type of important food-borne microorganisms such as *E. coli*, *Listeria monocytogenes*, and *Salmonella, spp.* in the U.S. food supply, including domestically-produced and imported commodities. In fiscal year 1999, Congress provided $2.8 million for these activities. However, USDA has informed the appropriations committees that it has reprogrammed $2.7 million of these funds to support the base pesticide data commodity sampling program in order to maintain the integrity of the current data sampling effort.

In fiscal year 1999, AMS will use the approximately $100 thousand remaining of food safety funds to begin development of a Microbiological Data Program by initiating laboratory method evaluations, developing a statistical sampling plan for a pilot program, and initiating a pilot program. The funding requested in fiscal year 2000 will allow AMS to perform almost 30,000 analyses on up to 11 commodities in the 10 participating states. These 10 states represent approximately 50 percent of the U.S. population. Initially, the program will focus on fresh fruits

and vegetables. The commodities to be sampled and tested will be selected based on per capita consumption, and from those commodities that are usually eaten raw and do not have natural microbial resistance. The samples will be collected at terminal markets and chain store distribution centers. Program costs will be minimized by using the existing infrastructure of the Pesticide Data Program for statistically-reliable sampling.

The Microbiological Data Program is unique since there is no program operating at the Federal or State level that produces statistically valid microbiological data applicable to the US population. To ensure that both the process and the content of the program are coordinated, AMS will work closely with other Federal and State agencies. We will also coordinate our efforts with other stakeholders such as the agricultural industry, interest groups, and regulatory health agencies. Public health agencies such as the Food and Drug Administration, the Centers for Disease Control and various State Health Departments need statistically reliable microbiological data to conduct dietary risk assessments and to assess the impact of various regulations and agricultural practices for the fresh fruit and vegetable supply. The data will help the produce industry and regulatory health agencies to identify effective processing and handling modifications in the food distribution system, which improves both the quality and wholesomeness of the food supply. In addition, the organisms isolated will be available to any government, academic, or private research group wishing to apply further testing such as serotyping or antibiotic resistance. Information resulting from this type of study may provide a more complete picture of the type of microbial exposure experienced by the population.

WHOLESALE MARKET DEVELOPMENT - SMALL FARMS INITIATIVE

We are requesting an increase of $321,000 to address the needs of the small farms community. The Small Farms Commission report, *A Time to Act: A Report of the USDA National Commission on Small Farms* published in January 1998, recognized the current shift from commodity support toward market-driven production throughout all of U.S. agriculture. It recommended easing the burden this trend has placed on small farmers by facilitating marketing opportunities for them. AMS' "Farmer Direct Marketing Action Plan," supported by the Secretary, describes direct marketing strategies and practices to assist small- and medium-sized farmers. Since about 80 percent of a farmer's gross sales is absorbed by farming expenses, making direct marketing easier and more productive will enhance small farmers' returns. We plan to research and identify marketing strategies appropriate for small- to medium-sized producers, develop technical assistance materials, and work directly with state departments of agriculture and other organizations to assist producers in agricultural marketing activities. Emphasis will be placed on the use of wholesale, farmers, collection, and public markets. The funding will also be used to continue outreach marketing workshops for minority, limited resource, and other small farmers to emphasize the economic benefits of improving product quality, diversifying products, expanding markets, and using market strategies.

SMALL BUSINESS ADMINISTRATION REIMBURSEMENT

In our Section 32 Commodity Procurement Administrative account, we are requesting an additional $215,000 for payment to the Small Business Administration. AMS is striving to

ensure participation by economically disadvantaged, minority, and women-owned, or 8(a), businesses in our Commodity Purchases Program. Legally, firms under the Small and Disadvantaged Businesses Program can no longer be self-certified; their status must be centrally certified by the Small Business Administration, or SBA. SBA is charging agencies for the cost incurred in certifying 8(a) firms and AMS is required to pay SBA for its costs. Additional funding will allow us to pay this bill without reducing our commodity purchase efforts.

PROCESSED COMMODITIES INVENTORY MANAGEMENT SYSTEM

We are requesting a $1.5 million increase to fund the AMS portion of a replacement computer system for the Processed Commodities Inventory Management System, or PCIMS. This is part of an effort to begin re-engineering the system in fiscal year 2000. PCIMS is a mission-critical system that is used by AMS, the Food and Nutrition Service, and the Farm Service Agency to plan, procure, order, allocate, distribute, and account for more than $1 billion of domestic and $562 million of foreign commodities each year. It combines the processed commodities operations of the three agencies into a single tri-agency system, maximizing USDA's purchasing power and funds control for domestic feeding programs. The current PCIMS system was developed in the mid-1980's and implemented in the early 1990's, and is nearing the end of its original 15-year life cycle. The current system has been expanded several times over the years and new functions have been added as the tri-agency effort has grown. Business process re-engineering efforts are underway to improve cost efficiency, streamline the system processes, support customer-driven electronic commerce, ensure compliance with

Departmental standards, and determine which practices could best be used to enhance PCIMS. It will take approximately two years to complete the modular or phased-in implementation.

MARKETING AGREEMENTS AND ORDERS

We are requesting an increase of $1.4 million to improve enforcement of Section 8e marketing regulations on imported fruits and vegetables, improve administration of peanut import regulations and the non-signer peanut program, and develop an integrated database which will provide access to time-sensitive data from economic analyses that support marketing order rule making.

Section 8e requires that whenever marketing order regulations are in effect for a given domestic commodity, imports of that commodity to meet the same or comparable minimum quality requirements as domestically-produced commodities. The fruit and vegetable industry has expressed concern about the lack of full enforcement of section 8e regulations. AMS will strengthen enforcement by providing on-site surveillance, checking section 8e commodities at major ports of entry to ensure that they have been inspected, verifying Customs procedures, and providing information to importers and customs brokers.

The peanut import and peanut non-signer programs were initiated by statute, but were not provided with funding. The expansion of responsibilities in rule making for the peanut programs and the addition of assessment collection responsibilities for the peanut non-signer program are generating increased costs. Additional funds are needed to increase compliance, reconcile inspection certificates with Customs data, and continue effective oversight of the peanut

marketing agreement, which authorizes quality and handling regulations governing 95 percent of domestic peanut production.

The economic analysis database will incorporate a broader range of data and make it available on a more timely basis. AMS staff will be able to cut the time needed to provide analytical support to commodity procurement and marketing order administration programs and undertake additional analyses. With the database, analyses necessary to support program administration will be both more comprehensive and timely.

BUDGET REQUEST SUMMARY

In total, our 2000 budget request includes $60.2 million in appropriated funding for our marketing services programs and $1.2 million for Payments to States and Possessions. In addition, we are requesting $8.6 million for administration of commodity purchase services from Section 32 funds and $12.4 million for formulation and administration of marketing agreements and orders.

Thank you for this opportunity to present our budget proposals.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The statement of Dr. Craig A. Reed, Administrator, Animal and Plant Health Inspection Service, before the Senate Subcommittee on Agriculture, Rural Development, and Related Agencies.

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the Fiscal Year (FY) 2000 budget for APHIS as well as report on our accomplishments and the challenges facing us as we work to help ensure a wholesome, affordable food supply while stimulating global economies, safeguarding agricultural resources, and protecting ecological systems. This is the first opportunity I have had to appear before this subcommittee since being selected by Secretary Dan Glickman as the APHIS Administrator effective last July 24. Secretary Glickman also selected Dr. Joan Arnoldi as the Associate Administrator. I have made two selections for the APHIS management team. Dr. Ron DeHaven is now the Deputy Administrator of the Animal Care program and Dr. Alfonso Torres joined APHIS as Deputy Administrator of Veterinary Services.

I would like Subcommittee members to know that I welcome your advice. We look forward to working with you to enhance and strengthen the already strong programs of APHIS. I would like to share with you my thoughts on how to improve the many programs and where I would like to lead the Agency as we move toward the millennium and beyond.

OUR MISSION

APHIS leads the way in anticipating and responding to issues involving animal and plant health, conflicts with wildlife, environmental stewardship, and animal well-being. Together with our customers and stakeholders, we promote the health of animal and plant resources to facilitate their movement in the global marketplace and to ensure abundant agricultural products and services for U.S. customers.

OUR GOALS, EFFORTS, AND RESULTS

Since 1972, APHIS has worked hard to keep U.S. agriculture healthy and to keep our abundant resources of agriculture products moving fairly and successfully to the marketplace. We are as committed as ever to safeguarding American agriculture by keeping exotic agricultural pests and diseases out of the United States--and battling those that are already here. At stake is almost $109 billion in annual U.S. agricultural production. U.S. agricultural exports alone are valued at almost $55 billion for 1998. By 2005, U.S. agricultural exports are projected to rise to nearly $80 billion. All our programs that support these efforts can be grouped into five functional areas with related strategic goals.

Goal 1 -- Pest and Disease Exclusion -- Safeguard U.S. plant and animal resources against introductions of foreign pests and diseases, while meeting international trade obligations.

In our **agricultural quarantine inspection** program, we conduct inspections at ports of entry and land borders to minimize the risk of exotic agricultural pests and diseases being introduced

into the United States -- pests and diseases which could harm American agriculture and/or natural resources, reduce marketability of U.S. agricultural products, and threaten the assurance of a safe, affordable, and accessible food supply. With increased trade, there is increased potential for pest and disease entry. APHIS has responded to this challenge by conducting more port-of-entry inspections than ever before. In FY 1998, APHIS officers inspected an all-time high of 76 million international air, maritime, and land border passengers/pedestrians. From them, APHIS inspectors intercepted almost 2.1 million potentially damaging plant and animal products. More than 14,200 of those interceptions carried potentially harmful pests or diseases.

Unfortunately, even our best efforts are not enough to prevent all pest introductions. One of the major challenges we face today is the recent discovery of the **Asian long-horned beetle** in New York and Illinois. This wood-boring pest combines the three components that are most dangerous to U.S. agriculture: pesticides are ineffective as a method to control or eradicate the pest; it apparently lacks any major predators; and it is one of the most destructive agricultural pests we have seen in a long time. While we have not found Asian long-horned beetles in forests in the South, we have discovered them in shipments from China delivered to warehouses in States such as North Carolina and Florida. Thus far, the infestation in New York has resulted in the removal of about 2,500 trees on public and private land and cost State and Federal Governments over $5 million. If this dangerous pest were established in the United States, it could have a severe impact upon our forest product, nursery, tourist, and maple syrup industries, which generate combined annual revenues of approximately $41 billion in the northeastern United States alone. To address this situation, APHIS has amended regulations on the importation of logs, lumber, and other unmanufactured wood articles. We designed the new regulations to have a

negligible risk of introducing these beetles into the U.S. and to have the least possible impact on trade. Several alternative forms of pest control are available to importers. Still, the new regulations may significantly impact U.S. trade with China, which has increased from $5 billion in 1985 to an estimated $80 billion this year.

APHIS is also working to eradicate the **Mediterranean fruit fly (Medfly)** from California and Florida. Since May 1997, Florida has experienced Medfly outbreaks in several counties. In April 1998, the cooperative Florida Medfly Eradication Program successfully eradicated this pest and APHIS officially declared eradication of a significant Medfly outbreak in the greater Tampa area. However, in the course of ongoing trapping as part of APHIS national fruit fly exclusion and detection program, we discovered more Medflies in Manatee, Lake, and Highlands Counties. After rapid and extensive eradication efforts, we have lifted Florida Medfly quarantines and detected no additional Medflies in Florida since October 2, 1998. Estimates indicate that the establishment of Medfly in Florida would result in the loss of $300 million to the State's economy. Similarly, since July 1998, we have found Medflies in Orange, San Diego, and Riverside Counties in Southern California. As part of emergency efforts to eradicate these outbreaks, all necessary and available eradication tools have been utilized, including aerial Malathion treatments and sterile Medfly release activities. To reduce the need for Malathion applications, State and Federal agriculture officials have released several billion sterile Medflies within and along the boundaries of quarantined areas. U.S. producers could potentially lose $1.5 billion annually if Medfly were to become established in the U.S. To reduce the risk by expanding the pest free areas further from our producers, APHIS maintained an extensive detection network and produced approximately 41 billion sterile Medflies for release in Guatemala and Mexico.

Regarding our **Karnal bunt** (KB) emergency program, we have worked diligently to keep export markets open, remove as many restrictions as possible, and compensate those producers and others most affected by KB restrictions. These actions have helped secure continued access to foreign markets for U.S. wheat, avoiding losses estimated at 10 percent of the nearly $6 billion in U.S. wheat exports. In addition, over $33 million has been provided to mitigate producer and handler losses since the program began in March 1996.

Sanitary and Phytosanitary (SPS) Management is key to ensuring fair trade of agricultural products. Last year, American agricultural producers shipped over $55 billion worth of products to overseas markets. And, despite downturns in some Asian economies and the ever-uncertain vagaries of the weather, the volume of agricultural exports is projected to increase by 6.7 million tons to 148.7 million tons in FY 1999. With the implementation of GATT and NAFTA, agricultural trading opportunities and market access are increasingly being influenced by countries' application of sanitary and phytosanitary standards.

This ongoing shift has increasingly thrust APHIS into a critical role of ensuring that such decisions have a basis in science, and that U.S. producers have full access to appropriate markets. Joining ranks with other Agencies inside and outside of USDA, APHIS is part of the Administration-wide effort to maximize trade opportunities for American agricultural producers. In 1997, the most recent data available, APHIS, working with USDA's Foreign Agricultural Service, played a key role in removing 77 foreign SPS barriers and helping to ensure the movement of close to $2.2 billion in U.S. agricultural exports. Whether it was grapes to China

and Chile, tomatoes to Taiwan and Japan, or wheat to Uganda, APHIS played a key role in ensuring access for American-grown products. Working closely with our sister Agencies at the Department of Agriculture, the Office of the U.S. Trade Representative, and the Department of State, APHIS is dedicated to protecting American agriculture at home and to opening markets to U.S. products overseas. In the months and years ahead, we anticipate that this role will continue to grow.

In the **Screwworm** program, accomplishments are quite impressive. In 1991, Mexico was officially declared free of screwworm. Since that time, we have eradicated screwworm from Belize, Guatemala, El Salvador, and Honduras. There have been no reported cases of screwworm in Nicaragua for over a year, and we will officially declare eradication in that country soon. Eradication efforts are making good progress in Costa Rica; only the southeastern portions of that country are currently reporting screwworm cases. Eradication efforts in Panama, the final frontier of the program, have also been going well, and a barrier of sterile flies is already taking shape across the isthmus; the least costly location for us to establish a sustainable barrier. As we have learned over the years, continued diligence and collaboration is the key to eliminating the screwworm from all of North and Central America. The actions we are taking are helping to ensure the health of our agricultural resources. Eradication of screwworm means preventing nearly $800 million annually in estimated damages to producers in the United States, almost $300 million annually in damages to producers in Mexico, and close to $100 million annually in damages to producers in Central America.

While we take pride in the success achieved so far in our battle against screwworm, we must also keep in mind that serious challenges persist. One of the most difficult challenges we are facing is the constant threat that screwworm may be reintroduced where it has already been eradicated. To illustrate, last November, our National Veterinary Services Laboratories in Ames, Iowa, positively identified a single New World screwworm larva collected from an Angora goat on a premises in the Rocksprings area of Edwards County, Texas. This incident clearly demonstrates the need for constant vigilance. Vital to keeping screwworms away from our border is the proposed sterile fly facility in Panama. In March 1998, the Southwest Animal Health Research Foundation (SWAHRF) presented a proposal for funding construction of the new production facility in Panama. Under this proposal, the industry would finance design and construction, including an architectural and engineering (A&E) study. SWAHRF would lease the facility back to the Joint U.S. - Panama Commission for the Eradication of Screwworm and donate the building to the Commission after recouping their investment. The United States and Panama, through this cooperative program, could amortize the cost of the new plant over 10 to 15 years. The proposal calls for a facility that would cost up to $80 million for 3 modules. If we can proceed under this proposal, the Joint Commission expects to begin planning for construction in FY 1999 with an A&E study. We expect the facility to be operational in FY 2002, after a 2-year construction period.

Goal 2 -- Plant and Animal Health Monitoring -- Quickly detect and respond to introductions of foreign agricultural pests and diseases or other emerging agricultural health threats, to minimize production losses and export market disruptions.

APHIS monitors animal and plant health to detect and react to exotic pest and disease introductions. The Agency updates endemic pest and disease information bases and monitors and carries out surveys in cooperation with States and Industry. In the **animal health monitoring and surveillance program,** we are working with several industry groups on the National Farm Animal Identification and Records (FAIR) program. The National FAIR program is a 3-year pilot project designed to test a model national livestock identification system. This collaborative industry initiative will be tested on dairy herds in California, New York, Pennsylvania, and Wisconsin, with likely expansion to other States to obtain broader industry input. While we are still in the preliminary stages of the pilot project, it should ultimately offer strong benefits to U.S. producers. For example, a unified animal identification system would be helpful in determining best herd management practices. A national system would also contribute to our disease control and eradication programs and help monitor new or emerging diseases. Data could be used to enhance the genetics of herds and document the effectiveness of animal health control measures. And finally, a national system would help evaluate disease risks and assist us in meeting the demands of our trading partners for information about disease free areas. In short, a national system will help U.S. producers compete fully in the global market place by making more areas eligible for exports.

APHIS is working both here and abroad to ensure that U.S. poultry industries do not fall victim to the introduction of potentially devastating foreign poultry diseases. An outbreak of a foreign animal disease in the United States could have a significant impact not only on producers but on the entire U.S. economy. For example, the last occurrence in this country of a highly pathogenic **avian influenza** (AI) virus in commercial poultry in 1983-84 resulted in the destruction of more

than 17 million birds and cost more than $64 million to eradicate. An introduction today could easily cost hundreds of millions of dollars in eradication efforts and lost revenue. To avoid this, APHIS continued to monitor live-bird markets and auctions in the Northeast and Florida for AI, testing of 2,497 specimens. The predominant subtype of AI was H7N2: 243 isolations in New York, 126 isolations in New Jersey, 2 in Pennsylvania, and 1 Connecticut. AI, subtype H7N2, was also isolated from commercial chicken in 14 premises in Pennsylvania. Regarding poultry export, last November Mexico published regulations which would require pre-slaughter testing of U.S. poultry for low and hi-path AI. APHIS, concerned that the rule would interrupt most poultry meat exports to Mexico, is exploring other alternatives to the rule that would mitigate Mexico's disease concerns without disrupting trade.

Keeping foreign animal diseases out of the Unites States is just as important as eradicating the endemic ones we already have, and we are working hard to make sure that **Classical Swine Fever** (CSF) does not make a return visit to the United States after it was declared eradicated in 1978 at a cost of about $140 million. Last year, Dominican Republic officials notified us that they identified CSF there as well as in neighboring Haiti. Both countries' swine industries have suffered significant losses as a direct result. We have provided officials in the Dominican Republic with technical and laboratory assistance to diagnose and manage their CSF outbreak. We also prohibit the importation of Dominican pork and pork products into the U.S., and we have increased our agricultural quarantine inspection and monitoring efforts at U.S. ports of entry. In addition, we are working to enhance domestic surveillance activities for CSF among at-risk swine herds in Puerto Rico and along the U.S. Eastern Seaboard. Because the symptoms of CSF can be mistaken for other diseases, we have placed special emphasis -- particularly in

Puerto Rico and Florida -- on outreach efforts designed to ensure that small and backyard pork producers quickly report sick animals so they can be investigated for CSF.

Our efforts to keep **bovine spongiform encephalopathy (BSE)** outside U.S. borders has been successful. We have adopted several measures to ensure that this remains the case. Initially, we prohibited the importation of live ruminants and most ruminant products from all of Europe. Now that thorough assessments of the risks can be made, we are reconsidering areas which pose a negligible risk. APHIS has also established a comprehensive BSE response plan that would allow the Agency to act immediately in the unlikely event we discover the disease here.

Goal 3 -- Pest and Disease Management -- Effectively manage plant and animal pests and diseases and wildlife damage which pose risks to agriculture, natural resources, or public health.

We have made great strides in eradicating several diseases that threaten U.S. livestock. For example, 45 States and the U.S. Virgin Islands are now accredited free of bovine **tuberculosis**. California, New Mexico, Pennsylvania, Puerto Rico, and Texas have modified-free status. Unfortunately, recent testing in Michigan has confirmed several affected cattle herds in the lower peninsula. As a result, that State's accredited free status has been suspended. APHIS is working with the States of Michigan and Texas to develop a plan for split state status which will allow unaffected parts of the States to remain accredited free while emphasizing eradication activities in the affected zones. There are now only five known infected cattle herds in the entire United States, the two in Michigan which will be depopulated, and three in the Texas El Paso Milkshed area.

Tuberculosis in free-ranging whitetail deer can be an obstacle in our eradication efforts. We are working closely with State officials in Michigan to evaluate the extent to which cattle herds contract the disease via contact with wild deer. A five-county area in the northeast portion of Michigan's lower peninsula is the only known focus of tuberculosis in U.S. wildlife.

We have also investigated captive cervid herds for tuberculosis since it was initially detected in the industry in 1991. Two new infected herds have been detected in the past year. Currently, two captive cervid herds -- one in Michigan and the other in Kansas -- remain under quarantine in the United States. We are still on target to achieve nationwide eradication of bovine tuberculosis by the end of 2002.

Our Cooperative Federal-State **Brucellosis Eradication** program has added six more States since 1997 to the list of those earning class-free status for brucellosis. They are Alabama, Arkansas, California, Florida, Georgia, and Mississippi. This brings the number of class-free States to 43, along with Puerto Rico and the U.S. Virgin Islands. However, we recently experienced two setbacks when we detected brucellosis in three herds in Louisiana and two herds in Florida. As a result, Louisiana and Florida have returned to class A status. Altogether, as of December 31, 1998, we have five herds in the United States under quarantine for brucellosis. Three herds in Texas have all tested negative in the most recent test, one herd in Florida, which has a single negative reactor, and one infected privately-owned bison herd in South Dakota.

Over the past several years, significant progress has been made in dealing with the bison/brucellosis situation in and around Yellowstone National Park. Increased cooperation

between the involved federal agencies and greater flexibility on the part of Montana have combined with better weather to help alleviate the situation faced two years ago.

Increased hazing and the use of capture facilities have further helped to protect Montana cattle from the potential spread of brucellosis while minimizing the need for the lethal control of bison.

Further progress is being made on the agreed upon goals of the acquisition of additional winter range and eradication of the disease from the Greater Yellowstone Area. The federal purchase of the CUT Ranch will provide additional winter range for wildlife north of the Park. Ideally, after reaching agreement with Montana, this land could also be used by bison leaving the Park in the winter.

Significant progress is also being made in the effort to develop a safe and effective vaccine to be used on wildlife in and around the Park. Additional funding and dramatically increased research cooperation and coordination between the Department of Interior and the Department of Agriculture have combined to move these efforts significantly closer to success. At the current pace, it is hoped that a suitable vaccine will be available in 2-5 years.

The EIS process also continues to move forward. The participating agencies met in early February and agreed to expedite the process as much as possible. By applying additional resources, the goal is to complete the process by next summer. In the meantime, we will continue to work with Montana and other parties on other mutually beneficial measures, including the construction and operation of a bison quarantine facility.

Since 1992, the number of **pseudorabies** infected herds in the United States has dropped from more that 8,000 to less than 1,500. While the disease remains present in most major swine-producing States, 28 States are now free of the disease, and APHIS officials believe that eliminating the remaining herds is the best strategy. The Secretary has declared an emergency and used his emergency authority to transfer $80 million from the Commodity Credit Corporation to APHIS to operate an accelerated National PRV eradication program. The program officially began on January 14, 1999, and will continue for about six months. Participation in the program is voluntary. Most of the program costs are associated with depopulating animals and compensating owners.

Over the past two hundred years, several thousand foreign plant and animal species have established themselves in the United States. Of this continual influx of alien introductions, about one in seven becomes invasive, leading to problems that cost the United States billions of dollars. Invasive alien species are reducing the economic productivity and the ecological integrity of our Nation's lands and waters. The economic consequences to agriculture exceed $5 billion per year for noxious weed control alone. Fisheries, waterways, and utilities have spent $3.1 billion over the last 10 years to control invasive alien species. Indirect costs in losses to crop and rangeland productivity are estimated at $7.4 billion per year. Direct reductions of native populations and indirect harm caused by altered habitats are increasingly diminishing the ability of future generations to sustain new and traditional uses of marine, forest, and cropland resources. On February 3, 1999, President Clinton signed an Executive Order to coordinate a Federal Strategy to address the growing environmental and economic threat of invasive alien plant and animal species. This order created National Invasive Alien Species Council. Council members from

more than 20 Federal agencies will develop and oversee a National Management Plan. In addition, the Council will invite and encourage regional participation by State, local, and Tribal governments. Federal, State, Tribal, and private lands, whether protected or developed, all harbor the potential for significant harm from damaging invasive species. Our success as a Nation in fighting invasive alien species will depend not only on awareness of this issue at all levels, but also leveraging partnerships.

APHIS is involved in numerous activities that are necessary to protect the health of U.S. plant and animal resources from the threat of invasive alien species. These activities include: preclearance inspections, permit decisions, port-of- entry inspections, quarantine treatments, detection surveys, and eradication efforts. Individually, each of these activities are fundamental, but they cannot stand alone. These achieve maximum effect only when integrated into a comprehensive safeguarding system. For example, APHIS' agricultural quarantine inspectors are on duty at international airports, seaports, and border stations to inspect passengers and baggage, ship cargoes, and air freight for plant and animal products that could be harboring pests or diseases. APHIS' Wildlife Services personnel work around the clock to ensure that brown tree snakes from Guam do not make their way to Hawaii. So far, the brown tree snake has caused considerable damage on Guam. Twelve species of birds have disappeared from the island, and two species of native birds have also been put on the endangered species list as a result of this snake's predation.

APHIS is currently working with North and South Carolina agencies to eradicate witchweed, a parasitic plant that attacks some of America's most important crops, such as corn, sorghum,

sugarcane, and rice. Since witchweed's discovery in the Carolinas in 1955, its spread has been halted, and the area of infestations has been reduced from 430,000 to 28,000 acres. Leafy spurge is another invasive weed APHIS and State cooperators are successfully controlling with biocontrol agents. This aggressive perennial was accidentally introduced into the United States more than 100 years ago and has since taken over millions of acres of western grazing lands. Economic losses due to leafy spurge are estimated at more than $100 million in the affected States. Since 1994, APHIS has mass-produced natural enemies of leafy spurge, including flea beetles, and released them in numerous Western States.

USDA has sought out partnering opportunities with its own agencies and beyond. A total of 6 USDA agencies -- including APHIS and the Agricultural Marketing Service, joined with 11 other Federal agencies in forming the Federal Interagency Committee for the Management of Noxious and Exotic Weeds. This committee is charged with identifying the extent and impact of harmful, nonindigenous plants. The committee has also worked to define broad goals and projects to further weed research and management.

APHIS' **Wildlife Services operations** provides leadership in managing problems caused by wildlife. This program protects American agricultural resources, human health and safety, natural resources, and property. I would like to give a few examples to the diverse issues we address.

Collisions between aircraft and wildlife at airports have risen dramatically in recent years as a result of large population increases in many wildlife species, faster jet aircraft, and the increase in air traffic. To help address this issue, we provided technical assistance to 291 airports and

conducted 59 operational programs on 34 airports and military air bases in 1998. Also, the cooperative program to prevent the inadvertent spread of the brown tree snake from Guam to other Pacific Islands, Hawaii, and the U.S. mainland continues. Last year, the Department of Defense allocated $1 million to help fund detection efforts at 11 military installations in Guam and Hawaii. As part of this effort, we trained 14 Jack Russell terriers to detect snakes in outbound military and civilian cargo at transportation facilities.

In FY 1998, APHIS treated almost 6,500 acres of cattails. In addition, we treated 463 sunflower fields totaling 153,102 acres to manage blackbird damage. In total we assisted about 1,536 sunflower producers. These are small producers that most need our help.

Rabies in raccoons has spread up the East Coast and now threatens to move northward into Canada and westward across Ohio. In addition, coyote and fox rabies remain a threat to people, pets, and livestock. Over 995,000 oral rabies raccoon vaccine baits were distributed over a 2,780 - square-mile area in Ohio, New York, and Vermont in 1998. In Texas, we cooperated in the continuation of a comprehensive oral rabies vaccination program for coyotes and gray foxes. In total, 2.6 million baits were distributed over approximately 41,000 square miles.

The recovery of gray wolves in western Montana, Central Idaho, and Yellowstone National Park is succeeding beyond our expectations. That success, however, can pose a threat to livestock producers. We are approaching 300 wolves, the target recovery goal, for these three areas. In FY 1998, we responded to over 50 incidents of suspected wolf predation on livestock in Idaho, Montana, and Wyoming. Many of these incidents are resolved by relocating the suspected wolf.

Wolf populations in Minnesota, Wisconsin, and Michigan are also increasing in size and range and conflicts are at record levels.

Goal 4 -- Animal Care -- Ensure the humane care and treatment of animals covered under the Animal Welfare Act and the Horse Protection Act.

APHIS continues to focus on the quality of Animal Welfare Act (AWA) inspections while simultaneously implementing a risk assessment process to shift inspection resources to facilities where animal welfare concerns are the greatest. The program has better equipped its field personnel with the necessary tools needed to perform their jobs. APHIS has provided all field personnel with laptop computers and has introduced a new computer-generated, easy to understand inspection report. In FY 1999, APHIS will begin using a newly developed software program that will allow field inspectors to have direct access to the database and transmit inspection results instantly. In addition, APHIS has increased training of inspectors with two new courses, one concentrating on elephants and the other on Class A dealers.

APHIS has made tremendous progress since 1993 in regulatory oversight of Class B Dealers which sell dogs and cats for research. In 1993, there were 104 such dealers; today there are less than 40. Many dealers went out of business because they could not comply with rules and regulations of the AWA. In 1993, our success in tracing animals back through dealer records to the original sources was less than 40 percent; in 1998, the rate was nearly 92 percent. APHIS has successfully prosecuted several individuals, including a case resulting in the largest civil penalty

ever imposed on a dealer -- $175,000 and permanent license revocation -- and criminal prosecution of three individuals found obtaining pets under false pretenses.

With regard to the Swim-with-the-dolphin regulations, APHIS suspended implementation of two provisions of the final rule based on genuine misunderstanding of certain regulated parties. APHIS requested comments and continued discussions with the Alliance of Marine Mammal Parks and Aquariums, an industry organization which represents a large number of the programs affected by the rule. APHIS will evaluate comments and information to determine any changes to the regulation without compromising the AWA.

In FY 1998, APHIS published the Horse Protection Strategic Plan that allows Horse Industry Organizations (HIO) with Designated Qualified Persons (DQP) programs to assume greater responsibility for the enforcement of the Horse Protection Act (HPA). Although the plan was accepted by the six certified HIO's in principle, they were concerned about the Scar Rule and severity of penalties outlined in the plan. As a result, we asked each certified program to provide recommendations to APHIS for improvements to the plan, with emphasis on better language for the Scar Rule and suggestions for penalties that still meet the intent of the Act. APHIS is currently receiving these comments and suggestions and are discussing these with the certified HIO's. APHIS plans on finalizing any modifications to the current plan prior to the beginning of the 1999 show season. APHIS wants to allow the certified HIO's to assume greater responsibility for the enforcement of the HPA and still meet the intent of the Act, which is to eliminate the practice of soring.

Goal 5 -- Scientific and Technical Services -- Facilitate the development of safe and effective veterinary biologics, biotechnology-derived products, and other scientific methods for the benefit of agricultural producers and consumers and to protect the health of American agriculture.

In our **biotechnology/environmental protection** program, the FY 1998 volume of transgenic plants tested in the field and entering the marketplace continued to increase. APHIS issued 1,100 movement notifications/permits and 1,065 release notifications/permits, compared to 913 movement notifications/permits and 761 release notification/permits in FY 1997. Also, the number of sites where releases of biotechnology-derived products were made increased from 3,789 in FY 1997 to 4,544 in FY 1998, a 20 percent increase. The significant increase in field testing is due to APHIS' streamlined, expedited notification procedures.

To enhance trade in this area, APHIS continued efforts to reduce international trade barriers and foster the harmonization of regulations for genetically-engineered plants and micro-organisms. Specifically, the Agency participated in United States/European Community bilateral environmental consultations and held frequent bilateral consultations with the European Commission and Member States. These consultations ensure that all scientific issues are resolved and that trading partners understand APHIS' regulatory procedures.

The National Monitoring and Residue Analysis Laboratory (NMRAL) in Gulfport, Mississippi continued supporting APHIS programs, principally AQI, Boll Weevil, Medfly, and Gypsy Moth. The NMRAL also performed reimbursable work for other USDA agencies and other entities for the analysis of pesticide residues and industrial chemicals, all contributing to a safe food supply.

Implementation of the **Integrated Systems Acquisition Project** progressed well during FY 1998. Approximately 3,000 computers were replaced and 1,000 upgraded as part of an effort to provide the Agency with a modern and Y2K compliant information technology infrastructure. In addition to replacing and upgrading hardware, APHIS deployed standard E-mail, web browser, anti-virus, and office automation software throughout the Agency. This will facilitate information exchange and data sharing within the Agency as well as between APHIS and its cooperators and stakeholders. An example of information sharing is the APHIS World Wide Web page that makes available online, and in electronic format, frequently requested records and information in select agency data bases. Over one million customers have been served by the APHIS web site.

Producers presented APHIS with requests for approval to market 18,380 lots of **veterinary biologics** in FY 1998, of which APHIS withheld 31 for failing to meet requirements. The Agency conducted 3,791 tests on 1,718 of the 11,985 antigen and reagent lots eligible for testing. APHIS conducted 7 investigations of possible violations of program regulations in FY 1998. Twenty-one regulatory actions were taken to protect animal health by ensuring the purity, potency, safety, and efficacy of veterinary biological products.

The **veterinary diagnostics** program continued to support animal disease prevention, detection, control, and eradication, as well as provide diagnostic assistance to the livestock and poultry industries. Our National Veterinary Services Laboratories received and tested 39,606 diagnostic submissions in FY 1998, including 2,839 for import and 2,900 for export animals. Our Foreign Animal Disease Diagnostic Laboratory received and tested 325 diagnostic submissions. These

represented 213 suspect foreign animal disease investigations, 78 import tests, 26 safety tests, and 8 reference assistance requests or the testing of zoo animals.

APHIS' **Wildlife Services (WS) Methods Development** program currently has 18 multi-year projects that address the research needs of the program and its stakeholders. Current projects emphasize bird damage to agriculture, aquaculture, and aviation industries; mammal damage to the timber industry and to rangeland; coyote damage to the livestock industry; and threatened and endangered species.

In January 1999, the National Wildlife Research Center's (NWRC) new headquarters laboratory and office building was completed in Ft. Collins, Colorado. This new building houses all NWRC staff, except for the Animal Care staff located in the adjacent Animal Research Building which was completed in 1995. The next phase of the master plan for this site is now under way, and includes construction of outdoor animal holding facilities and the Animal Research Building support wing. These facilities should be completed by 2000. The NWRC explores traditional methods development research such as improved traps and snares, maintenance of minor use chemical pesticides, repellants and attractants, as well as novel approaches such as reproduction inhibitors/immunocontraceptives. In addition to appropriated funding, this one of a kind research center receives almost $2 million in funding through 25 cooperative and interagency agreements. The results of these projects are reported annually in the Research Update and Highlights Report, as well as summarized in over 100 research publications.

Unfortunately, not everyone supports our efforts to reduce wildlife damage. The fire bombing of two WS facilities in Olympia, Washington which caused $1.6 million in structural damage and lost research data, has highlighted the threat of eco-terrorism to Agencies involved in wildlife damage management issues. The Animal and Earth Liberation Fronts claimed victory for the last June attacks which devastated our state operations office and a field research station. While no personnel were injured in either of these bombings, we grow increasingly concerned about the safety of our personnel.

OUR BUDGET REQUEST

For FY 2000, APHIS requests $435.4 million under current law for salaries and expenses, an increase over the FY 1999 enacted level of $425.8 million.

The FY 2000 budget request represents a change in resource allocation, which will improve the effectiveness of APHIS' ability to prevent future infestations. Beginning in FY 2000, APHIS will be placing a greater emphasis on programs such as Agricultural Quarantine Inspection (AQI) and Animal Health Monitoring and Surveillance (AHM&S), whose goals are to stop an infestation at the border and to use scientific methods to predict occurrences of outbreaks before they occur. Other programs with related increases are sanitary and phytosanitary management, the national animal health emergency management system, fruit fly exclusion and detection, emerging plant pests, and noxious weeds activities. Taken together, these increases represent a prudent investment of program resources that should result in long-term savings through lower costs to combat infestations and reductions in production losses.

In our AQI appropriated program, an increase of $3.9 million will minimize the threat of exotic agricultural pests and diseases entering the United States by enhancing point-of-entry inspections of travelers and cargo along the Mexican and Canadian borders and predeparture inspections of passengers and cargo from Hawaii and Puerto Rico to the mainland. In the AQI user fee program, the Federal Agriculture Improvement and Reform Act of 1996 provides AQI user fee program spending of an annual appropriated level plus collections in excess of $100 million. Any funding shortfall between the appropriated amount and the $100 million collections threshold can only be funded from the AQI reserve account until FY 2003. The $7 million requested increase will reduce the need to encumber AQI user fee reserve funds, where the unencumbered balance is becoming dangerously low.

The $2.2 million increase for fruit fly exclusion and detection program will strengthen domestic fruit fly detection and control by enhancing trapping activities in Florida and California. You will recall that there were several Mediterranean Fruit Fly outbreaks in both States last year. A better trapping program can limit the severity and number of outbreaks.

Key trade issues facing APHIS today include the ability to verify the agricultural health status of foreign countries and the ability to establish recognized standards for setting U.S. sanitary measures. The $351 thousand increase for import/export program will allow us to maintain current services and further reduce unfair trade practices affecting American exports. Similarly, an increase of $723 thousand for Sanitary/Phytosanitary (SPS) management will allow us to maintain current services, address full year costs associated with an office in Brazil, and increased costs associated with our Foreign Service cadre who coordinate and facilitate international

exchange of scientific information between USDA officials and trading partners in resolving pest and disease problems and SPS-related issues.

Supporting our second goal of quickly detecting and responding to introductions of foreign agricultural pests and diseases or other emerging agricultural health threats is our animal health monitoring and surveillance program. An increase of $4.6 million will allow the program to identify, maintain, and enhance the health status of U.S. livestock and poultry and to establish a certification and control program for Johne's Disease in dairy cattle. This program is the foundation of a healthy animal agriculture industry and we must ensure its continued scientific viability.

Equally important, in the support of this goal, is a request of $1.2 million to establish the national animal health emergency management system program. Although the Agency currently carries out some emergency preparedness work in the animal health monitoring and surveillance program, we need additional resources focused on the threats unique to the current international situation. Animal industry groups and State animal officials have identified serious gaps in the country's ability to respond to animal health events that may negatively impact, biologically and/or economically, the Nation's animal and food production industries. The gaps were in Federal, State, and industry partnerships, investigation and response to emerging disease issues including biological terrorism, and appropriate measured responses.

In the third goal area of pest and disease management, we request an increase of $2.1 million for the emerging plant pests program to continue eradication of the Asian Long horned Beetle (ALB)

program in New York and Illinois. This program has been funded for the past two years from the contingency fund. This program is particularly crucial because there is no known method of controlling a widespread ALB outbreak. We must be absolutely certain that we limit and eradicate the current outbreaks.

We request an increase of $1.7 million for noxious weeds to begin developing a new national rapid assessment and response system for invasive alien plants in the United States. This program is critical to the establishment of an effective, noxious weeds prevention and control strategy.

To help fund the priority increases requested in the budget, we propose reducing the boll weevil program. APHIS proposes a reduction since it is no longer necessary to provide Federal funding in areas where the boll weevil no longer exists and will transfer full operational responsibility to the growers in eradicated and non- infested areas. APHIS will provide an equitable, but lower cost-share percentage to active eradication zones. Growers can pay a greater share of program costs through loans made available from USDA's Farm Service Agency.

In the buildings and facilities account, we request an increase of $3 million for basic repairs, operational support, and maintenance of APHIS' many government operated facilities. This basic funding is critical for the Agency to continue its vital quarantine, inspection, sterile insect rearing, and laboratory operations. These funds are needed to avoid the potential of future closure of these facilities because necessary repairs remain uncorrected and they become unsafe or threaten the environment.

The FY 2000 budget proposes that two new user fees be established for animal welfare to recover the cost for licensing dealers and for biotechnology to recover costs to issue permits, reviews, and notifications for field tests, movements, and importation of biotechnologically derived products.

CONCLUSION

In APHIS, our life's work is safeguarding domestic producers from exotic pests and diseases and expanding markets for agricultural products. If we do not have adequate funds to detect and control pests and diseases -- such as Medfly, Asian Long horned Beetle, or Johne's Disease -- we will be forced to spend much more later on, trying - and perhaps failing - to eradicate them. In California, for example, from 1990 to 1996, APHIS spent more than $77.1 million to eradicate Medfly, an amount matched by the State. To safeguard these producers properly, which is to minimize the threat of exotic agricultural pests and diseases from entering the United States, we need adequate funding for border inspection, and international and domestic surveillance programs. Safeguarding means having a National Animal Health Emergency Management System to effectively investigate and respond to emerging animal disease issues, possibly artificially introduced. Expanding markets are the greatest defense against adverse economic conditions for American producers. Adequate funding would help APHIS facilitate agricultural trade by enhancing close working relationships with foreign regulatory officials to ensure that trade in agricultural products is not blocked by unjustified sanitary and phytosanitary requirements. This work would facilitate the growth of U.S. exports of agricultural products currently valued at $57.3 billion per year and reduce the cost of questionable SPS requirements to U. S. producers estimated at $1 billion in 1997.

Mr. Chairman, we appreciate the Committee's strong support of our programs and look forward to meeting the challenge of safeguarding against pest and disease and strengthening export markets for American agriculture as we move into the 21st century. Also, I appreciate this opportunity to share with you my thoughts about APHIS programs and our budget request. We will be happy to answer any questions.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of James R. Baker, Administrator of the Grain Inspection, Packers and Stockyards Administration, before the Senate Subcommittee on Agriculture, Rural Development, and Related Agencies.

Mr. Chairman and members of the Committee, I am pleased to submit the fiscal year (FY) 2000 budget proposal for the Grain Inspection, Packers and Stockyards Administration (GIPSA).

GIPSA is part of USDA's Marketing and Regulatory Programs, which works to ensure a productive and competitive global marketplace for U.S. agricultural products. GIPSA's mission is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

GIPSA has both regulatory and service roles. GIPSA's Packers and Stockyards Programs (P&S) ensure open and competitive markets for livestock, meat, and poultry while providing financial protection to livestock producers. The Agency's Federal Grain Inspection Service (FGIS) provides the U.S. grain market with Federal quality standards and a uniform

system for applying them. It also provides impartial, accurate measurements of grain quality to create an environment that promotes fairness and efficiency in the U.S. grain marketing system.

The existence of GIPSA as an unbiased, third-party entity helps ensure a fair and competitive marketing system for all involved in the merchandising of livestock, meat, and poultry, and grain and related products.

Organization

During FY 1998, GIPSA began the consolidation of headquarters activities and established three field offices for the Packers and Stockyards (P&S) Programs to replace the previous 11 offices. Each office is responsible for the major issues in a particular commodity -- beef, pork, or poultry -- and has investigative units to focus on the core activities of competition, trade practices, and financial responsibility. Funding to complete the reorganization was approved for FY 1999, which will allow GIPSA to staff the remaining field positions and to fill resident agent positions that will provide routine services to areas not proximate to the three main offices. The reorganization has significantly improved GIPSA's P&S Programs' ability to focus program resources on providing financial protection and promoting fair business practices and a competitive marketing environment for livestock, meat, and poultry. The new structure and the addition of economic, statistical and legal expertise to the investigation staff of the field offices significantly strengthens GIPSA's ability to investigate anticompetitive practices and provide greater flexibility and efficiency in enforcing the trade practice and payment protection

provisions of the P&S Act. In an effort to place more personnel in field locations, the headquarters staff was reduced from 28 percent to 20 percent for P&S Programs. This involved the transfer of approximately 12 positions to the field offices.

Federal grain personnel work with over 2,000 State and private inspectors to provide high-quality inspection and weighing services on a user-fee basis. Federal inspectors service 42 export elevators located in Georgia, Illinois, Indiana, Louisiana, Maryland, New York, Ohio, Oregon, and Texas. A small Federal staff also provides service at 6 export elevators in Eastern Canada for U.S. grain transshipped through Canadian ports. Eight delegated States provide service at an additional 20 export elevators located in Alabama, California, Minnesota, Mississippi, South Carolina, Virginia, Washington, and Wisconsin. Sixty-two (62) designated agencies service the domestic market under GIPSA supervision. In 1998, this unique mix of Federal, State, and private inspection agencies provided over 1.9 million inspections on over 214 million metric tons of grains and oilseeds; weighed over 89.1 million metric tons of grain; and issued over 79,000 official weight certificates.

GIPSA's Packers and Stockyards Programs (P&S)

GIPSA Strategic Goal #1: ***Ensure a fair, open and competitive marketing environment for livestock, meat, and poultry.***

GIPSA's P&S Programs provides financial protection and promotes fair business practices and a competitive marketing environment for livestock, meat, and poultry. Our programs foster fair and open competition, and guard against deceptive and fraudulent practices affecting the movement and price of meat animals and their products.

The production and marketing of livestock, meat, and poultry are important to American agriculture and significantly impact the Nation's economy. The Commerce Department estimates the annual wholesale value of livestock, meat, and poultry products produced in FY 1998 by firms subject to the P&S Act to be $105 billion. At the close of FY 1998, there were 1,300 stockyards; 6,400 market agencies/dealers; 2,000 packer buyers registered with GIPSA to engage in the livestock marketing business. In addition, there are 409 slaughtering packers who purchased over $500,000 of livestock annually that are required to be bonded, 210 poultry firms, and a significant number of meat distributors, brokers, and dealers subject to the P&S Act.

Over 1,680 investigations were conducted during the 1998 fiscal year. Most violations are corrected on a voluntary basis with several resulting in livestock and poultry producers receiving additional funds for the sale of their product. During FY 1998, 36 administrative or justice

complaints were issued in order to bring subject firms into compliance with the provisions of the P&S Act. In addition, 29 decisions and orders were issued by USDA against 46 individuals or firms for violating the Act.

GIPSA closely monitors anticompetitive practices which may impede the free trade of livestock, meat and poultry. Any practice, agreement, or understanding that excludes potential buyers from bidding in open competition is considered a restraint on competition. A high priority is placed on investigating all complaints and further developing information received concerning the failure of firms and individuals in the livestock, meat and poultry industries to operate in an open, fair and competitive manner. Appropriate corrective action is initiated when evidence of anticompetitive practices is disclosed.

Recently, GIPSA cooperated with the Federal Bureau of Investigation, the Department of Justice's Antitrust Division, and the Nebraska Brand Committee in a bid rigging investigation that resulted in the indictment and conviction of three individuals, including a salaried packer buyer and a feedlot owner, for violations of the Sherman Antitrust Act and Federal mail fraud statutes. The feedlot owner and packer buyer were fined $20,000 and $24,000 respectively and sentenced to 6 and 8 months of house arrest.

GIPSA's broad investigation of fed steer and heifer procurement in the Texas Panhandle has been completed. Two university researchers collaborated on the econometric and statistical analyses which are presently being peer reviewed to assure that GIPSA asked the right questions

and used appropriate econometric models. The peer review also will strengthen future enforcement of the P&S Act against anticompetitive behavior in the livestock, meat and poultry industries.

An investigation of slaughter hog procurement in the western Corn Belt has been completed. The investigation included analysis of contractual arrangements between packers and pork producers, and price relationships between various procurement arrangements. An assessment was conducted to determine whether prices voluntarily reported to USDA's publicly reported Market News prices accurately reflect packer procurement transactions. GIPSA's investigation revealed substantial differences in hog characteristics and prices among pricing and procurement methods and seller sizes. Hogs purchased on the spot market, hogs priced on a live weight basis, and hogs sold by smaller sellers tended to exhibit lower hog quality characteristics and received lower prices. Purchases from smaller sellers were primarily on the spot market, with most of these hogs priced on a live weight basis, while purchases from larger sellers were primarily through marketing agreements using carcass merit pricing. Price comparisons indicated that publicly reported prices reflected base bids and were generally lower than actual transaction prices. Findings have been reported to small farmers in a series of outreach meetings across the Nation's major hog production areas.

A major case alleging that IBP, inc., use of a procurement agreement violated the P&S Act because under the agreement, IBP paid preferential prices to an exclusive group of feedlots in Kansas was dismissed by the Chief Administrative Law Judge (ALJ) in September 1997. The

Agency filed an appeal to the Department's Judicial Officer (JO), who has been delegated authority to issue the final decision for USDA in cases arising under the P&S Act. The JO upheld most of the Chief ALJ's initial decision ruling that while the agreement at issue in the case was discriminatory and offered certain Kansas feedlots a preference, the agreement was not unjustly discriminatory and the preference was not unreasonable. However, the JO ruled that IBP's use of the procurement agreement violated the P&S Act because one of the terms of the agreement, the "right of first refusal, "has the effect or potential effect of reducing competition. IBP has appealed the decision to the Circuit Court of Appeals.

GIPSA obtains special procurement information from the Nation's top 15 steer and heifer slaughter firms annually. This information is related to livestock purchased through contracts, packer feeding arrangements, or marketing agreement/formula-priced transactions. Much more work must be done to determine the effects of these captive supplies in both the beef and pork industries. Additional resources are critical to provide for data collection, and economic and statistical analyses in this very important and sensitive area.

GIPSA's P&S Programs continues to provide payment protection to livestock and poultry producers. Financial investigations, during FY 1998, resulted in $3.7 million being restored to custodial accounts established and maintained for the benefit of livestock sellers. Packer trust activities returned over $5 million to livestock sellers during the fiscal year. In 1998 no poultry trust complaints were received by GIPSA, reflecting a yearly decline in poultry trust payouts since 1995. During FY 1998, 130 insolvent dealers and market agencies corrected or reduced

their insolvencies by $10.1 million. Insolvent packers corrected or reduced their insolvencies by $1.8 million.

The Agency is considering the need to issue substantive regulations to provide growers with assurance that their settlements will be equitable. GIPSA received more than 3,400 comments in regard to an Advance Notice of Proposed Rulemaking (ANPR) published in the *Federal Register* in early FY 1997 on the need for regulations to protect poultry growers and the content of such regulations. These comments, along with the findings of two ongoing investigations into the various payment terms contained in poultry growing arrangements, will help define the need for future regulatory initiatives. Also, in response to the comments received, a proposed rule is currently being cleared to require firms subject to the P&S Act to accurately weigh feed provided to contract growers including livestock producers and poultry growers when feed weights are used in determining compensation.

Concentration in the poultry processing industry and its effects on contract growers is an area that needs attention to determine whether the processors are using their dominant positions to impose unfair or unjustly discriminatory terms or conditions on contract growers. Grower complaints continue to highlight the need to address concerns about their relative bargaining position. If GIPSA is to effectively address this issue, it must obtain the resources needed to fully staff both the Trade Practices and Competition Units in its Atlanta office, which is responsible for major issues in the poultry industry across the Nation.

GIPSA's Federal Grain Inspection Service

GIPSA Strategic Goal #2:	***Promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture.***

GIPSA's grain program plays a critically important role in facilitating the marketing of U.S. grain and related commodities. We provide the U.S. grain market with Federal quality standards and a uniform system to apply these standards. Through this program, GIPSA provides descriptions (grades) and testing methodologies for measuring the quality and quantity of grain, rice, edible beans, and related commodities, and, provides an array of inspection and weighing services, on a fee basis, through a unique partnership of Federal, State, and private laboratories.

By serving as an impartial third party, GIPSA ensures that the standards are applied and the weights recorded in a fair and accurate manner. Our presence in the market advances the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and international buyers.

Our guidance in carrying out these important tasks is provided by the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA) as it relates to the inspection of rice, pulses, lentils, and processed grain products.

Through voluntary and mandatory programs, GIPSA promotes the efficient and effective marketing of U.S. grain and other commodities from farmers to end users.

For an average cost of 26 cents (adjusted for inflation to 1992 dollars) per metric ton of grain in FY 1998, exporters received USDA export certificates from GIPSA on which they relied to facilitate the marketing of over $20 billion worth of cereals and oilseeds. Likewise, here at home, buyers and handlers requested over 1.8 million domestic inspections that facilitated the trading of 122 million metric tons of cereals and oilseeds destined for domestic use.

While current services are effective and efficient, GIPSA recognizes that to remain relevant in today's marketplace, continuous service improvement is essential. Improving our services and enhancing our effectiveness is our ongoing and continuous process at GIPSA. Here are just a few of the ways we strengthened our program and improved our services during the last fiscal year:

First, we harnessed technology in a number of critically important areas. GIPSA implemented a new official moisture meter in the official system, a step that marked a transition to new technology for moisture measurement for the United States' official grain inspection system. The new meter increases speed and ease of operation; contains the cost of inspection; eliminates most operator interaction in the moisture measurement process which produces more accurate measurements; allows for the electronic transmission of results; is adaptable to automated operations; and improves reliability due to the instrument's newer technology and built-in system

checks. GIPSA coupled implementation of the new meter with an unprecedented educational outreach effort that helped ensure a smooth transition to the new instrument by informing the market about the potential impacts and benefits of the new technology.

In FY 1998, the Agency continued to participate in the cooperative effort among GIPSA, the National Institute of Standards and Technology (NIST), and the National Conference on Weights and Measures to standardize commercial grain inspection equipment as part of the National Type Evaluation Program (NTEP). GIPSA serves as the sole NTEP laboratory for grain inspection equipment. The calibration data collected during fiscal years 1995, 1996, and 1997 were used as the basis for numerous grain moisture meter calibration changes to improve the accuracy and consistency of commercial grain moisture measurements. In FY 1999, GIPSA plans to continue to support NTEP as a laboratory for testing grain moisture meters.

Also in the area of technology, GIPSA continued to assist major export elevators in their ongoing efforts to automate official weighing and grain handling operations. Five fully automated weighing systems have been approved; one system is undergoing its final testing; four systems have been installed and are being tested; and one system has been cleared for installation. Inquiries from elevators regarding automation initiatives continue to be submitted for review. Automated weighing systems allow GIPSA to achieve superior supervision of weighing and grain flow, and improve elevators' efficiency.

Technology is only one part of the continuous improvement process. We also are implementing new services to keep pace with an increasingly sophisticated market that requires end-use quality information. In FY 1998, the Agency began offering a new testing service for corn oil, protein, and starch. This service provides the corn industry with accurate, transparent information with which to determine value, establish premiums, and negotiate price. This information is especially important for producers, who can rely on this assessment to ensure that their crops are accurately measured. GIPSA's implementation of this new testing service is setting a standard by which the market will operate.

In FY 1998, barley producers voiced concerns about vomitoxin analysis and discounts based on this analysis. In response, GIPSA quickly initiated a multifaceted program to address their concerns. Hands-on training was provided to the technicians performing official vomitoxin testing in North Dakota to insure that official testing is consistent and accurate within the limits of the current technology. GIPSA representatives attended several producer/industry meetings and explained the vomitoxin testing technology used by GIPSA and sources of variability in test results. The Agency also coordinated a comprehensive study on the effects of sample collection procedures and sample size on the accuracy of DON test results in barley in cooperation with the N.D. Barley Council, N.D. State University, and test kit manufacturers.

As an integral part of America's grain handling infrastructure -- a superior infrastructure of storage facilities, rail lines, and waterways that makes American agriculture preeminently successful in the global marketplace -- GIPSA will continue to provide all members of the U.S.

grain handling system with the innovative, high-quality official inspection services they need to efficiently and effectively meet the challenges of a changing marketing environment.

Our commitment to reaching our customers does not end at our borders. Exporters, importers, and end users of U.S. grains and oilseeds, as well as other USDA agencies, USDA cooperator organizations, and other governments, frequently ask GIPSA personnel to travel overseas to represent USDA at grain marketing and grading seminars, meet with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, help other countries develop domestic grain and commodity standards and marketing infrastructures, assist importers with quality specifications, and train local inspectors in U.S. inspection methods and procedures. At home, GIPSA regularly holds seminars and meetings to educate our worldwide customers about the quality and value of U.S. grain exports. In FY 1998, GIPSA representatives met in the United States with 68 teams from 49 countries to provide information, technical guidance, and educational seminars. These international outreach efforts help promote greater harmony between U.S. and international standards, and foster a better understanding of the U.S. grain marketing system, the official U.S. grain standards, the national inspection system. This, in turn, reduces the risk of new barriers in today's open and freer global marketplace, enhances purchasers' confidence in U.S. grain, and facilitates the export of U.S. agricultural products.

Further, in FY 1998, GIPSA obtained International Standards Organization (ISO) 9002 certification for its moisture and protein reference laboratories. This certification enhances the international credibility of these laboratories, as ISO standards are becoming the *de facto*

standard across industries worldwide. In FY 1999, GIPSA will explore expanding ISO certification to other laboratory operations.

The grain program will continue to work to ensure our relevance and value to American agriculture. We are reaffirming our commitment to facilitating the marketing of U.S. grain by responding to our customers' needs and providing the highest quality grain inspection and weighing services to all whom we serve -- from farmer to domestic and international end users, and all those in between.

Our efforts in FY 2000 will focus on networking the Federal, State, and private partners comprising the system, and working with our customers to identify how we can apply automation to reengineer our administrative and inspection processes to achieve greater efficiency and productivity. In FY 2000, our commitment to improved efficiency and effectiveness will continue to serve American agriculture well, as U.S. agricultural exports are expected to total $49 billion.

GIPSA accomplished a great deal in FY 1998 and much is planned for FY 1999. Our efforts to continuously improve our programs and services were further guided by the Agency's Strategic Plan, developed under the provisions of the Government Performance and Results Act.

Year 2000

GIPSA continues efforts to ensure the Year 2000 compliance of its programs and systems. To date, the Agency has verified and validated all of its 12 mission critical systems. Of the 12, ten are 100% compliant, and, as of March 31, 1999, all systems will be compliant. GIPSA has also established a plan for ensuring the continuity of GIPSA's core business processes which identifies risks and threats, establishes mitigation strategies for the identified risks and threats, and provides contingencies in the event risk mitigation efforts fail.

During FY 98, GIPSA increased its Y2K outreach efforts to the official grain inspection and weighing system, its customers, and others in the food supply sector as they prepare their systems and programs for the Y2K conversion. As part of the outreach effort, GIPSA developed and distributed a Year 2000 Readiness Assessment Questionnaire to the 62 private, State, and local official agencies that are delegated or designated by GIPSA to provide official inspection and weighing services. In FY 99, GIPSA will hold a series of meetings and one-on-one discussions with grain processing groups that are aimed at assessing the Y2K readiness of this industry.

GIPSA is taking the steps necessary to ensure that all of the Agency's systems are Y2K compliant. We are committing all needed resources available for this effort -- our success is of utmost importance to agency operations and to ensuring that there is no service disruption to our customers in America's cereal, oilseed, livestock, poultry, and meat markets.

Civil Rights

In addition to improving our services and programs in FY 1998, GIPSA also accomplished a great deal in the area of civil rights. Approximately 1 year ago, USDA initiated an effort to change and improve the way we do business; and to ensure that every employee and customer is treated fairly, equitably, and with dignity and respect. GIPSA is committed to supporting the Secretary in improving all areas of Civil Rights at USDA. Accordingly, GIPSA has taken a number of actions.

In FY 98, GIPSA established an Office of Civil Rights which is responsible for all areas of civil rights, including: affirmative employment/special emphasis; compliance (Title VI and Title VII); program delivery and outreach; complaints management/Equal Employment Opportunity (EEO) counseling/mediation; Title IX educational initiatives (Historically Black Colleges and Universities/Hispanic American Colleges and Universities/Tribal/1890 Initiatives); and conflict management. GIPSA's Civil Rights Staff has the responsibility for administering all civil rights programs and initiatives for GIPSA under the direct supervision of the Agency Head. The Department's Civil Rights Office has the responsibility for administering all civil rights programs and initiatives for the entire Department (all agencies within the Department). They establish Civil Rights policy and provide guidance and review for all USDA agencies. In FY 1998, there were 22 complaints filed, 12 complaints were resolved, leaving a total of 29 outstanding complaints. In addition, an outreach liaison was designated to ensure that all employees and customers are treated fairly and equitably, and with dignity and respect.

In addition, GIPSA strengthened its support for educational initiatives, Land Grant and other minority institutions, the USDA summer intern program, and the college recruitment initiative Ag-HOPE, Agriculture Helps Our People Earn, at Alcorn State University, Lorman, Mississippi.

These are only some of the steps GIPSA has taken in the EEO/CR area. The Department of Agriculture has made Civil Rights a major priority and GIPSA is completely committed to supporting the Department's efforts.

Fiscal Year 2000 Budget Request

To fund these important initiatives and to enable GIPSA to remain a valuable part of American agriculture, GIPSA's budget request for FY 2000 is $26.4 million for salaries and expenses and $42.6 million for our Inspection and Weighing Services. GIPSA also is submitting legislation to collect $18.5 million in new user and license fees in FY 2000.

The President's FY 2000 budget proposes an appropriation request for grain inspection of $11.5 million. There are proposed increases of $425,000 to identify emerging grain testing needs to improve market efficiency; $190,000 for specific grain quality testing; and $50,000 for the automation of mycotoxin testing. Proposed legislation to authorize the collection of $3.6 million in new user fees to cover the costs of grain standardization activities also is being submitted.

The budget proposed an appropriation of $14.9 million for the P&S Programs. There are proposed increases of $225,000 to allow GIPSA to establish electronic filing procedures for annual reports, which is consistent with the requirements of the Paperwork Reduction Act of 1995; $636,000 for activities in the packer competition and industry structure areas; $750,000 for poultry compliance activities; and a reduction of $2,500,000 for the one-time costs of reorganizing P&S' headquarters and field structures. Additionally, proposed legislation is being submitted to authorize the collection of $14.9 million in new license fees to cover the cost of the P&S Programs. To summarize, the FY 2000 request of $26.4 million consists of ongoing expenses of $11.5 million for grain inspection activities and $14.9 million for packers and stockyards activities.

The $425,000 increase to identify emerging grain testing needs would improve market efficiency. Grain users are demanding grain with specific qualities, such as high gluten, protein, oil, or starch levels; grain that is free of certain chemicals and residues, and grain processing or other unique characteristics or qualities. GIPSA must identify emerging industry demands for new inspection, grading, and testing; determine which of those needs can be best met through additional GIPSA services; and then develop the measurement capabilities to meet those needs. This begins with research to identify the new grain quality measures needed to meet end users' demands for measuring grain quality. New test capabilities can increase the demand for U.S. grain, raise farm prices, and aggregate farm income. The requested funds are critical to the Agency's mission to provide testing and inspection services that protect the integrity of new markets.

The increase of $190,000 for specific grain variety testing is needed for GIPSA to keep pace with the genetic breakthroughs that are expected to significantly impact future grain production and marketing. GIPSA must be prepared to offer grain varietal identification for the major genetic improvements that will affect the quality and characteristics of grains, production, and marketing. Preliminary investigations into analytical techniques to provide variety identification have been conducted, but GIPSA does not currently have the resources to address this issue adequately. Additional funding is requested to support staff, facility modification, and necessary equipment purchases.

An increase of $50,000 for automation of mycotoxin testing will be used to develop the staff and skills needed to properly address this issue. Additional funding is requested to fund external research in this area.

The increase of $225,000 will allow GIPSA's P&S Programs to implement the requirements of the Paperwork Reduction Act that call for developing simpler reporting requirements for businesses and to provide for electronic submission of reports. Sustained low prices for beef and pork at the farm level have resulted in increased concern about possible anticompetitive activities in the meat packing industry. GIPSA must review procurement and pricing information to ensure that anticompetitive activity is not present. Providing for the electronic submission of this data would reduce the cost to packers, improve the timeliness and increase the volume of data collection, and create a better understanding of the data on a real-time basis.

Increasing concentration, structural change, market performance, and the use of complex formula and value-based marketing systems by packers continue to raise questions of regulatory and policy significance. Additional resources are critical to expanding the Agency's capability to monitor and investigate the competitive implications of structural changes and behavioral practices in the meat packing industry, and will enhance our capability to support legal actions that require complex economic and statistical analyses.

To promote competition and improve market performance and confidence in the livestock and poultry sectors, the USDA's Advisory Committee on Agricultural Concentration recommended increased monitoring and enforcement of antitrust and regulatory policy and, specifically, increased antitrust enforcement under current regulations of the P&S Act. Since anticompetitive practices are complex and often encompass broad geographic areas, investigations involving unacceptable market behavior has become much more complex and resource-intensive.

The requested increase of $636,000 for packer competition and industry structure will allow GIPSA to conduct additional detailed investigations and analyses in selected geographic markets on a timely basis. It also will help us meet our responsibility of fostering fair and open competition, and guarding against deceptive and fraudulent practices that affect the movement and price of meat animals and meat food products.

As the industry continues to rapidly move to value-based methods of pricing, the complexity and sophistication of the packing industry's procurement and pricing methods will continue to

increase. The Agency must be able to commit the necessary resources to conduct the type of complex investigations that are required to ensure the integrity of the accounting and payment to producers.

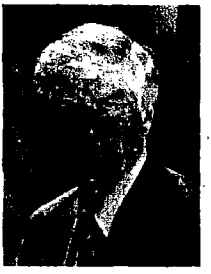
USDA's Advisory Committee on Agricultural Concentration recommended that the Secretary be provided the same administrative enforcement authority for poultry as currently exists for red meat to protect contract poultry growers from unfair and discriminatory practices. The $750,000 increase for poultry compliance will allow GIPSA to operate on other than a complaint-driven basis and permit increased compliance investigations into the poultry industry. More in-depth investigations will increase the Agency's ability to identify or address practices in the industry that may be unfair, unjustly discriminatory, or deceptive before practices escalate.

Conclusion

Mr. Chairman, this concludes my statement. I appreciate the opportunity to testify on behalf of the Grain Inspection, Packers and Stockyards Administration (GIPSA). I will be happy to answer any questions the Committee may have.

USDA Biographical Sketch

Michael Dunn
Under Secretary of Agriculture for Marketing and Regulatory Programs



Michael Dunn is Under Secretary of Agriculture for Marketing and Regulatory Programs. He manages the three USDA agencies responsible for many aspects of the marketing, protection, quality and transportation of the nation's food, feed and fiber supply. Those agencies are the Agricultural Marketing Service, the Animal and Plant Health Inspection Service and the Grain Inspection, Packers and Stockyards Administration.

Dunn was named Under Secretary in November 1998. Prior that he served as Assistant Secretary for Marketing and Regulatory Programs. Other positions Dunn has served in at USDA included Acting Under Scretary for Rural Economic and Community Development and as Administator of the Farmers Home Administration.

Agricultural concentration, transportation and fair enforcement of regulatory programs have been identified as priorities by Dunn. He also intends to aggressively pursue marketing and trade opportunities.

"New trade opportunities are opening up every day," said Dunn. "In this new global environment, I intend to work with American producers to seize these opportunities and expand agriculture's contribution to the U.S. economy. At the same time, I intend to strengthen our efforts to protect our fields and forests from devastating nonindigenous species.

Before joining USDA in November 1993, Dunn was vice president of the National Farmers Union, in charge of its Washington operations. Prior to that, he worked for Senator Patrick Leahy on the Senate Agriculture Committee. He is a former commissioner of the Iowa Development Commission and was executive director of a regional planning and economic development district. He also served as a city official in his hometown of Keokuk, Iowa, and as Midwest director for USDA's Farmers Home Administration from 1977 to 1981.

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Biographical Sketch
of
Enrique E. Figueroa, Ph.D.

Dr. Enrique E. Figueroa comes to USDA from Cornell University where he was an associate professor in the Department of Agricultural, Resource and Managerial Economics since November 1992. His initial appointment began in November 1996 as an assistant professor. Throughout his stay at Cornell, Dr. Figueroa's work focused on horticultural product marketing issues. Prior to that he was a post-graduate research agricultural economist and a research assistant in the Department of Agricultural Economics at the University of California at Davis.

His experience also includes work as a staff assistant to the House Committee on Agriculture for the U.S. Congress in 1982 and 1984. He spent four years with the California Conservation Corps from 1976 to 1980. He has an M.S. and Ph.D. in agricultural economics from the University of California at Davis, along with a M.S. in horticulture. His B.S. degree in agricultural education is from California State University in Fresno.

Dr. Figueroa has extensive experience in both research, extension, and teaching. He has worked on a number of projects in many parts of the world and has trained a number of graduate students.

GLICKMAN SELECTS REED, ARNOLDI TO HEAD APHIS

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GLICKMAN SELECTS REED, ARNOLDI TO HEAD APHIS

WASHINGTON, July 24, 1998--Agriculture Secretary Dan Glickman today announced the selection of Craig A. Reed and Joan M. Arnoldi for the two top positions of the Animal and Plant Health Inspection Service a part of USDA's marketing and regulatory programs mission area.

Reed, currently serving as the acting administrator, was named by Glickman to serve as the permanent administrator. Arnoldi, currently heading the veterinarian services of APHIS, was named to serve as associate administrator.

"Both Reed and Arnoldi have served USDA and APHIS with distinction for many years," said Glickman. "I am confident that their leadership at APHIS will strengthen our ability to continue opening foreign markets to American producers and to protect the United States from unwanted plant and animal pests and diseases."

Reed, who has been with USDA since 1973, most recently served as APHIS associate administrator. Previously, he served as deputy administrator of the office of field operations at USDA's Food Safety and Inspection Service and as director of the science division at USDA's Agricultural Marketing Service. After growing up on a farm in Michigan, Reed obtained his Doctor of Veterinary Medicine degree from Michigan State University.

Arnoldi currently serves as the APHIS deputy administrator for veterinarian services, a position she has held since 1995. Previously, she served as Wisconsin state veterinarian and administrator of animal health for the Wisconsin Department of Agriculture. At APHIS she has served as director of the APHIS National Veterinary Services Laboratories and as the first deputy administrator for regulatory enforcement and animal care. Arnoldi, who has been with USDA since 1988, earned her Doctor of Veterinary Medicine degree from the University of Illinois.

"I have worked closely with both Reed and Arnoldi over the past several years," said Michael V. Dunn, assistant secretary of marketing and regulatory programs. "Their expertise and professionalism will strengthen APHIS's ability to help American producers and consumers in the years ahead."

The wide-ranging APHIS mandate includes opening foreign agriculture markets through science-based, sanitary and phytosanitary standards, preventing and eradicating alien plant and animal pests and diseases, enhancing the care of animals used in research, exhibition and in the commercial pet trade, reducing wildlife damage to agricultural and natural resources, and ensuring the environmental safety of agricultural biotechnology products.

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United States Department of Agriculture

Grain Inspection, Packers and Stockyards Administration

P.O. Box 96454
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20090-6454

James Robert Baker

James Baker is the administrator of the U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration (GIPSA). From 1983 until joining GIPSA in November 1994, Mr. Baker was the manager of Lewis Livestock Company in Conway, Arkansas, the largest auction in the Southeastern United States. In addition, since 1989, Mr. Baker has served as chairman of the Arkansas Livestock and Poultry Commission.

Mr. Baker brings with him a distinguished record of service to agriculture and his community. He has served on the board of directors of the Faulkner County Farm Bureau since 1973 and was president in 1986; has been a State board member of the Arkansas Farm Bureau since 1989 and was a national voting delegate in 1981 and 1986; has been a member of the Faulkner County Extension Advisory Board for 20 years; has been a Charter Board Member of the Faulkner County 4-H Foundation Board since 1985, and served as president in 1979 and 1980; and is an advisor to the Future Farmers of America.

His service and dedication to agriculture have been widely recognized. Mr. Baker is the recipient of two Silver Awards and one Gold Award from the Arkansas Production Credit Association; a Four-State Proclamation for service to agriculture; and an Agriculture Alumni Award from Southern State College.

Mr. Baker's "hobbies" are working for and marketing Arkansas agriculture; working with youth who show an interest in agriculture; and raising beef cattle.

Mr. Baker, a native of Glenwood, Arkansas, received a degree in agribusiness from Southern State College in Magnolia, Arkansas. He is married to the former Linda Nelson and has two children, Monica, 19, and Jason, 15.

Mr. SKEEN. Thank you, Mr. Dunn. Let us hope that they do not make the beetle an endangered species. [Laughter.]

We have got enough of those.

Mr. DUNN. We would like to eliminate it in the United States.

WILDLIFE SERVICES

Mr. SKEEN. Hopefully. Your testimony and that of Dr. Reed make a good case for the importance of Wildlife Services' programs, and I agree.

Last year, we defeated a floor amendment to cut the budget, and now you are proposing to cut both operations and methods development. Why is this?

Dr. REED. Mr. Chairman, the proposed cut in Wildlife Services is serious and relates to priorities. Both within the Agency and at the Department, there are more demands for services than available resources. We have a list of services that we need to be providing, and we are running out of money in Wisconsin and Minnesota for wolf control.

The people in Wildlife Services are doing a wonderful job keeping up with service demands in the face of additional costs.

Mr. SKEEN. Well, how does it reflect back on the operation itself?

Dr. REED. I can give you some basic figures.

Mr. SKEEN. We can have those inserted in the record, if you would like.

Mr. REED. Yes, we will do that.

[The information follows:]

Our budget requests a $1.8 million reduction for operations and asks that cooperators assume a larger share of program costs.

Mr. SKEEN. Last year at your request we added some additional money to APHIS for aviation safety. What is the status of that program, and what are your plans for the next fiscal year?

Dr. REED. Last year, as you know, Mr. Chairman, we had some serious problems with air safety. We had some——

Mr. SKEEN. Birds around airfields.

Mr. REED. We had some bird strikes around airports. There is always room for doing additional work there. We are working with major airports in this area to make sure that the flights out have a wildlife biologist on site at both National and Dulles Airports.

So we are using that money to make sure that we control geese and other birds that will be giving a problem to the jet traffic in and out of the area.

[Subsequent to the hearing the following information was provided:]

With regard to the accidents I mentioned and the $1.2 million provided in 1999, APHIS has embarked on a multi-year process of upgrading aircraft, flight crew training, air worthiness safety and certification to comply with the recommendations of the aerial safety review.

Mr. SKEEN. That is going to be an ingenious effort. For doing as much flying as we do around here, we surely do not need them going through engines.

Mr. DUNN. Mr. Chairman, last year I called a moratorium on Wildlife Services from using aircraft because of exceedingly high

accident rates and concern over the safety of our Wildlife Services employees in the aircraft.

We did a complete review of that. We were able to get people back up in the air in certain types of aircraft. I am happy to say we now have one full-time safety officer in Wildlife Services and will have a second one soon. We are making great strides in improving the safety of our employees to be able to perform their mission.

Mr. SKEEN. A nonaviation exercise?

Mr. DUNN. Yes.

KARNAL BUNT

Mr. SKEEN. I understand where you are going.

The Arizona Department of Agriculture has said that the filters that were used to check for Karnal bunt spores were mislabeled by USDA, which resulted in the contamination problem that we now have. Is this the case and, if so, what is being done about it?

Dr. REED. Again, Mr. Chairman, let me respond to that. We know that there were some problems at a contract lab that APHIS does not operate, but oversees, in Arizona. There are two screens that APHIS provides to the lab to detect Karnal bunt spores. We found out that the screens were in the wrong place allowing spores to go undetected.

A review team is being assembled right now to review quality control at that lab to make sure it never happens again.

Mr. SKEEN. Well, sir, that is great news to the people that have been impacted by this Karnal bunt situation, which happened in New Mexico and Arizona. All of the efforts that one goes through in cleansing the equipment that is used to handle it have been very tough.

ORGANIC CERTIFICATION

Dr. Figueroa, I realize that we may sound like a scratched record album here, but the 1990 Farm Bill authorized the development of nationwide standards for organic certification. I went back to March 1996 and found statements from AMS testimony regarding the proposed and final rule on organic standards and its implementation.

I am not going to read them to you, but I am sure that they would sound familiar to you. Nine years and $3.2 million later there is still no final rule. And according to the budgets, you are planning to spend $923 thousand this fiscal year and another $1.7 million in fiscal year 2000 on this program, bringing the total to $5.8 million.

What are the reasons for the latest delay in getting the final rules published and submitted?

Mr. FIGUEROA. Good afternoon, Mr. Chairman, and members of the committee.

Mr. SKEEN. Excuse me for not being more amenable, but——

Mr. FIGUEROA. You are not the first, Mr. Chairman.

Mr. SKEEN. And probably will not be the last either. [Laughter.]

Thank you, Dr. Figueroa. Go ahead.

Mr. FIGUEROA. We received, as you may know, a record number of comments on our proposed rule that we proposed in December

of 1997—275,000. It is the most comments for any rule published in the USDA. Just the sheer volume of comments to go through, certainly required a good amount of time. In addition, there were three controversial issues within the proposed rule: irradiation, bioengineered products and the use of sewage sludge that the Secretary announced in May that we no longer include in the reproposed rule.

Secondly, the industry came to AMS to request the issuance of three current thinking papers, which we issued in the latter part of last year. In those discussions, I mentioned and put forth to the industry that if we did those, it would prolong the issuance of the final rule. They felt it was better, in the long run, to have the issuance of these three current thinking papers, even if it prolonged the final rule coming out.

Mr. SKEEN. Finalizing the rule?

Mr. FIGUEROA. We were going to finalize the rule in 1999 and our goal is to try to have a final rule in 1999, yes, sir.

Mr. SKEEN. 1999. That is the reason for the delay?

Mr. FIGUEROA. It was the volume of comments, sir, and as well as that, the issuance of three current thinking papers that required a comment period, and we had to focus on those three current thinking papers.

Mr. SKEEN. Well, you covered the whole gambit of problems dealing with it, and that is what is holding up the rule.

Mr. FIGUEROA. The three current thinking papers were on three issues that were very important to the industry, that they felt they needed some additional comments on, yes, sir.

Mr. SKEEN. Very good.

The organic industry is valued today at about $3.5 billion and growing at the rate of 22 percent per year. Why do we need a National Organic Standards Rule at all?

Mr. FIGUEROA. The industry, as you know, came to Congress in 1990 because they felt that national standards would accomplish two things, and we concur with that. One is that national standards will assure all consumers in this country that when they buy a product that is labeled organically grown, handled and processed or produced, that they know that a minimum set of standards have been adhered to in the production and processing of that product.

In addition, the industry felt, and we concur, that having this minimum national set of standards would indeed facilitate the growth of the industry. Clearly, the industry has grown in its current system of either State-based or private certification systems, but we feel, and I think the industry feels as well, that national sets of standards will expand the domestic industry.

Finally, the entrance of organically produced products in the international markets we feel will also be facilitated by having a national set of organic standards, particularly in the European Union.

Mr. SKEEN. How is the term "organic" defined? And will the final rule on organic standards alter that definition in any way?

Mr. FIGUEROA. There are currently 42 different certification entities in the country. Some are State-based programs, others are private- or quasi-private-based programs.

Mr. SKEEN. How are you going to split it?

Mr. FIGUEROA. Each of those have fairly similar definitions of what constitutes organic production. We will likely be very consistent with the prevailing industry definition of organic production with our national standards, yes, sir.

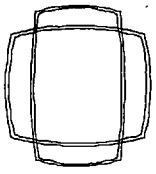
Mr. SKEEN. Thank you. Thank you for your responses.

[CLERK'S NOTE.—Subsequent to the conclusion of hearings on the fiscal year 2000 budget request for the Department of Agriculture, the Agricultural Marketing Service published a final decision on consolidating the 31 Federal milk marketing orders into 11 orders as mandated by the 1996 Farm Bill. The entire three-part final decision documents are on file with the Subcommittee. The following is a summary of the final decision as proposed by the Secretary of Agriculture:]

USDA AMS
Dairy Programs
Final Decision - Fact Sheets

- General Overview [HTM, PDF]
- Background: What Is A Federal Milk Marketing Order? [HTM, PDF]
- Changes from the Proposed Rule [HTM, PDF]
- Consolidation of Marketing Orders [HTM, PDF], Current and Consolidated Federal Milk Marketing Order Area maps [color PDF, b&w gifs: current & final decision, b&w PPT]
- Class I Pricing [HTM, PDF], map of Class I Prices: Average Changes at Selected Locations: 2000-2005 [b&w gif, color PDF], map of All Milk Prices: Average Changes at Selected Locations: 2000-2005 [b&w gif, color PDF]
- Replacing the Basic Formula Price [HTM, PDF]
- Classification & Identical Provisions [HTM, PDF]

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Federal Milk Marketing Order Reform Final Decision

GENERAL OVERVIEW

The 1996 farm bill mandates USDA to reform the Federal milk marketing order (FMMO) program. Although the farm bill only specified that there be fewer orders, it also authorizes the Secretary to make other reforms to the FMMO program. The farm bill authorizes the creation of a Federal order for California, if producers in California want to establish an order within the FMMO program. The farm bill mandates that reforms be implemented by April 4, 1999, and that USDA use an "informal" rulemaking process to proceed with the reforms. Congress has extended the deadline for implementation of this reform until October 1, 1999.

What's Being Changed in the FMMO Program?

- There will be fewer orders;
- the basic formula price will be replaced to better reflect the value of milk components;
- minimum fluid milk (Class I) prices will promote market efficiencies;
- minor revisions are made to products included in each class of milk;
- common provisions will streamline the orders.

The Context for Reform of the FMMO Program

U.S. agriculture is transitioning to a more market-oriented sector, free from traditional government involvement typified by price and income support programs. This transition is continued in the 1996 farm bill, which mandates the gradual phase-out of traditional price and income support programs, including the dairy price support program that has existed for 50 years, in which the Federal Government supported milk prices by offering to purchase butter, cheese, and nonfat dry milk at certain specified prices.

The FMMO program is being restructured to be consistent with this trend toward a market-oriented dairy sector in which dairy farmers respond to market signals. However, the FMMO program retains its basic purpose--to provide for orderly market conditions in which milk is marketed so that producers have an assurance of stable markets, and

adequate supplies of milk are available for consumers. Federal milk marketing orders will continue to establish minimum prices that regulated handlers must pay to producers based on the end use of the milk. The FMMO program also will continue to recognize the higher costs of supplying milk for fluid use, including the costs of transporting milk and the costs associated with balancing supplies and use within each market.

What's in the Final Decision?

The final decision covers all aspects of the FMMO program, and contains provisions dealing with the following components of the FMMO program:

- Consolidation - In accordance with the farm bill, the final decision provides for 11 milk marketing order areas, consolidating the present 31 milk marketing order areas.

- Classified Pricing - The final decision provides changes to the level and manner in which milk is priced according to its use. For milk in the highest valued category, fluid use (Class I), two pricing options were presented in the proposed rule-Options 1A and 1B. The final decision adopts a Class I pricing structure that meets fluid milk demand by generating sufficient revenue for dairy farmers. It also provides incentives for greater structural efficiencies in milk assembly and distribution. These goals are achieved by using generally higher differential levels as proposed in Option 1A while retaining the pricing surface of the preferred option.

  The Class II price will be set at 70 cents over the Class IV price in all Federal orders. The skim milk used in Class II would be advance priced in a manner similar to that described for Class I products, below. Class II products are soft manufactured products such as ice cream and yogurt, and fluid cream products. These products are considered to have a higher value than the storable, hard manufactured products in Class III and IV, but a somewhat lower value than highly perishable Class I products. Class III and Class IV prices are outlined in the section below on the Basic Formula Price.

- Basic Formula Price (BFP) - The BFP has gradually become less representative of competitive conditions for milk for manufacturing uses over time. The current BFP is based on the Minnesota-Wisconsin price for unregulated Grade B (manufacturing-grade) milk (a dwindling share of all milk produced in those States and nationally) and a product formula updater to reflect current competitive conditions for manufactured products. The final decision replaces the BFP with Class III and Class IV prices based on multiple component pricing, which continues the tie between the price of milk used in fluid products and the price of milk used in manufactured products. The Class I price mover, announced on or before the 23rd of the month, will be based on the most recent 2-week estimate of the Class III or

Class IV price for milk used in manufacturing, whichever is higher. To establish Class I prices, Class I differentials will be added to this base price. Use of the most recent 2-week average of prices will reduce the time lag in Class I prices relative to manufactured dairy product prices. Similarly, advance pricing for Class II, but using the Class IV price as a base price, will reduce the time lag in Class II prices relative to manufactured dairy product prices.

➢ Classification & Identical Provisions - Many orders have similar provisions. Over time, each milk order has been amended to contain provisions that may be unique, but some provisions may be very similar to those in other orders. The identical provisions section of the final decision streamlines provisions, terms, and definitions applicable to all orders. The classification section recommends uniform provisions and makes minor changes from the current system of classification according to end use.

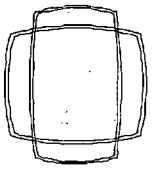
Informal Rulemaking Process for Reform

Congress authorized the use of informal rulemaking to reform the FMMO program. Since passage of the 1996 farm bill, USDA has sought public input to assist in developing the proposals for reform that are contained in the final decision. USDA took comments from interested parties into account prior to, and after, publication of the proposed rule. Comments were considered in the preparation of the final decision. Prior to October 1, a referendum will be held to determine approval for each milk marketing order by at least two-thirds of the producers affected by each new order.

March 1999

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Federal Milk Marketing Order Reform Final Decision

BACKGROUND: WHAT IS A FEDERAL MILK MARKETING ORDER?

The Agricultural Marketing Agreement Act of 1937 authorizes the Federal Milk Marketing Order (FMMO) program that the Department of Agriculture (USDA) is reforming in accordance with the 1996 farm bill. The 1996 law mandates USDA to consolidate the present 31 Federal orders into no fewer than 10 and no more than 14 Federal orders. Although the law only mandates fewer orders, it authorizes the Secretary to make other reforms to the FMMO program, such as the method of deriving Class I prices for fluid milk. The farm bill requires USDA to implement the reforms by April 4, 1999, but Congress has extended the deadline until October 1, 1999.

What Does a Milk Order Do?

Milk marketing orders are legal instruments, voluntarily initiated and approved by two-thirds of the producers affected by the order. Handlers, or first buyers--not producers --are regulated under an order.

Milk marketing orders address situations that would cause disorderly marketing, unfair trade, and inequitable market conditions in their absence. Milk orders prevent handlers from playing producers against each other in an attempt to drive down the prices that handlers have to pay for milk. Milk orders also establish a system of prices that reflect the incentives to draw milk from surplus regions to deficit regions when local supplies are not adequate to satisfy fluid demands.

Milk orders also provide other safeguards to protect producers against unfair and abusive trade practices, including: failure to pay producers the minimum order price for milk delivered to handlers; inaccurate reporting by handlers of the volume and component tests of farmers' milk and how the milk was used; and the general lack of fairness that can result from unequal bargaining power between buyers (many fewer buyers) and sellers (many more sellers), such as in price negotiations, or that arise with lack of access to accurate market information.

How Do Milk Orders Work?

First, orders classify milk by end use: Class I is milk for fluid consumption; Class II is milk used to produce the soft products such as ice cream and cottage cheese; and Class III is milk used to manufacture hard products such as butter, nonfat dry milk, and cheese. In recent years in many Federal orders, USDA has defined a Class III-A category for nonfat dry milk only.

Second, milk orders specify minimum prices that buyers must pay for milk used in each class. The highest price is generally for milk used in Class I, and the lowest price is for milk used in Class III, or Class III-A, where applicable.

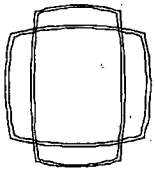
Third, milk marketing orders specify rules for distributing milk proceeds to all producers who supply the marketing order. In a milk marketing order, producers do not receive the class prices directly. Instead, all producers who supply milk to an order receive the uniform or "blend" price for their milk, a weighted average price derived from pooling all milk proceeds received from all milk used in the various classes in a market area. The blend price assures that all producers share equally in the higher valued fluid market and in the lower prices received for milk diverted to manufacturing uses. Thus, no producer captures only the higher, fluid-use price, and no producer has to bear only the lower, manufacturing price for milk.

It is important to note that Federal order prices are minimums only. Market conditions can and often do lead to prices above Federal order minimums.

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Federal Milk Marketing Order Reform Final Decision

CHANGES FROM THE PROPOSED RULE

The 1996 farm bill mandates USDA to reform the Federal milk marketing order (FMMO) program. Although the farm bill only specifies that there be fewer orders, it also authorizes the Secretary to make other reforms to the FMMO program. The farm bill mandates that reforms be implemented by April 4, 1999, and that USDA use an "informal" rulemaking process to proceed with the reforms. Congress has extended the deadline for implementation of this reform until October 1, 1999.

In January 1998, USDA released its proposed rule for Federal order reform. Significant changes were suggested to many facets of the Federal order program in the proposed rule. Industry was given the opportunity to comment on the proposed rule, and these comments were taken into account in the preparation of the final decision.

How is the Final Decision Different from the Proposed Rule?

- Consolidation - The final decision provides for 11 milk marketing areas, mostly unchanged from the proposed rule. Many of the orders had minor changes to the marketing areas. Three of the consolidated orders had substantive changes in marketing areas, as follows:
  - The Western New York State order was removed from the proposed Northeast marketing area;
  - Six currently unregulated counties were removed from the consolidated Central marketing area; and
  - The current Western Colorado order was moved from the consolidated Western order to the consolidated Central marketing area.

- Basic Formula Price (BFP) - The final decision, as in the proposed rule, replaces the BFP with Class III and Class IV prices based on multiple component pricing. Significant changes to Class III and Class IV pricing formulas were made in the final decision to address industry concerns. The changes create formulas that are more consistent with product yields and make allowances that result in lower Class III and Class IV prices than under the proposed rule. In addition:
  - Barrel cheese prices (NASS survey) are included in the Class III price formula.

- Protein tests are based on true protein (a critical factor in cheese yields), rather than on total nitrogen. This change will result in more accurate producer payments.
- Advance pricing for Class I to handlers will continue to be provided, but with a shorter time period (7 days vs. 25 days) prior to the effective month. The proposed rule had suggested a 6-month declining average mover. The shorter time period will provide better coordination between Class I and manufactured dairy product values.

- Classified Pricing - The final decision provides changes the level and manner in which milk is priced according to its use. For milk in the highest valued category, fluid use (Class I), two pricing options were presented in the proposed rule-Option 1A and 1B. The final decision adopts a Class I pricing structure that meets fluid milk demand by generating sufficient revenue for dairy farmers. It also provides incentives for greater structural efficiencies in milk assembly and distribution. These goals are achieved by using generally higher differential levels as proposed in Option 1A while retaining the pricing surface of the preferred option.

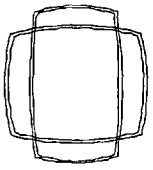
  The Class II price will be set at 70 cents over the Class IV price in all Federal orders. The skim milk used in Class II will be advance-priced in a manner similar to that described for Class I. Class II products are soft manufactured products such as ice cream and yogurt, and fluid cream products. These products are considered to have a higher value than the storable, hard manufactured products in Class III and IV, but a somewhat lower value than highly perishable Class I products.

- Classification & Identical Provisions - Many minor changes were made to individual orders either in response to industry comments after the publication of the proposed rule, or as corresponding changes necessary to accommodate changes in the basic formula price, Class I price surface, etc. Changes made to all orders from the proposed rule include:
  - moving cream cheese from Class II to Class III; and
  - revising shrinkage calculations to respond to industry concerns.

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Federal Milk Marketing Order Reform Final Decision

CONSOLIDATION OF MARKETING ORDERS

The 1996 farm bill requires that the current 31 Federal milk marketing order areas be consolidated into no fewer than 10, and no more than 14 orders. The farm bill requires USDA to establish a separate marketing order area for the State of California, if that State's dairy farmers request and approve a marketing order under the FMMO program. Currently, California has a State marketing program for milk.

What's Being Changed in the FMMO Program?

- ✓ **There will be fewer orders;**
- the basic formula price will be replaced to better reflect the value of milk components;
- minimum fluid milk (Class I) prices will promote market efficiencies;
- minor revisions are made to products included in each class of milk;
- common provisions will streamline the orders.

The Federal milk order final decision provides for 11 marketing areas:

Northeast, Appalachian, Florida, Southeast, Mideast, Upper Midwest, Central, Southwest, Arizona-Las Vegas, Western, and Pacific Northwest. See the attached maps for the current and proposed new marketing order areas recommended in the final decision. Some areas of the country will remain unregulated areas under the Federal milk order system, but may have State programs (shown in white on the map).

What's in the Consolidated Order Areas? (See attached map.)

NORTHEAST — Includes current marketing areas of the New England, New York, New Jersey, and Middle Atlantic Federal milk orders. In addition, the new Northeast order includes the contiguous unregulated areas of New Hampshire, northern New York, and Vermont, as well as the nonfederally regulated portions of Massachusetts.

APPALACHIAN — Includes the current marketing areas of the Carolina and Louisville-Lexington-Evansville milk orders (but not Logan County, Kentucky). Also, the new Appalachian order will include the previously

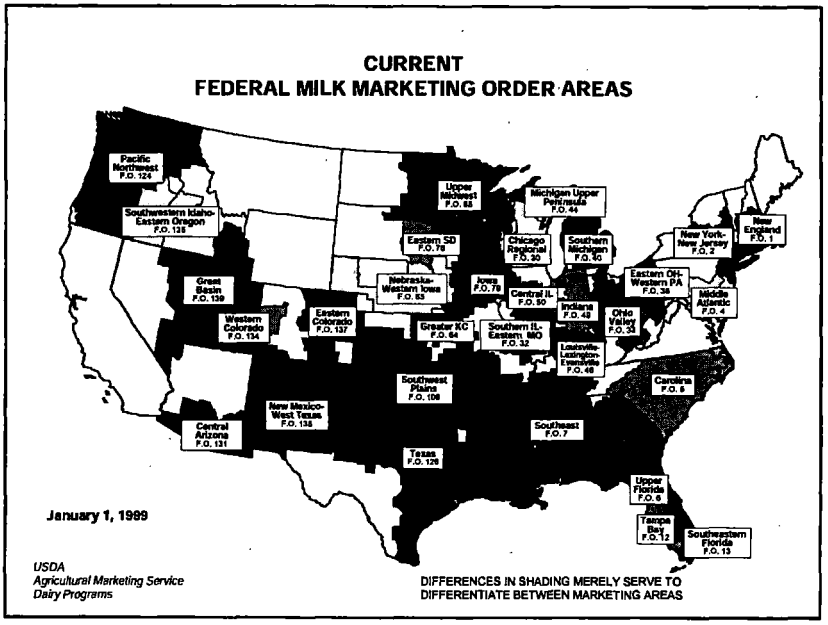
	terminated Tennessee Valley area and currently unregulated counties in Indiana and Kentucky.
FLORIDA	Includes the current Upper Florida, Tampa Bay, and Southeastern Florida Federal milk marketing order areas.
SOUTHEAST	Includes the current Southeast Federal milk order area, plus Logan County, Kentucky. The new Southeast order will also include 11 counties in northwestern Arkansas and 23 counties in Missouri that are currently part of the Southwest Plains order, 6 counties in Missouri that are currently part of the Southern Illinois-Eastern Missouri order, and currently unregulated counties in southeastern Missouri and Kentucky.
MIDEAST	Includes the current Ohio Valley, Eastern Ohio-Western Pennsylvania, Southern Michigan, Indiana, and zone 2 of the Michigan Upper Peninsula Federal milk order areas. The new Mideast order would also include currently unregulated counties in Michigan, Indiana, and Ohio.
UPPER MIDWEST	Includes the current Chicago Regional and Upper Midwest Federal milk order areas. The new Upper Midwest order would also include zones 1 and 1(a) of the Michigan Upper Peninsula Federal milk order, as well as unregulated counties in Wisconsin.
CENTRAL	Includes the current Southern Illinois-Eastern Missouri, Central Illinois, Greater Kansas City, Southwest Plains, Eastern Colorado, Western Colorado, Nebraska-Western Iowa (but not 11 currently regulated counties in that order that would become unregulated), Eastern South Dakota, and Iowa Federal milk order areas. The new Central order would not include 11 northwestern Arkansas and 23 Missouri counties that are currently included in the Southwest Plains Federal order (they would be part of the new Southeast order). The new Central order would also exclude 6 Missouri counties that are currently part of the Southern Illinois-Eastern Missouri Federal order (they would also be part of the new Southeast order). However, the new Central order would add currently unregulated counties in Kansas, Missouri, Illinois, Iowa, Nebraska, and Colorado.
SOUTHWEST	Includes current Texas and New Mexico-West Texas Federal milk marketing orders, plus currently unregulated counties in Texas.

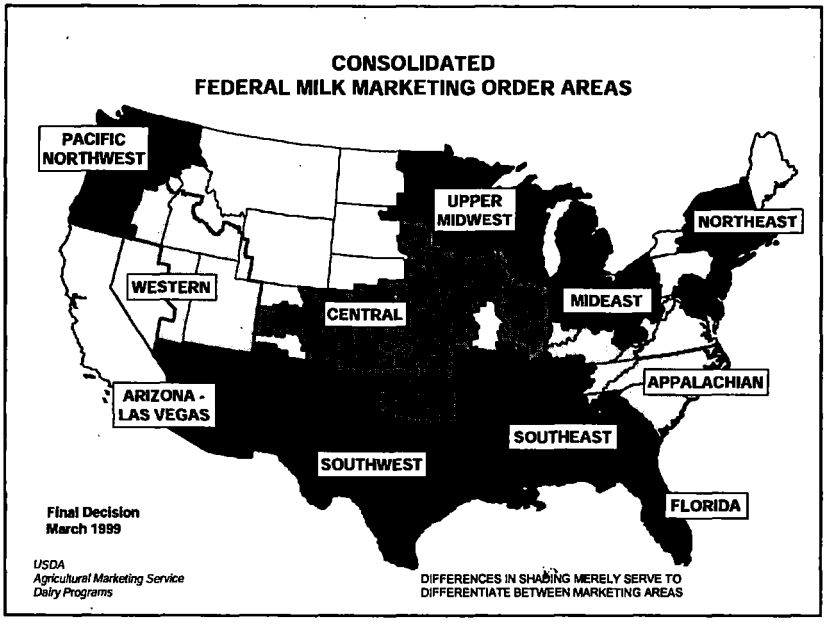
ARIZONA-LAS VEGAS	Includes the current Central Arizona Federal milk marketing order, that portion of Clark County, Nevada, which is part of the current Great Basin Federal order, as well as currently unregulated counties in Arizona.
WESTERN	Includes current Southwestern Idaho-Eastern Oregon and Great Basin Federal milk marketing orders (but not Clark County, Nevada).
PACIFIC NORTHWEST	Includes the current Pacific Northwest Federal milk marketing order, plus a currently unregulated county in Oregon.

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CURRENT
FEDERAL MILK MARKETING ORDER AREAS
Pacific Northwest F.O. 124
Southwestern Idaho-Eastern Oregon F.O. 135
Great Basin F.O. 139
Western Colorado F.O. 134
Eastern Colorado F.O. 137
Central Arizona F.O. 131
New Mexico-West Texas F.O. 136
Texas F.O. 126
Southwest Plains F.O. 106
Nebraska-Western Iowa F.O. 83
Eastern SD F.O. 79
Upper Midwest F.O. 68
Michigan Upper Peninsula F.O. 44
Iowa F.O. 79
Central IL F.O. 50
Greater KC F.O. 64
Southern IL-Eastern MO F.O. 32
Chicago Regional F.O. 30
Indiana F.O. 48
Louisville-Lexington-Evansville F.O. 46
Southern Michigan F.O. 40
Ohio Valley F.O. 33
Eastern OH-Western PA F.O. 36
Middle Atlantic F.O. 4
New York-New Jersey F.O. 2
New England F.O. 1
Carolina F.O. 5
Southeast F.O. 7
Upper Florida F.O. 6
Tampa Bay F.O. 12
Southeastern Florida F.O. 13
January 1, 1999
USDA
Agricultural Marketing Service
Dairy Programs
DIFFERENCES IN SHADING MERELY SERVE TO DIFFERENTIATE BETWEEN MARKETING AREAS


CONSOLIDATED
FEDERAL MILK MARKETING ORDER AREAS
PACIFIC NORTHWEST
WESTERN
ARIZONA - LAS VEGAS
CENTRAL
SOUTHWEST
UPPER MIDWEST
MIDEAST
NORTHEAST
APPALACHIAN
SOUTHEAST
FLORIDA
Final Decision
March 1999
USDA
Agricultural Marketing Service
Dairy Programs
DIFFERENCES IN SHADING MERELY SERVE TO DIFFERENTIATE BETWEEN MARKETING AREAS

Ms. Kaptur.

ASIAN LONGHORNED BEETLE

Ms. KAPTUR. Thank you, Mr. Chairman. Welcome, gentlemen. I am so happy to have you here. I just love this group. I am glad they are here today. Enjoyed your testimony, Mr. Dunn. [Laughter.]

I know the good work that they try to do and do.

Dr. Reed, I wanted to start with you, if I might. On the issue of the Asian long-horned beetle, did you actually determine the origin of that?

Dr. REED. Yes.

Ms. KAPTUR. How did you do that?

Dr. REED. We inspected solid wood packing materials, crating materials for airfreight, and other freight arriving from China, and actually found larva and insects in the wood packing material. We then inspected a lot of wood packing material from several countries because this kind of damage occurs in wood crates and pallets where the lower grades of wood are used. It was in the wood packing material where we found the larva.

Ms. KAPTUR. Now, do you receive that material through U.S. Customs or do you have your own inspectors at certain ports of entry? How is it that you got the actual material?

Dr. REED. Customs looks at it first and then we get it.

Ms. KAPTUR. For how long had that been coming into the United States, do you estimate, before you actually got the sample?

Dr. REED. We detected the pest in New York a couple of years ago. Earlier last year, we found tree damage very close to O'Hare Airport in Chicago and through additional surveys, found the larva in the trees. The larva actually killed the trees after a couple of years. So it is not like it is a situation where you can live with this particular pest.

Ms. KAPTUR. I read in your testimony that you say that in New York, and you do not cover Illinois I do not think here, it has cost $5 million so far to remove the trees; is that true?

Dr. REED. The State of New York and the Federal government have spent $5 million in removing 2,500 trees.

Ms. KAPTUR. Have we really gotten a hold of this, do you think? Have we removed all of the trees? We do not know, those beetles could be out there.

Dr. REED. We conduct surveys to determine if there is damage or additional areas of infestation, but our main emphasis is preventing entry through wood packing material. We instituted an emergency rule last year and began implementing it the beginning of this year. We told China what was going on and what they had to do. So far we have had very good compliance.

Ms. KAPTUR. How much money has this already cost the State of New York, the Federal Government, the State of Illinois, the City of Chicago, or whoever is having to remediate?

Dr. REED. Let me get those figures for you, Congresswoman.

Ms. KAPTUR. What responsibility do the Chinese have for paying that bill? What portion of it have they paid and what mechanism do we have to get recovery—costs recovery?

Dr. REED. I do not know if we have a mechanism for recovering from the Chinese.

Ms. KAPTUR. Well, you have hit one of my favorite areas of inquiry. [Laughter.]

I would very much appreciate it if you would try to get me figures on what these States and the Feds have spent thus far in remediation, and include in that any of your own research costs and other costs where you have had to do analysis and so forth to really figure out—include your administrative costs in that, and your projection for the next year; what you have spent to date and what your projection is over the next year.

[Subsequent to the hearing, the following additional information was provided.]

We estimate that about $9 million has been spent in this cooperative effort through this year. We estimate spending the requested $2.1 million for next year.

Mr. DUNN. Ms. Kaptur, there are a couple of things. We try to do inspection of about 2 percent of everything that comes into the United States. APHIS looks at items that may have a pest or disease that would affect our agricultural interests. We were not always looking at solid wood packing material until after we had found a pest in it. Now we understand that wood packing material is a source of the pest. This is the reason why that infestation may have been here for four or five years before we discovered it.

In Chicago, for instance, somebody found one of the insects, compared it to information on our Web site, and determined that they had the pest. So as you indicate, we need to do a much better job of getting the information out, so that we have more eyes and ears out there across the Nation to see if this pest is in other parts of the Nation.

Normally, when we get an infestation, or some country gets an infestation, it is from a product that was brought in; it is the buyer beware. So, there really is not any legal recourse to say, "All right, You have caused this disease, You have to pay for it." It is the receiving country's responsibility that incurs the pest to be on the alert. This is why having our first line of defenses are so important in APHIS, to keep these pests and diseases out and to have surveillance teams examining all the possibilities.

Ms. KAPTUR. Well, Under Secretary, I do not mean to disagree with you, but one of the problems with our trade agreements is we do not accommodate environmental issues. If I look at what happened with Gypsy moths, and we have had a little experience with that in our part of the country, having migrated from the East Coast, and we know just the amount of money this is going to—I really do believe that those responsible, including the shipping company and whomever, the freight forwarders, they are all responsible. It is not just the poor little taxpayer sitting in Chicago or New York that is responsible to pay this.

So I am not saying you have not done a good job. I am just trying to, I guess, as the attorneys do, assess blame here and restitution, and this is an area that interests me a great deal, and I doubt that this is going to go away. I have a hunch these little beetles are going to propagate, and we are going to have to rip down more trees.

Dr. Reed, what could they devastate? Let us say it is like the Gypsy moths, and we just cannot get control of it because there is no natural predator, what is it that they destroy?

Dr. REED. The preferred host is soft hardwood trees, like maples and elms. We are very fearful of the beetle migrating to our maple forests. Of course, everybody loves their big maple trees in their back yard so it is devastating for residential growers as well.

SCREWWORM FACILITY—MEXICO

Ms. KAPTUR. I thank you very much for your frank replies to that.

Dr. Figueroa, I wanted to welcome you and ask you last year we discussed the APHIS facility in Chiappas, Mexico, that is scheduled to be closed in 2004. And we had talked about, yes, we have done a great job at eliminating screwworm on the continent and so forth, and that facility employed like 600 people or something who are Mexican citizens.

I had asked if the Department might talk to the State Department in the interim and see, knowing the conditions in that part of Mexico, if there was some other way which we could transform that facility. We talked a little bit about tropical fruits, about coffee, et cetera. Have you done any follow-up on that?

Mr. FIGUEROA. Unfortunately, Congresswoman Kaptur, I have not done much follow-up on that specific issue.

Ms. KAPTUR. Mr. Dunn.

Mr. DUNN. Congresswoman, I have traveled to Mexico, met with my counterpart, Sub-Secretary Gurria, as well as Minister of Agriculture Arroyo, to talk about this very issue. I talked to our ambassador in Mexico. He and I had planned a trip down to Chiapas to take a firsthand look, but have not been able to do that, to date, because our schedules have conflicted. But that is something that is very high on his list of things to do as well.

Ms. KAPTUR. I am really glad to hear that.

I asked Dr. Figueroa because he had made a practical suggestion to me last year. So that is why I was interested in hearing what he had to say. But I am extremely interested in that, as you know, and we do not need to do anything to further destabilize that part of our continent.

CONCENTRATION

I wanted to thank Mr. Baker and your colleagues for conducting one of your listening sessions in the Midwest, in our part of the Midwest. We had, as you know, over 140 producers. Your fine staff members who are sitting in the audience were there. They did a good job. Could you enlighten the committee a bit on what you learned from speaking to producers around the country and what you plan to do as a follow-up to those meetings.

Mr. BAKER. Yes. This was basically a whole rollout of our information. We did an investigation of the upper Midwest hog slaughter procurement, and we took our findings to the people to provide information. We found that the smaller producers may not have been producing the higher quality hogs like the larger producers were. Smaller producers were not taking contracts like the larger

producers and maybe did not have access to the contract availability that the larger producers did.

We heard it loud and clear in some meetings that contracts were available, but they did not want to make these kind of commitments that you have to make to get into the contract business.

I think, from what we learned, that the price being reported on hogs was not the actual price of what hogs were trading for. Hogs were trading at a higher figure than the base price being reported. This was significant. Since this has been pointed out, Ag Marketing Services started reporting a higher base hog price. As I traveled the last two years, I heard people say, "We sold our hogs for $4 over the top". You do not sell hogs $4 over the top. You sell them for $4 over the reported top. So, let USDA get the information out there, get it all reported and let people know where they fall in the price structure.

We saw hogs quoted and sold for as high as $7 over the top. Our focus is in packer procurement in the hog complexes in the Midwest, and we hope to do a lot more work there with your help in our budget.

And, the roll-out has been beneficial. The producers that we have talked to, by and large, are very appreciative of our looking at this. We conducted an investigation in 1996, but the rollout fell at a time when there were depressed prices in the hog industry. The biggest complaint we heard was that our information was not timely, and that was a valid complaint. The investigation happened two years before we rolled out the findings.

But because we were there at a time when the prices were depressed, we could address, along with the other agencies that went with us, concerns farmers had about price and market power and being able to get into the market.

Ms. KAPTUR. Do you intend, Mr. Baker, to have a final report that then shows which policies you are going to implement within the Department or what types of initiatives you are going to have as a result of those meetings?

Mr. BAKER. Yes, we have a report. A final report has been made, our initiatives are moving forward, and we have an additional investigation underway. Also, out of this, we undertook three additional investigations that we are pursuing in the pork complex.

Ms. KAPTUR. To the extent you can provide your summary report to the record——

Mr. BAKER. Yes, I can.

Ms. KAPTUR [continuing]. Could you do that, please?

Mr. BAKER. Yes, I can.

Ms. KAPTUR. I would be very, very interested in that.

While your people were in Ohio, what was interesting was that we had people in that room who were burying animals at the very same time that our feeding kitchens in our adjacent cities needed food.

And so as I look at the Agricultural Marketing Service and I think about what you can do as an Agency, as a Department, I hope that, as you think about procurement, and you think about ways of marketing and how you reach people, that—and I was just talking with Mr. Nethercutt about this—how we are able to focus our purchases on farmers.

How can we do a better job of targeting some of those people that ended up in those rooms and without doing too much damage to the pricing system overall? And if there are any actions we can take this year, I know from the emergency bill last year, some of those payments are going to be going out, but as we sit here today, they are burying animals. That just does not seem like the best solution, certainly for the farmer and certainly for those in need in our country.

Any insights you might have from those hearings where you could give us advice as we proceed through the first supplemental we will be having and maybe a second supplemental and whatever our appropriation bill will be for this year, I, for one, would be very grateful.

I know others want to ask questions.

Mr. BAKER. We will submit it for the record.

[The information follows:]

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)
WESTERN CORNBELT HOG PROCUREMENT INVESTIGATION

Introduction

The hog industry has been undergoing major structural and organizational changes. Trends that began in the early 1990s are continuing and raise both short and long term questions regarding competitive issues and structure in the hog industry. GIPSA examined the hog industry in two projects conducted for its study of concentration in the red meat packing industry which was released in February 1996.[1] GIPSA extended its examination of the hog industry with an investigation of slaughter hog procurement in the Western Cornbelt, the main findings of which are reported herein.

Hogs were once largely procured through auction markets and at buying stations on a live weight basis. The GIPSA packer concentration study notes that in 1993, nearly 87 percent of hogs purchased by large packers were bought on a spot basis. Those same packers, however, noted that they expected their reliance on spot markets to decrease in the next five years. They noted the rise of marketing agreements and production contracts as the reason. More recently, and with increasing frequency, packers and producers have been using marketing agreements and forward contracts.

The rapid changes in structure and organization prompted producer groups and others to express concern about the nature of competition in the hog industry. One of the primary concerns was whether publicly reported prices accurately reflect sales occurring in the market. This could result in producers, both small and large, not having sufficient or accurate information to make informed judgments regarding price offers from packers. As a result of producers' and its own concerns, GIPSA launched its investigation of hog procurement in the Western Cornbelt in 1996.

The objectives of the investigation were to analyze various procurement and pricing arrangements for hogs, to interview hog producers and industry representatives about their concerns, to examine the relationship between transaction prices and prices reported by USDA

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[1]Concentration in the Red Meat Packing Industry. USDA, Grain Inspection, Packers and Stockyards Administration (GIPSA), February, 1996.

Market News and to examine the effects of seller characteristics on prices received for hogs (Slide 1).

Discussions with producers and representatives of industry groups resulted in a number of common concerns, fears and myths regarding the hog industry (Slide 2). Many of these issues were addressed in the course of the investigation.

The investigation included four firms and 12 plants in a geographic region spanning Iowa, southern Minnesota, eastern Nebraska and the south-eastern corner of South Dakota (Slide 3).

From each of the packing plants, information was collected related to purchases made during the investigation period of January 1996. For each purchase transaction of at least 11 head of market hogs, information was collected on kill date and purchase date, base live price, base carcass price, hot yield, percent lean, Fat Free Lean Index[2], live weight, carcass weight, lean premiums paid, sort discounts, seller names and addresses, as well as information on buying station versus plant delivery. Different packers record and maintain different information, sometimes based on the type of purchase. As an example, one packer does not record backfat measurements on spot live purchases. Another example of incomplete information is the inconsistency of record keeping regarding date of purchase. Only 2 of the 4 packers in the investigation maintained this information. Only 1 packer provided information electronically.

Overview of Investigation Data

The investigation period was January 1996. During that month, the number of kill days at the investigated plants ranged from 22 to 26 (Slide 4). Information was collected on nearly 63,000 transactions involving more than 22,000 sellers and close to 2.9 million hogs that were sold in lots of 11 or more. The average number of head per transaction was 46 and the average number of head per seller was 128 for the month. For the overall sample, an average hot carcass yield of 74.3 percent was calculated, with a live weight of 252.4 pounds and an average carcass weight of 187.6 pounds. Net prices were also calculated for the overall sample, with an average

[2]The Fat Free Lean Index (FFLI) is a measure of quality designed by the National Pork Producers Council. Unlike percent lean, FFLI was one of the measures that carried across all packers and plants.

net live price of $44.61 and an average net carcass price of $60.01. The measures of hog quality examined during the investigation were hot carcass yield, backfat, percent lean and Fat Free Lean Index (FFLI). Distributions of FFLI percentages (Slide 5) and hot yield percentages (Slide 6) showed an average FFLI for the investigation sample of 47.8 and an average hot yield of 74.3 percent. FFLI is used as representative of hog quality for presentation purposes in subsequent comparisons.

The 12 plants selected for this investigation slaughtered 34,520,561 hogs, or 37.4 percent of all hogs slaughtered during 1996. The other plants in the region that were not part of the investigation slaughtered an additional 6,902,129 hogs, or 7.5 percent of the 1996 slaughter, and other plants in the U.S. slaughtered 50,971,757 hogs or 55.2 percent of the 1996 slaughter.[3] The total U.S. slaughter for 1996 was 92,394,447 hogs.

Findings

A number of issues and areas were examined during the course of the investigation. One issue raised during discussions with producers and industry representatives was the perception of a lack of buyers for hogs. To address this issue, county-by-county buying patterns for the investigated plants were examined (Slide 7). Within the core area of the examined region, most counties had purchases by 3 or 4 of the investigated firms. In the outlying regions for the investigation, only 1 or 2 of the investigated packers purchased hogs. The analysis is consistent with spatial competition for hogs at the county level. A caveat regarding the outlying region for the investigation is that the analysis tells only a partial story, because there are additional plants not included in the investigation that also procure hogs in the region.

Delivery decisions are another area where change is occurring in the hog industry. The information gathered showed 519 buying stations operated by the investigated plants at the time of the investigation. One packer had 380 stations supplying their plants (6 plants), while the remaining 3 had between 35 and 55 buying stations each supplying hogs to their plants (2 plants each).

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[3]Numbers may not sum to 100 due to rounding.

Seller proximity to plants impacts localized competition for hogs. For the overall sample, two-thirds of the transactions were from sellers located within 100 miles of the plant, 23.1 percent were from sellers located between 101-200 miles from the plant, 6.7 percent were from sellers located between 201-349 miles from the plant, 2.8 percent were from sellers located between 350-499 miles from the plant and 0.8 percent were from sellers located 500 miles or more from the plant (Slide 8).

Pricing and procurement methods were also examined. There were four possible methods of procurement: spot purchases, marketing agreements, defined term marketing agreements and forward contracts. Spot purchases are individually negotiated transactions with no prior contractual arrangement between the producer and packer. Marketing agreements are oral or written arrangements between a producer and a packer for a quantity of hogs on a schedule over time. These arrangements generally can be discontinued, with advance notice (typically 30 days) by either party. Defined term marketing agreements are written arrangements, specifying the length of the agreement, as well as other terms. These other terms vary among agreements. Some will specify quality benchmarks, while others will specify volume commitments. Method of payment typically is included in the agreement. Some agreements base payment on input prices, paying a specified premium over a base which is calculated on a moving average of corn and soybean prices. Other contracts are paid based on a published live or carcass price as a base, plus premiums and discounts based on hog quality. Forward contracts are used to purchase hogs at some point in the future. These contracts are one-time arrangements. Payment terms are specified in the contract.

For the four types of arrangements described above, hogs were priced either on a live or grade & yield basis. The result was six categories into which the investigation records were grouped (Slide 9). Both forward contract and defined term marketing agreement hogs were only priced on a grade & yield basis in the investigation sample. About 79 percent of the purchases in the sample were spot purchases, equally divided between live and grade & yield pricing methods (Slide 10). Over 20 percent of the hogs were purchased through various marketing agreements and 0.5 percent purchased through forward contracts. The percentages of each type of agreement varied between packers and between plants of the same packer. Because of the small percentage

of forward contract purchases found during the investigation period, the remaining discussion excludes this method of procurement from the analysis. GIPSA is aware that marketing agreements and forward contracts have grown in importance since the investigation period.

A comparison of hot yields by price and procurement method shows that defined term marketing agreement hogs had the highest average hot carcass yield, while spot live hogs had the lowest average hot carcass yield (Slide 11). Of additional interest is the variation of yields by procurement method. Spot live purchases exhibited the widest range of yields, while the smallest range of yields was found in the forward contract grade & yield purchases, followed by the marketing agreement grade & yield purchases.

To examine the relationships between hog characteristics and prices, spot live purchases in the sample were compared with spot grade & yield purchases. As measured by FFLI, spot live hogs exhibited a lower distribution compared to the spot grade & yield hogs (Slide 12). The peak of the distribution for spot live purchases was at an FFLI of 47-48, while the peak of the distribution for spot grade & yield purchases was at 48-49. A comparison of price distributions showed spot grade & yield hogs received higher prices than spot live hogs (Slide 13). The higher price distribution for spot grade & yield purchases is consistent with the higher distribution of FFLI values compared to spot live purchases.

A similar comparison was performed across all grade & yield purchases. This comparison revealed that spot grade & yield purchases showed lower FFLI numbers than did the corresponding marketing agreement grade & yield or defined term marketing agreement grade & yield purchases (Slide 14). Likewise, these differences in hog characteristics were reflected in the price distributions for the spot, marketing agreement and defined term marketing agreement grade & yield purchases (Slide 15).

The next area of examination was seller size. During the investigation period, 72.4 percent of sellers sold between 11-99 hogs to the investigation firms, 20.5 percent sold between 100-249 hogs, 4.7 percent sold between 250-499 hogs, 1.5 percent sold between 500-999 hogs, and 0.9 percent sold 1,000 or more hogs (Slide 16). Sellers of 11-99 hogs sold 24.9 percent of the total hogs analyzed, sellers who sold 100-249 hogs contributed 24.1 percent of the hogs, those who sold between 250-499 hogs contributed 12.4 percent to the total, sellers of 500-999

hogs accounted for 8.2 percent of the total, and sellers of over 1000 head contributed 30.4 percent of the total (Slide 17).

There were substantial differences in the utilization of different pricing and procurement methods according to seller size (Slide 18). The smallest size category showed the highest proportion of spot transactions, with the majority of these priced on a live weight basis. Marketing agreement transactions were most utilized by the largest sellers.

Quality measures and prices were examined by seller size. The group of sellers who sold less than 100 hogs during the investigation period had the lowest average numbers for FFLI (Slide 19) and for hot carcass yield (Slide 20). Average FFLI values and hot carcass yields increased as seller size increased, until the group representing sellers of more than 1,000 head was reached. For the largest sellers, there was a slight drop in hot carcass yield. A comparison of prices by seller size showed a pattern similar to the distributions of hog characteristics. Average base prices and premiums increased with increasing seller size, but dropped down for the largest category of more than 1,000 head (Slide 21). The slide shows that larger sellers are receiving higher premiums over the base price for hog characteristics, increasing the gap in price received over smaller sellers. When net prices are considered, the gap between the 11 to 99 group and the 500 to 999 group increases from approximately $1.50 to more than $2.00. The price drop in the largest seller category was further analyzed and the data revealed that there were large lots of consolidated hogs in this size category. These consolidated hogs were generally sold on a spot basis and exhibited poorer characteristics and lower prices compared to hogs sold under other procurement methods in this group, lowering the average.

An important issue in the investigation was to examine prices obtained from packers during the investigation relative to prices reported by AMS Market News. The investigation revealed that none of the investigated packers use or report USDA grades for hogs. At the time of the investigation, USDA grades were used for categorization on AMS price reports. Imputed grades for the hogs included in the investigation showed that nearly 90 percent would grade U.S. 1-2, and nearly 96 percent would grade US 1-3.

At the time of the investigation, AMS reported a base hog of 47-49 percent lean. For the investigation, the percent lean measure was available for only two of the investigated packers.

The distribution of the percent lean for these two packers showed that the hogs purchased by these companies were leaner than the base hogs reported by AMS (Slide 22).

In accordance with plans announced by the Secretary of Agriculture in March 1998, GIPSA compared investigation prices to AMS reported prices to determine if reported prices accurately reflected transaction prices. The Iowa-Southern Minnesota Direct Hogs report (NW-LS230) shows prices for live purchases. The Western Cornbelt Lean Value Direct Hog Trade report (NW-LS232) shows carcass prices. These two reports were utilized in comparing voluntarily reported prices to the prices obtained for the investigation. The analysis centered on a comparison of reported prices and average base investigation prices for live and for grade & yield hogs. A limitation of the analysis is that purchase dates were not available for all packers, so that kill dates were used as the basis for comparison. The results show that in some cases, the average price in the investigation sample was higher than the AMS reported daily high. This was true for both live purchases and carcass purchases (Slides 23 and 24). While the use of kill dates rather than purchase dates for comparison limits conclusions that can be drawn, the analysis shows that the reported prices did not reflect actual transaction prices paid.

A statistical analysis of prices at the plant/firm levels was conducted with the cooperation of personnel from USDA's Economic Research Service and National Agricultural Statistics Service (Slide 25). This analysis examined both base and net carcass prices and used linear regression to identify relationships between different marketing arrangements and prices. For purposes of the analysis, all prices compared were on a carcass-equivalent basis. Base prices were assumed to be 'quality constant.' Results generally showed higher prices for marketing agreements and grade & yield pricing versus spot live purchases (Slide 26). Differences among net prices, which account for hog quality as reflected by premiums and discounts, were larger than differences among 'quality constant' base prices. The differences found in prices paid among various types of marketing arrangements indicate the need for continued monitoring and investigation regarding existing and emerging procurement and pricing arrangements to ensure open, competitive slaughter hog markets.

Conclusions

While analysis is ongoing regarding pricing relationships in the hog industry, this investigation can serve as a benchmark to measure changes in the industry. Subsequent investigations will extend the analysis for a longer time period and/or additional geographic areas to fully assess the changing nature of procurement and competition in the hog industry. Areas of concern revealed by the investigation include differences in hog characteristics and prices by pricing and procurement methods and seller size, and if price reports reflect transacted prices. Specifically, these findings are:

- Spot procurement, live weight pricing and smaller sellers tended to exhibit lower hog quality characteristics,
- Spot procurement, live weight pricing and smaller sellers tended to receive lower prices,
- Smaller sellers primarily sold on a spot market, live weight basis,
- Larger sellers generally used marketing agreements with carcass merit pricing, and
- Price comparisons indicated that publicly reported live prices did not accurately reflect net prices paid.

The newly established GIPSA field office in Des Moines, Iowa will be pursuing areas of concern raised by this investigation, as well as continued responsibility for the nationwide monitoring of competitive issues of major importance in the pork industry. The data released for this investigation is aggregated to protect the confidentiality of individuals and firms. The investigation and analysis was conducted on disaggregated data and was more detailed than shown in this summary.

Western Cornbelt Hog Procurement Investigation

Objectives

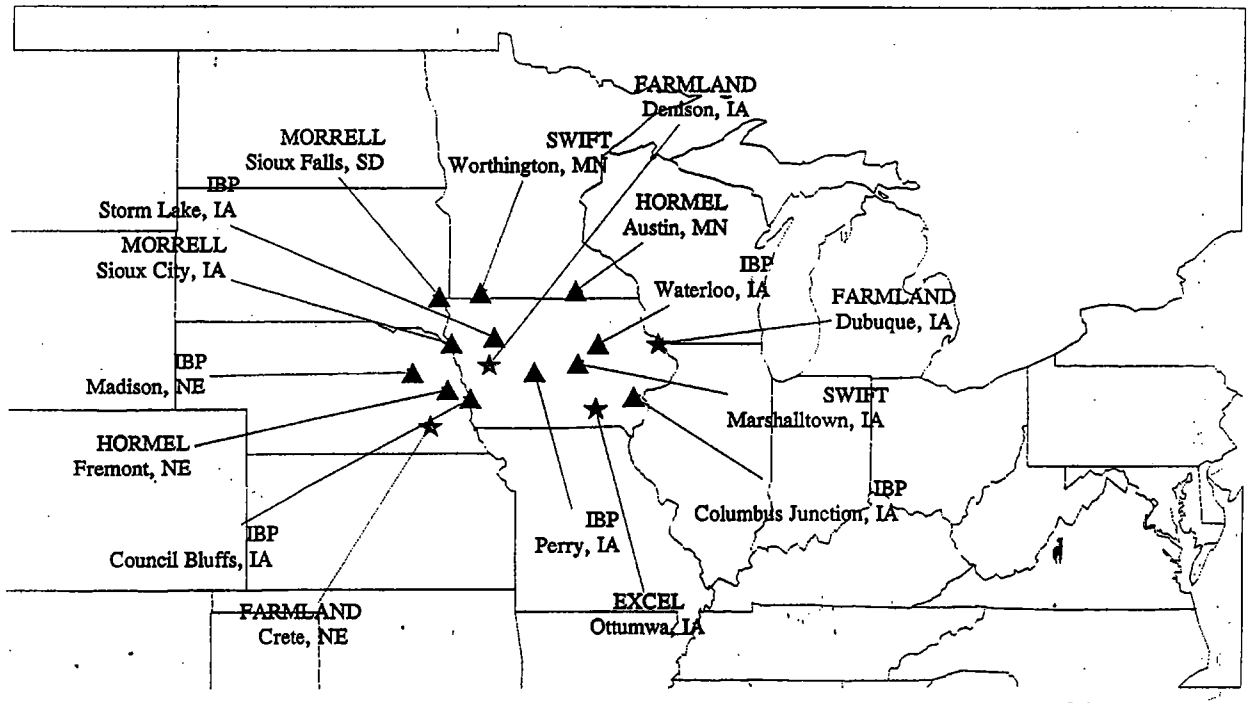
- Identify common concerns, fears, myths of hog producers/industry representatives through interviews
- Examine the procurement areas, procurement methods, and pricing methods in the Western Cornbelt
- Examine lot, seller and delivery information
- Determine the effects of seller characteristics on prices received for hogs
- Determine how prices reported by USDA Market News reflect prices paid for hogs through an analysis of purchase prices

Western Cornbelt Hog Procurement Investigation

Common Concerns, Fears & Myths

- Everyone else has a long-term, high-price contract for their hogs
- Less competition among packers as many producers ally themselves with one packer over a long period of time
- Number of packers and their geographic location means that there is only one buyer in some areas
- Changing procurement methods, including the decline of buying stations
- Reporting of base prices rather than net prices provides inaccurate and potentially misleading information to spot market producers
- Decline in spot purchases by packers is resulting in "thin" market

Western Cornbelt Hog Procurement Investigation



Triangles indicate investigation plants. Stars indicate other plants in the region that were not part of the investigation.

Western Cornbelt Hog Procurement Investigation

- Investigation period: January 1996
- Range of 22 to 26 kill days
- Sellers of 11 or more total head examined

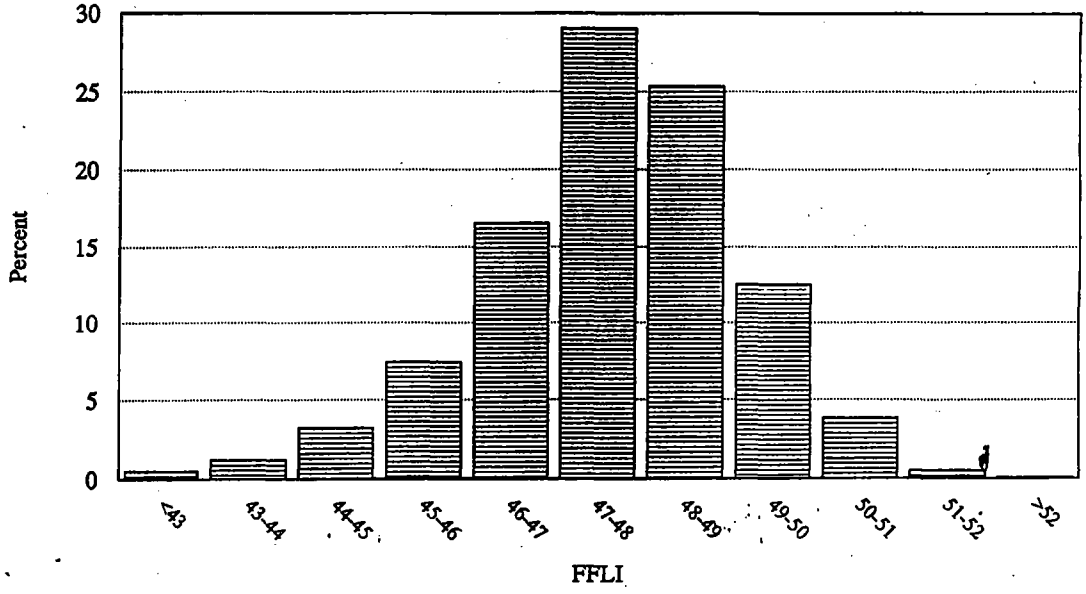
- Number of transactions: 62,924
- Average # of head per transaction: 46

- 22,718 sellers
- 2,899,016 head
- Average # of head per seller: 128

- Investigated firms slaughtered more than 1/3 of commercial slaughter in 1996

Western Cornbelt Hog Procurement Investigation

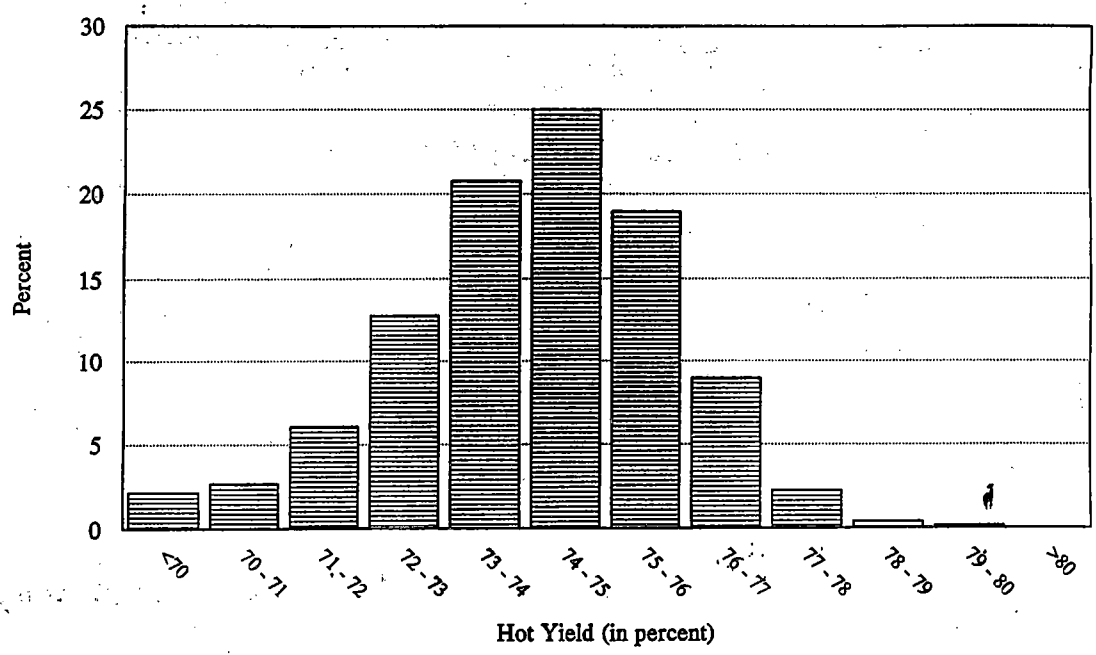
Distribution of FFLI percentages - All pricing/procurement methods



FFLI is a measure of quality designed by the National Pork Producers Council

Western Cornbelt Hog Procurement Investigation

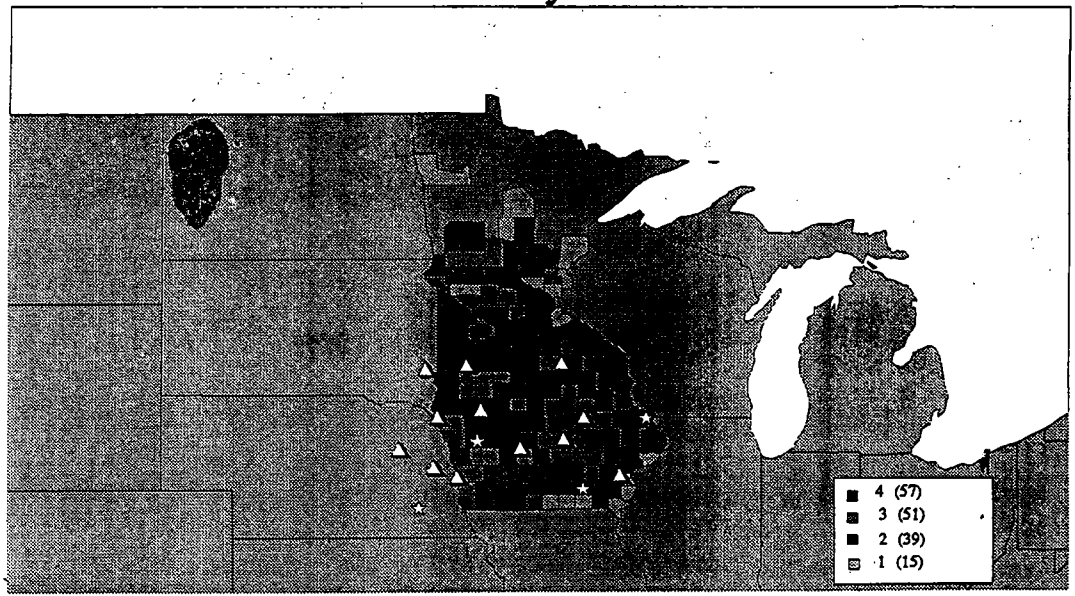
Distribution of Hot Yield - All Pricing/Procurement Methods



Average hot yield for investigation sample is 74.3.

Western Cornbelt Hog Procurement Investigation

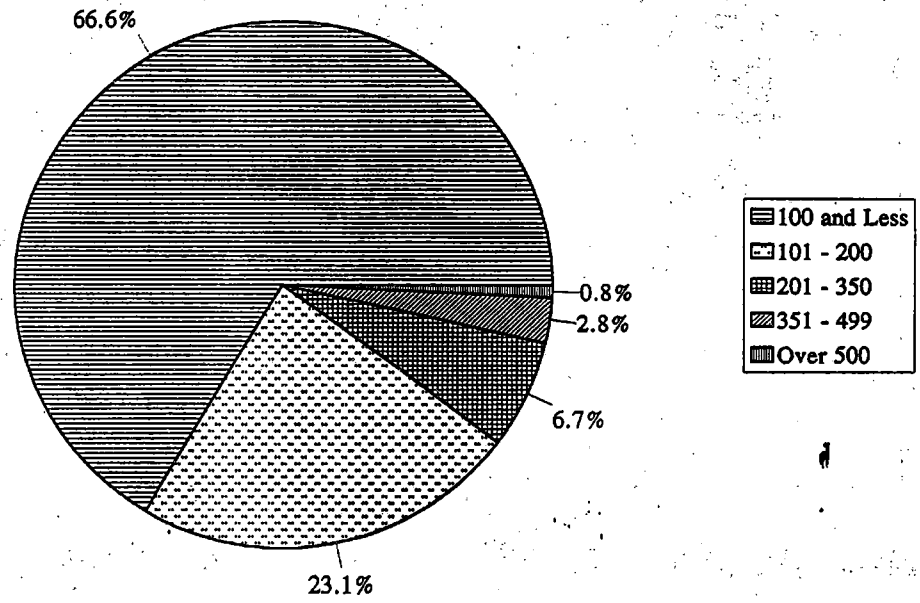
Number of Investigation Firms Buying in Iowa and Minnesota - January 1996



Triangles indicate investigation plants. Stars indicate other plants in the region that were not part of the investigation.

Western Cornbelt Hog Procurement Investigation

Seller Location, Miles from Plants



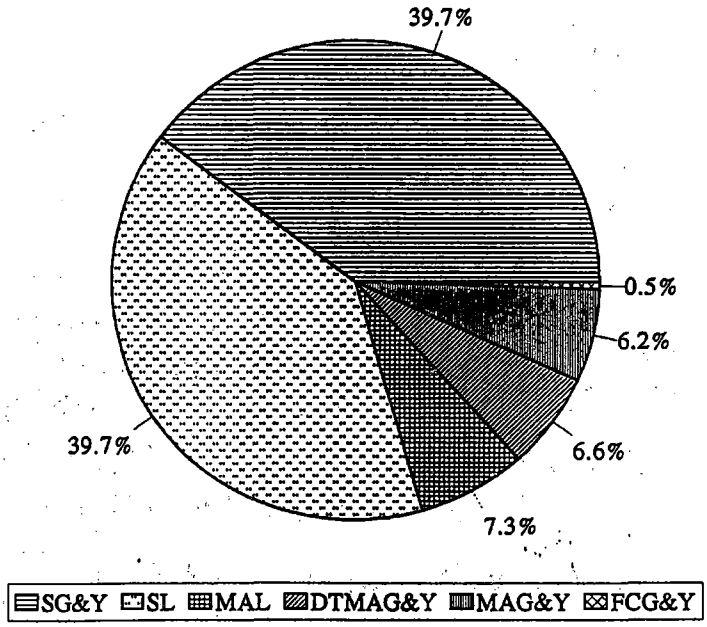
Western Cornbelt Hog Procurement Investigation

Procurement/Pricing Methods

- Forward Contract Grade & Yield (FCG&Y)
- Defined Term Marketing Agreement Grade & Yield (DTMAG&Y)
- Marketing Agreement Grade & Yield (MAG&Y)
- Marketing Agreement Live (MAL)
- Spot Grade & Yield (SG&Y)
- Spot Live (SL)

Western Cornbelt Hog Procurement Investigation

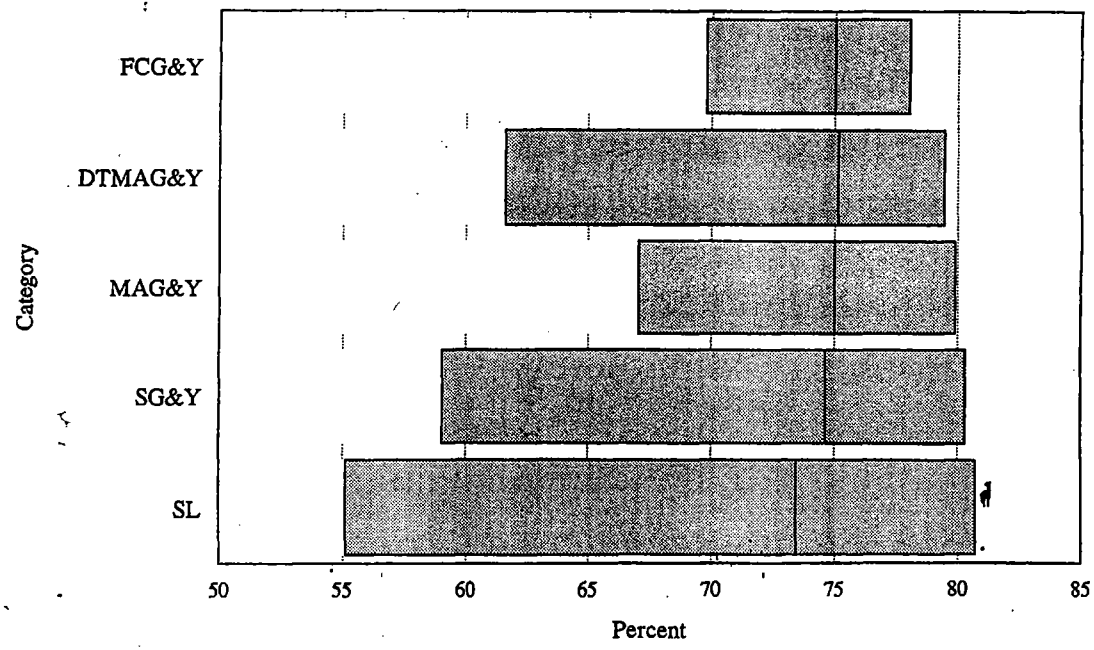
Number of Hogs by Procurement and Pricing Method



492

Western Cornbelt Hog Procurement Investigation

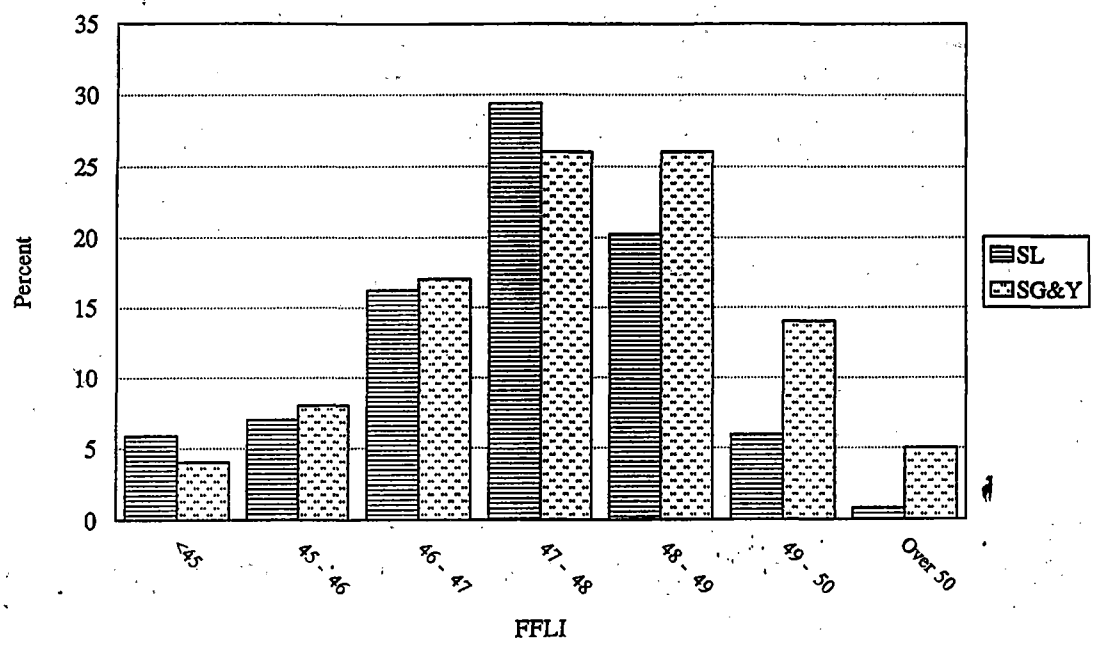
Comparison of Hot Yield by Price and Procurement Method



493

Western Cornbelt Hog Procurement Investigation

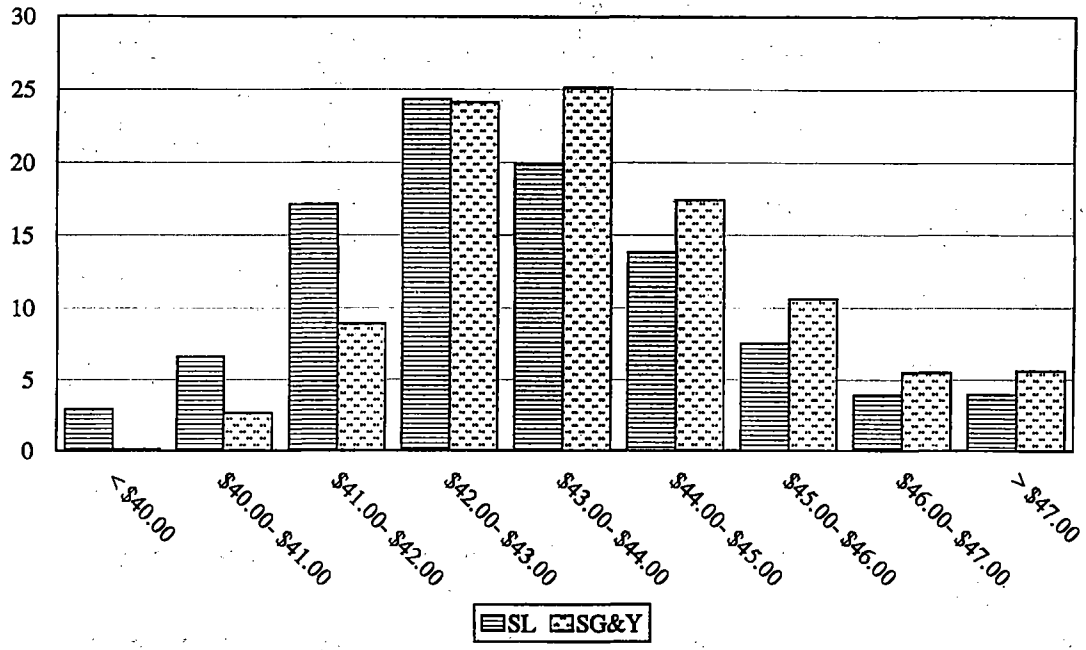
Comparison of Spot Purchases - FFLI



FFLI is a measure of quality designed by the National Pork Producers Council.

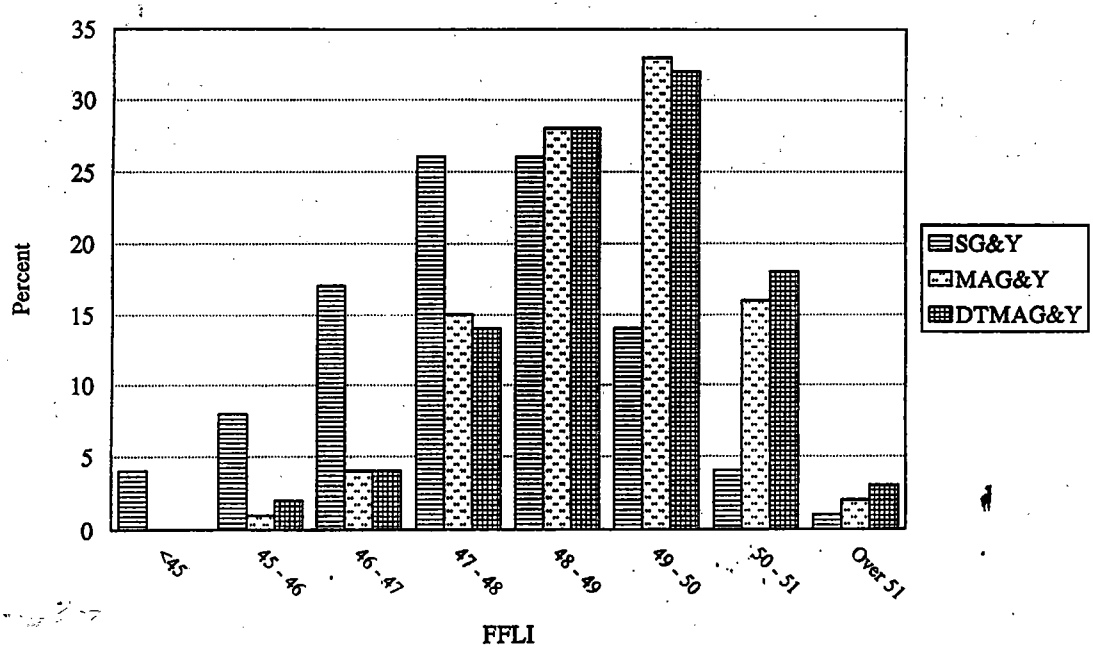
Western Cornbelt Hog Procurement Investigation

Comparison of Spot Purchases - Price Distribution



Western Cornbelt Hog Procurement Investigation

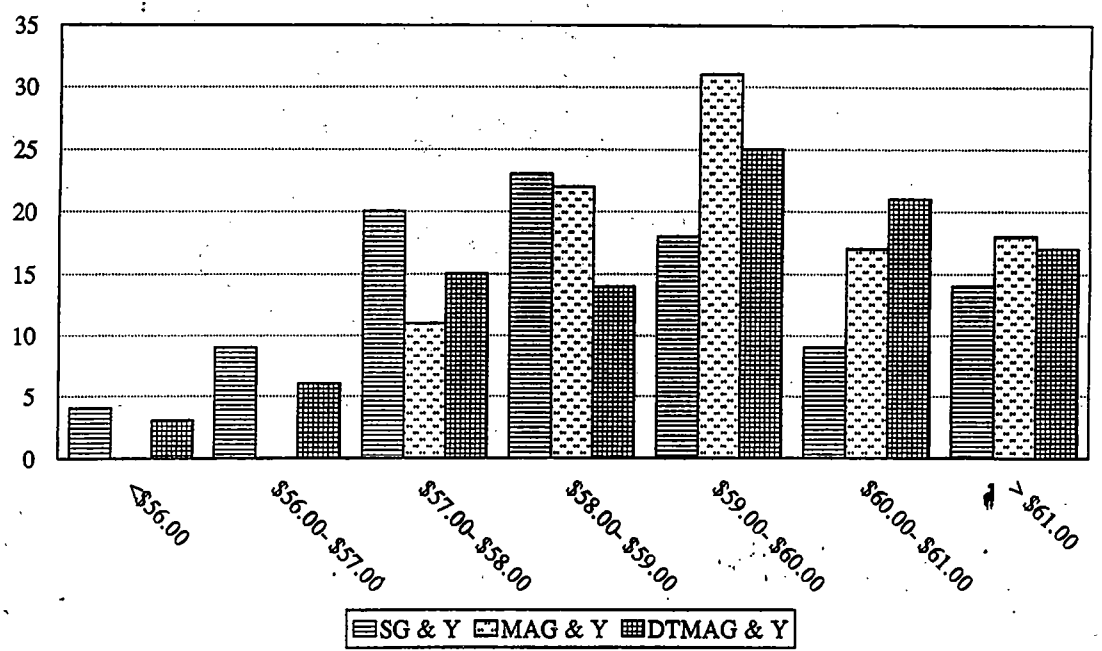
Comparison of Grade & Yield Purchases - FFLI



FFLI is a measure of quality designed by the National Pork Producers Council.

Western Cornbelt Hog Procurement Investigation

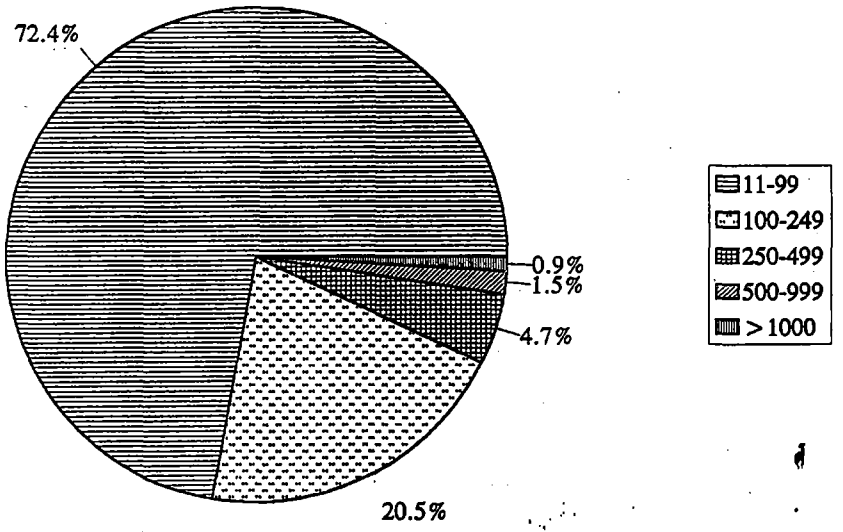
Comparison of Grade & Yield Purchases - Price Distribution



497

Western Cornbelt Hog Procurement Investigation

Number of Sellers, by Number of Hogs Delivered

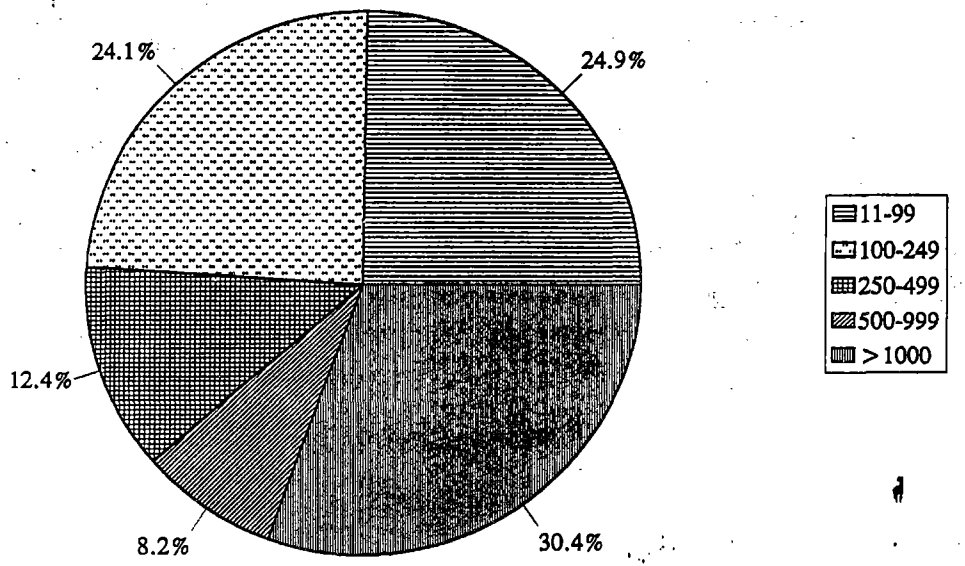


sellers - 22,718

498

Western Cornbelt Hog Procurement Investigation

Summary of Number of Hogs Delivered, by Seller Size

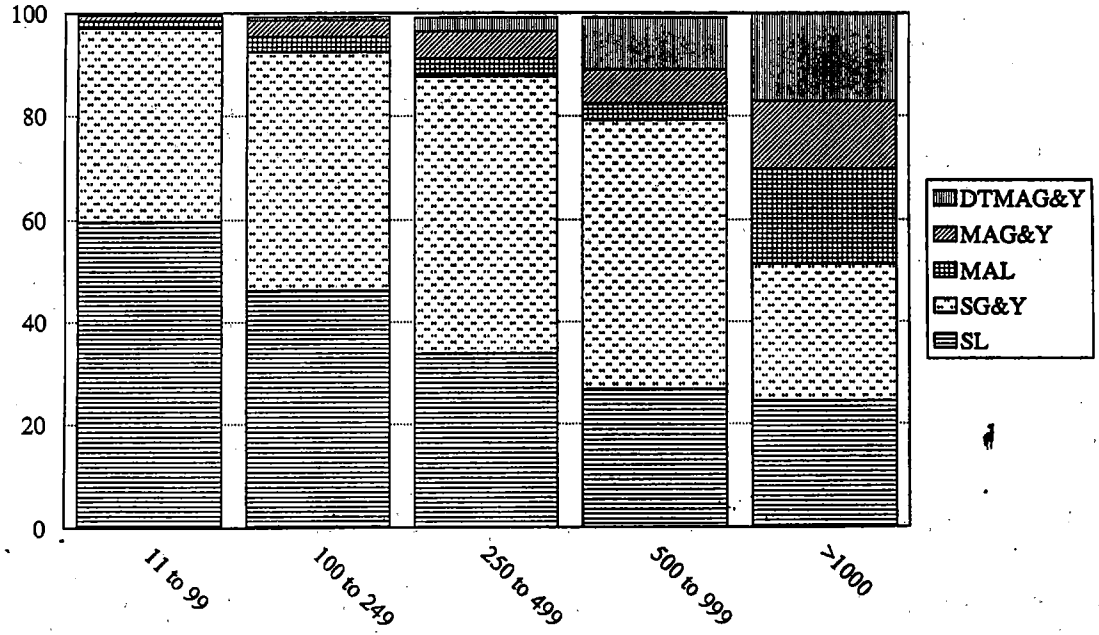


hogs - 2,899,016

499

Western Cornbelt Hog Procurement Investigation

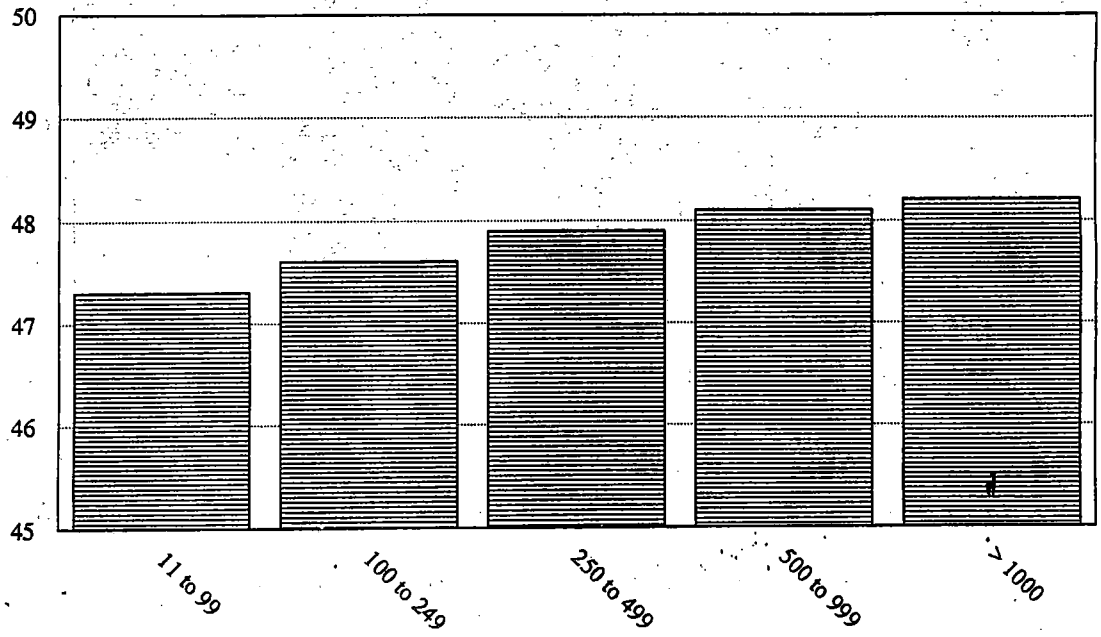
Percentage of Hogs Sold Under Various Price/Procurement Method by Seller Size



500

Western Cornbelt Hog Procurement Investigation

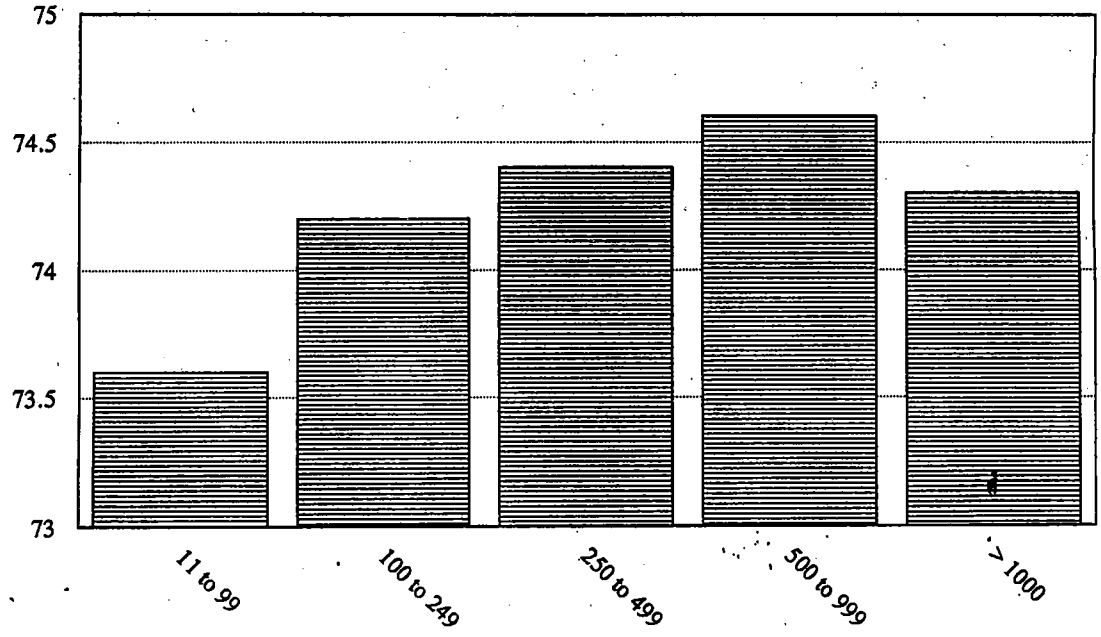
FFLI by Seller Size



501

Western Cornbelt Hog Procurement Investigation

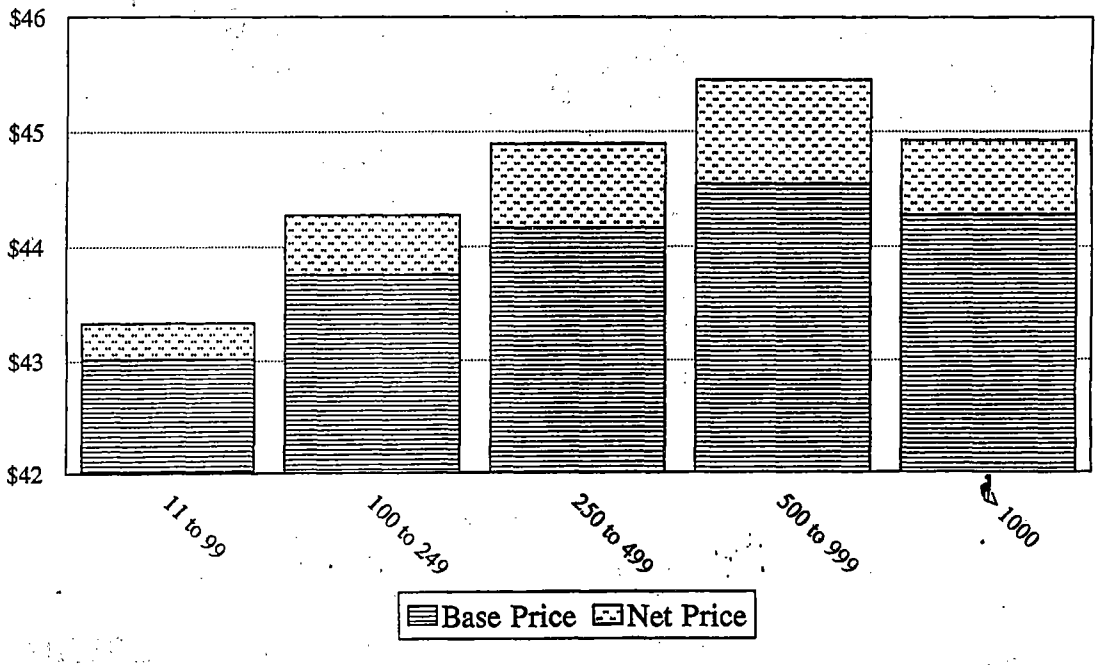
Yield Percent by Seller Size



502

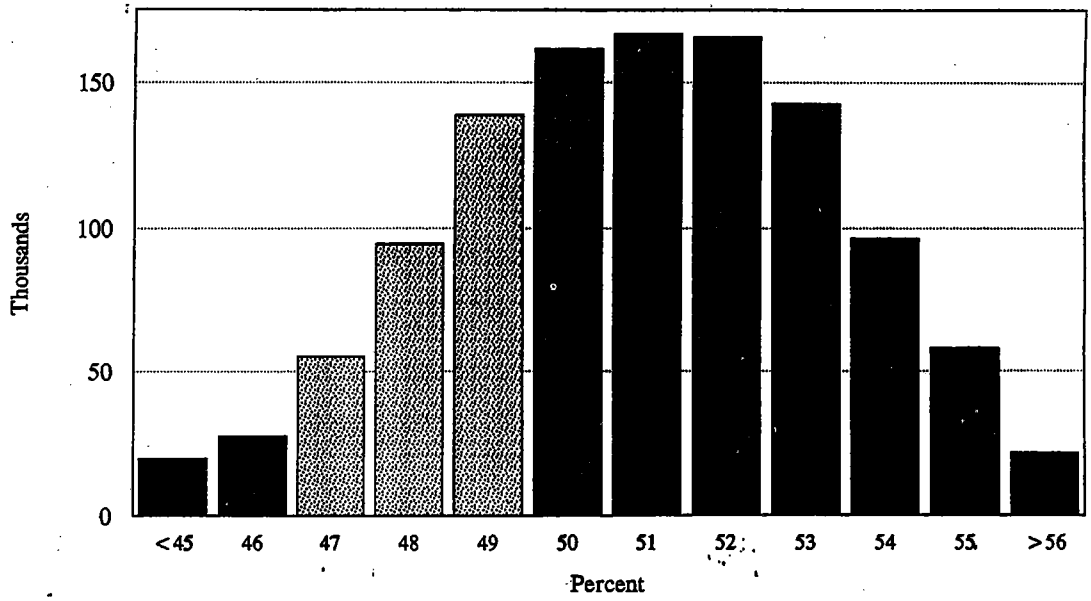
Western Cornbelt Hog Procurement Investigation

Comparison of Prices by Seller Size



Western Cornbelt Hog Procurement Investigation

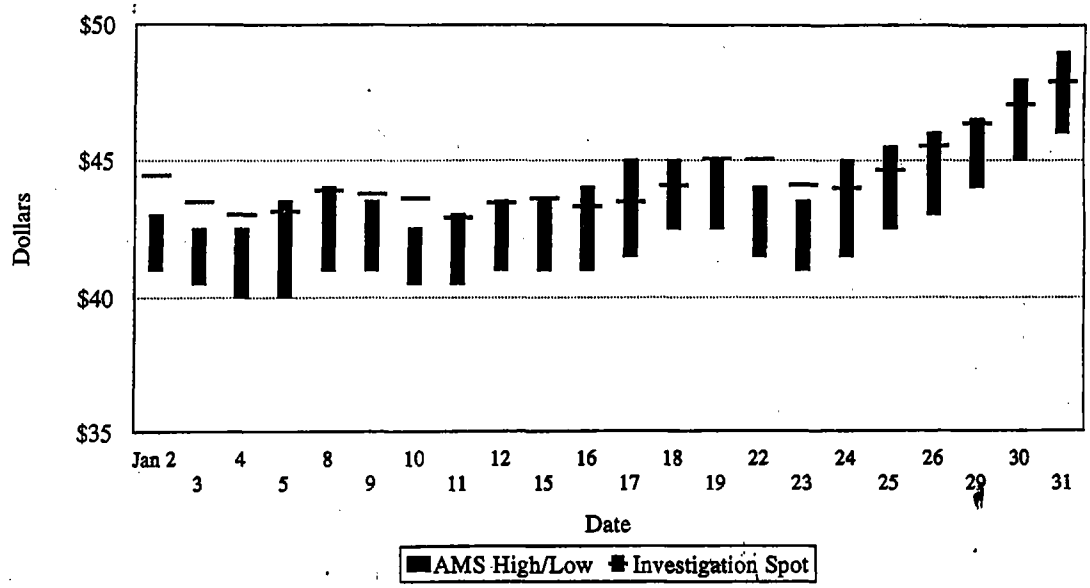
Distribution of Percent Lean* - All purchases



*Indicates purchases for two packers only; remaining two packers do not record percent lean on kill sheets.
Patterned area indicates benchmark percent lean used by AMS in price reporting.

Western Cornbelt Hog Procurement Investigation

Daily Live Hog Prices - January 1996

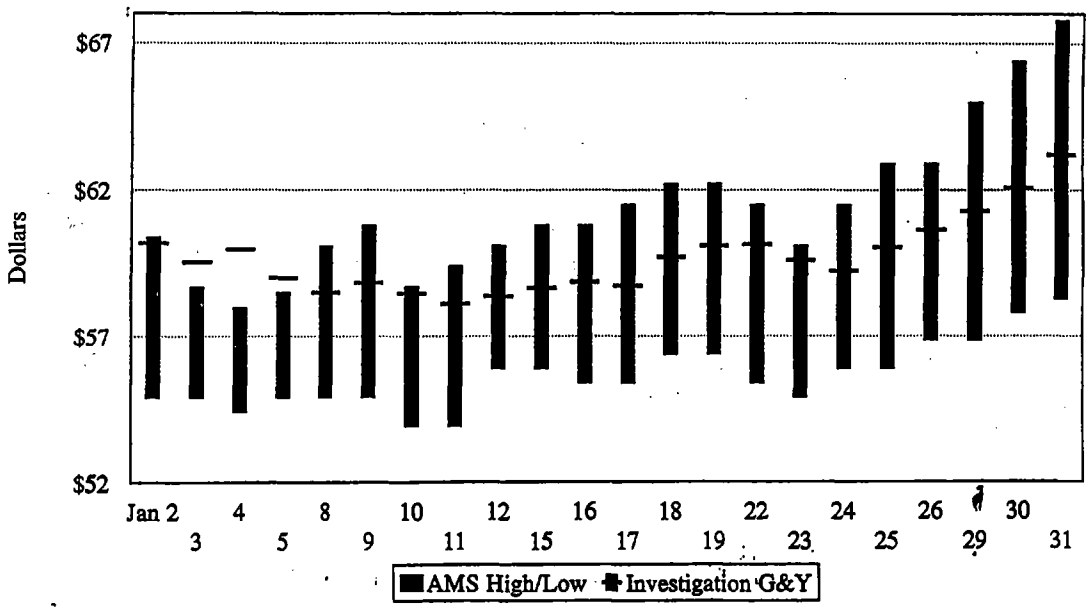


AMS High/Low is minimum and maximum for Iowa-So.Minnesota grade 1-3, 230 - 250 lbs. Investigation Spot is the average base live price for day. Daily Average is based on kill dates, since purchase dates were not available for all packers.

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Western Cornbelt Hog Procurement Investigation

Daily Carcass Hog Prices - January 1996



AMS High/Low is minimum and maximum for Western Cornbelt 47-48% lean, 170-191 lbs. Investigation G&Y is the average base carcass price for day. Daily Average is based on kill dates, since purchase dates were not available for all packers.

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Western Cornbelt Hog Procurement Investigation

Statistical Analysis

- Conducted with cooperation of ERS and NASS
- Examines differences in base carcass prices, net carcass prices at firm/plant level
- Explanatory factors are procurement/pricing methods, kill dates and number of head per lot
- Results generally show higher carcass prices for marketing agreement procurement and grade and yield pricing
- Results for base carcass prices generally show smaller differences among procurement/pricing methods versus net carcass price differences

Western Cornbelt Hog Procurement Investigation

Summary of Statistical Analysis

Average Price Difference vs. Spot Live*

Pricing/Procurement Method	Not Corrected for Quality - Net Prices	Corrected for Quality - Base Prices
	(Range)	(Range)
SG&Y	$0.00 - $2.45	[$0.17] - $1.07
MAG&Y	$2.15 - $4.44	$0.16 - $1.63
DTMAG&Y	[$0.17] - $2.48	$0.02 - $0.20

*Accounts for kill dates and number of head in lot

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Ms. KAPTUR. Thank you very much.
Thanks, Mr. Chairman.
Mr. SKEEN. Mr. Bonilla.

AUSTRALIAN CATTLE

Mr. BONILLA. Thank you, Chairman.

Dr. Reed, I would like to start with you, if I could. We have had a concern since last fall, when there was an effort to move some Australian cattle through Mexico, and, as a result of that, we put some language in the conference report asking you to establish some protocols on verification procedures, to establish permanent country-of-origin marking requirements for each county or region requesting to export livestock to the U.S. We have not seen those protocols yet, and I am wondering when those might be available. We are getting a lot of calls from ranchers back home.

Dr. REED. We are working on those protocols with Mexico, and we expect to have a North American protocol, with Canada, the U.S., and Mexico all having the identical standard.

Right now, there are some protocol differences between the U.S. and Mexico when cattle originate in North America, but this does not fully address situations like the cattle coming in from Australia. We did not anticipate that Mexico or other countries would broker cattle coming through to the U.S. There are some additional controls that need to be worked out so that all three of the North American countries are the same.

Mr. BONILLA. There is no attempt to move any more cattle from Australia? You have not heard anything about that, have you?

Dr. REED. No. We would receive a request for an export permit from Mexico. And we would know it is a third party. But we have not received such a request.

WILDLIFE SERVICES

Mr. BONILLA. I want to move now, Dr. Reed, to the animal damage control program. I have a lot of sheep and goat ranchers, as you probably know, in my congressional district. The pilot gunner positions were lost, which shut down the fixed-wing operations in that part of the State, and specifically right around the area of Fort Stockton, Texas.

My understanding is that you still have the aircraft available, but are just short of the manpower to fly the plane. Is that true? And is there any way that we can work with you to get this up and running again?

Dr. REED. Let me ask my expert, Bob Acort.

I have just been informed that that should not be a problem. We will see what is transpiring there and try to get those folks back in the air.

TICK RIDERS

Mr. BONILLA. I appreciate that very much.

I want to move now to another issue that may be somewhat unique to my area, and that is the tick riders that watch for the fever ticks to prevent them from coming across the Mexican border. They are almost out of the old days. They ride for days out in the

brush country in some dangerous conditions with very limited resources. One of my staff from district office, my district director, has actually spent some time riding out with them to see what they face. I think they, quite frankly, are overlooked sometimes. They are at the end of the country logistically, and they are doing something that really does not have a lot of interest beyond the area along the Mexican border.

I am wondering if you are aware that this program is inadequately funded and these guys are really struggling out there to make sure that we are not infected with some disease coming across the border. It is very important, especially, I would hope, in light of the administration's concern about spreading disease coming from other parts of the world.

Dr. REED. Congressman, we know that those tick riders are truly the last of a breed. We have maintained their funding in the fiscal year 2000 budget request. We know that it is the only way we can maintain surveillance in that area. Nobody has figured out a better way of performing this valuable inspection work. We plan to maintain current funding levels for this activity.

Mr. BONILLA. But more specifically, not only do we want to maintain them, but the people out there are struggling just to keep their nose above water because of the lack of resources. I also may want to discuss their pay grades, separately at a later date. My understanding is that they have been operating at a pay level lower than a lot of their counterparts who are doing similar work in other Federal agencies policing borders.

This is more my concern. I wonder if you are aware that they have been, frankly, only maintained and really not given what they need to do their job well.

Dr. REED. I was not aware of the inspectors' pay and grade inequity issues. I will review the situation and set up a meeting to discuss it with you.

Mr. BONILLA. I would really like to do that.

Mr. DUNN. Usually, when we do this, we call it a desk audit, but I guess in this case it would be a saddle audit——

Mr. BONILLA. That is right.

Mr. DUNN. I would like to take a moment to talk about the many fine men and women that we have in all of Marketing and Regulatory Programs. They are on the front line, putting themselves in extreme danger, as the tick riders do. I am sorry to report a couple of fire bombings of some of our Wildlife Services offices. This gives us a great deal of concern. We look favorably to working very closely with the committee to improve the well-being of those individuals that serve all of us so well.

Mr. BONILLA. My understanding is they need spray dip machines and treated corn to feed wildlife. There is probably not a real long list. It is not a big-budget item, but it is extremely important down there, and I am looking forward to working with you on this particular issue, Dr. Reed.

SCREWWORM

I am going to move now to a screwworm issue. As you noted in your testimony earlier, a screwworm larva was collected from a goat in Edwards County, which is also right in the heart of my dis-

trict. This gave many of my producers a real scare, and I want to commend you, first of all, for quickly responding and doing what you had to do to deal with the situation. I also agree that this does clearly demonstrate the need for constant vigilance because you never know when something is going to pop up.

What was the final assessment of this incident in Edwards County, and do you know how the goat contracted the screwworm, and have you continued surveillance in this region to see if there are any other problems out there?

Dr. REED. Let me start by answering your last question first. We are continuing surveillance efforts. It gave us a real scare to find a single screwworm anywhere in the United States. We have performed all of the epidemiologic tests to determine how this screwworm got to Edwards County. It was the only incident around. We inspected all of the surrounding farms and found no additional cases. We are exploring how the actual screwworm larva was submitted to the lab. There were some questions about an old screwworm bottle and things like that. So we are still looking into it, but the bottom line is we are maintaining surveillance of nearby premises and have not found any additional screwworm cases.

Mr. BONILLA. I appreciate that. We are going to be keeping an eye on that situation as well.

BOLL WEEVIL

My last question has to do with the boll weevil eradication program. The fiscal year 2000 budget proposes a $12 million cut to this program. It has been a very successful program. It is very important with new eradication zones entering the program every year the budget be maintained. The program stretches all across the South into Texas and New Mexico now.

The cost share provided by APHIS is about 4 percent of the total program. I understand that about $4 million of the current $16 million is USDA overhead. The growers have expressed a strong desire for USDA to continue to be involved in the program and, in turn, have shown their strong financial support.

Other parts of USDA's budget emphasizes a desire to reduce pesticide usage and develop pest management systems for crops that are more IPM-based. This is the goal of boll weevil eradication. It has been successful in accomplishing this goal in many States, such as Georgia and South Carolina.

Why would APHIS look to cut funding at this critical time just as the program is expanding and has proven to be a successful program?

Dr. REED. Let me answer you two ways. Boll weevil eradication is a successful program and APHIS funds are currently passed through to growers. Loans are available to people who grow cotton, but who also enjoy the benefit, when there are no weevils. The payback is $12 dollars for every dollar spent on the program.

We have, basically, a good system of providing technical assistance which has been proven throughout the Southeast and will be used through Louisiana, Texas, and into New Mexico. We see to it that programs that are currently involved in eradication efforts or that have voted to begin an eradication program—and they must have a positive vote to begin an eradication program—are going to

continue to be successful, and APHIS will continue to support them.

But the loan program—the obvious answer is not that APHIS is trying to get out of it. We pass most of the money through any way. We do have the right kind of knowledge to make active eradication programs successful. We will continue to provide technical assistance to make eradication possible.

Mr. BONILLA. This is another area I really want to work closely with you on. It seems like all of my questions fall under your jurisdiction, and have a direct impact on my constituents. So I look forward to working with you on some of these issues we have discussed here today.

Thank you for your time today, Dr. Reed, gentlemen.

Mr. SKEEN. Mr. Boyd.

Mr. BOYD. Thank you very much, Mr. Chairman. I am so excited, I do not know where to start here with these gentlemen. [Laughter.]

Let me start by saying to Mr. Dunn thank you for working with our folks on the citrus canker issue. The meeting that you held last week was very helpful in helping us understand what could be done and what needed to be done. I wanted to thank you for that.

And also to Dr. Figueroa I wanted to say I apologize for missing our meeting in the office today. You know how it works up here when they call a vote.

Ms. KAPTUR. Will the gentleman yield?

Mr. BOYD. Yes.

Ms. KAPTUR. I just thought, perhaps, for some of the members who may not represent citrus companies and some of the members of the audience, you could explain how serious that problem is.

Mr. BOYD. Thank you very much, Ms. Kaptur. I will in my questioning.

BOLL WEEVIL

But before I do that, I want to turn to Dr. Reed and follow-up on the question of my friend from Texas, Mr. Bonilla, as he walks out the door, to let you know that there is a member sitting on the other side of the chairman that has a keen and long interest in the boll weevil eradication program.

Probably most of my work with your shop over my professional career has been with APHIS because of my involvement when you expanded that program into Georgia, Florida and Southeast Alabama in the eighties. You remember we had some cotton in Florida, too. We had 25,000 acres back in 1985 when we started that program, and now we are running about 200,000 acres as a result of your program's success.

I just wanted to relate to you, and to the other members of this panel and to the members of this audience what that has meant to us.

Prior to the eradication of the boll weevil, when we had to fight that pest on a regular basis, I had constituent farmers that sprayed their cotton an average of 18 times a year. Now, I want you to think about this in terms of costs; that is, dollar cost and environmental cost—18 times a year. Currently, our average spraying in

the area that I represent probably is two times a year. So we have reduced it to almost 10 percent.

Two other things happened. One, is the increase in the yield that is inherent when you eliminate a pest. The other thing that is important to us is to think about is all of those organophosphates and other chemicals that we were using on our land and in the atmosphere, to fight that pest.

I want you to do, whatever you have to do, to make sure that we do not allow that kind of pest or that particular pest to return to attack our cotton crops. It is just imperative that we continue to fund this successful program.

I know you have got a 70/30 share program or used to have, at least when I was first involved with it. I do not know what it is now. It looks like it may be 3/97 share based on the budget proposal. But I have strong feelings about that small figure in the budget proposal and would like, Mr. Chairman, to make sure that we restore funding because that is a serious issue for us.

I want to ask you, Dr. Reed that what I hear you saying is that it's just an issue of reallocating dollars. We still have got containment and maintenance costs, and we are still expanding the program. We are still moving the program into new areas, but you are just going to ask the States and the growers to pick up more of the costs; is that what I hear you saying?

Dr. REED. That is basically it, and we still want to do surveillance and trapping to make sure that this is not a problem that comes back and the goal of eradication gets away from us.

Mr. BOYD. Well, I want you to know that I am with you in making sure that we have adequate dollars needed to control that pest.

BRUCELLOSIS

Secondly, on brucellosis, I notice there is a cutback on your brucellosis program. But I read the narrative that you had presented, and basically it appears that that is a cutback because we are winning that war. Is that a fair assessment?

Dr. REED. That is a fair assessment. We have got five herds left in the U.S. under quarantine, and we plan to have zero herds by the end of the summer, so that is a war we are winning. Again, just like boll weevil, we have to be vigilant and watch for reinfection to avoid a problem that hurts our farmers and keeps us from moving their livestock freely.

FOREIGN PESTS

Mr. BOYD. Now, I want to turn to—and maybe, Mr. Dunn, I will try to paraphrase from the comments that you made—because I want to turn to the issue of citrus canker and not only that pest, but others that come in through our ports because of our very, very aggressive trade policy that we have. Your words were, and I paraphrase, it is important, if we are going to be in a global market, and then you went on to explain about exotic pests, phytosanitary issues, all of those issues, and that we devote adequate resources in these areas, and we have not done that. I want the staff, if you will, to pass out a chart that I have for the record, Mr. Chairman, to you and to the members of the panel, and I want to read a few items from it.

These are pests that have impacted Florida agriculture just over the last four years: foreign pests, citrus canker, Medfly, thrips palmi—that affects bell peppers—brown citrus aphid, citrus leafminer, Oriental fruit fly, sweet potato white fly, pine-shoot beetle, leather leaf fern anthracnose, equine piroplasmosis—excuse me. I am not good on these scientific names here—hard water disease, and tropical soda apple.

The State of Florida, in the last four years has spent about $32 million fighting to control these pests. The University of Florida has spent about $15 million on research to combat these pests. We estimate the industry costs for control to be about $100 million, and we estimate the impact on sales to be in the neighborhood of about two-thirds of a billion dollars.

The highlight of that is the citrus canker issue, no doubt about it, because those are where the big dollars are. That is where the industry has been significantly harmed. We got a problem in Florida that started within 100 yards of the Miami Airport, came in on a plant from overseas, through Customs, got right by your people, (APHIS inspectors) and now we have a serious problem that threatens our entire citrus industry.

AGRICULTURAL QUARANTINE INSPECTION

I have two questions relative to that. One is, on page 3, Dr. Reed, in your testimony, the 1998 APHIS officers inspected an all-time high of 76 million international air, maritime, and land border passengers. Now what percentage of the total passengers that came into this country is 76 million?

Dr. REED. These are just from the international flights.

Mr. BOYD. Right.

Mr. DUNN. That would be 100 percent.

Mr. BOYD. That is 100 percent.

Mr. DUNN. Yes, 76 million.

Mr. BOYD. The other question then is to educate me how does this work. Does Customs receive the passenger first, and then if there is a problem, refer the passenger to your inspectors or how does that work and how can we improve it to make sure we are not introducing these pests on a daily basis?

Dr. REED. Actually, passengers go through Customs first, and then Customs refers them to APHIS based on the declaration card that is completed upon arrival into this country.

We are working with Customs to make the clearing process better because we know that people remark to us that they were on a farm or that they have agricultural products in their possession and nothing ever happened. Nobody ever asked them any questions. So we have got to do a better job of getting Customs to refer travelers to APHIS so we can ask the right questions and then examine the agricultural products.

Mr. BOYD. So it is a matter of educating Customs folks better. Is that what I hear you saying?

Dr. REED. Well, that is partially true. We also are experiencing significant growth of international airports so we have increased staffing issues to ensure we have the right numbers of people there to examine the flights.

CITRUS CANKER

If you would permit me to comment on citrus canker. This bacterial disease is easy to spread, whether from plant material, clothing, or equipment. We are particularly worried that it is going to get away from us, and we may not be able to do anything about it unless we get the commitment to go after it aggressively.

Mr. BOYD. You are not nearly as worried as some of the folks back home that are feeding their families with the income generated by those citrus trees, I can tell you.

Dr. REED. Well, I know it will impact producers enormously because not only is it going to destroy trees, but will also restrict the movement of fruit out of an area, and the fresh fruit market could possibly be eliminated.

Mr. BOYD. For the members of the panel, for the members of the committee and the audience, when you get citrus canker introduced into a grove, first of all, it comes under quarantine by USDA officials to prevent the spread of it, and your export markets are immediately closed because the other countries will not have anything to do with you if you have citrus canker.

Secondly, the only way to cure it is to push the tree and burn it and leave the land idle for two years, and we do that with a buffer zone circle around it of clean trees. We have been through this in Florida in the late eighties, and it is not a pretty sight. I just want you guys to know whatever this member of the committee can do to help you guys assist us, we have to fight the spread of this disease. It is a very, very serious thing, and that is why I want to thank you for helping us figure out how we solve this problem.

Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Nethercutt.

Mr. NETHERCUTT. Thank you, Mr. Chairman.

Welcome, gentlemen.

TCK SMUT

The last four years that I have been on this subcommittee I believe every time I have asked you about the issue of TCK Smut relative to China and why that market seems to be resistant to the export of our wheat from my State of Washington? In fact, last year I had a response from Mr. Medley with regard to this subject and he answered in response to a question I made about TCK Smut and the Brazil analysis and then how that relates to China, and he says, we should be able to export to China without presenting a significant risk. We will be carrying the same message as we continue these discussions with China. This action should help us, the Brazil determination, and enhance our chances of establishing scientifically-based criteria in China as well.

My question is where are we one year later, several years later, as far as I am concerned and are we any closer to being able to deal with China on this particular issue of TCK Smut?

Mr. DUNN. I am delighted to report that I was in Brazil last year where we signed the agreement which Brazil dropped their objections on TCK. It was a very big day for me and one that I felt very proud of the men and women in APHIS and being able to sign the agreement.

We are continuing to work with China. You can imagine their concern when I told them about problems with their solid-wood packing material.

Mr. NETHERCUTT. Right.

Mr. DUNN. They immediately put up a quid pro quo on TCK. We have members of USTR and State Department even as we speak in negotiations with China. We are getting closer to an agreement.

Mr. NETHERCUTT. How do you quantify that for me, Mr. Dunn? And I appreciate the difficulty of dealing in international relations but what do we need to do here? What will grant us the breakthrough or, in all honesty, is there not going to be a breakthrough? Is China just resistant, they do not want to do it, and, you know, we are sort of having to say, we accept that? What is it?

Mr. DUNN. Mr. Nethercutt, we have done everything we can on it, technician-to-technician, scientist-to-scientist basis, to point out that this is merely a quality concern, it is not a major disease. It is at a policy level. We have USTR and State working as hard as they can right now to resolve this matter.

We will continue working technician-to-technician, scientist-to-scientist, giving them every bit of information that they ask for, conducting tours, showing them what we have here in the United States, and why we do not see it as a problem. Ultimately, it is going to be a policy decision.

Mr. NETHERCUTT. Are you optimistic or are you resigned to the idea that this is a very tough issue to try to break through and we should not get our hopes up?

What more can you say? It may not be a fair question to you.

Mr. DUNN. I am guardedly optimistic that we are making progress.

Mr. NETHERCUTT. Are you communicating with State and USTR on a regular basis?

Mr. DUNN. Yes, we are. When Ambassador Barshefsky went to negotiate, we provided a great deal of information to her. Our people, as well as the ORN-AG service people are meeting with them, as well as the Secretary. So, yes, we are working extremely close on this issue. This is well coordinated within the United States.

Mr. NETHERCUTT. Would you kindly, to the extent you are able, provide this committee with an update on the current status of activity with State and USTR as it relates to your offices or USDA in general?

Mr. DUNN. We will do that.

[The information follows:]

The Office of the U.S. Trade Representative (USTR) is the lead agency on any trade issue. For example, if a serious SPS-related trade issue comes to the attention of the Administration, we must work with the USTR before any SPS issue is taken to the World Trade Organization's Dispute Settlement Body (DSB). The USTR also chairs the Trade Policy Staff Committee, comprised of many interested government agencies, which decides which issues go before the Dispute Settlement Body. All USDA Agencies work together before submitting an issue to the USTR and the Trade Policy Staff Committee. Once an issue is presented to the DSB, APHIS provides the technical information which is the basis for the U.S. argument.

The Department of State would always be involved in any sensitive issue related to foreign policy matters. Since State is also a member of the Trade Policy Staff Committee, they must also understand the SPS issues and approve any decision to take an issue to the WTO.

Mr. NETHERCUTT. That would be great.

I just have one more question, Mr. Chairman, I do not want to abuse my time here.

You, I am sure, gentlemen, have seen the latest salvo, I guess, that has been thrown relative to the safety of our foods and vegetables. It is sort of the 10 year anniversary of Alar. And I have seen recently some consumer groups coming out and saying our food is not safe to eat and our children should not eat vegetables and fruits.

What are you doing to combat this? I think this is a huge red herring. I think it is a misinformation campaign as best I can tell and if I am wrong on that you tell me, since this is your business.

My sense is it is unfair to the consuming public. I hope that your agency or someone in USDA deems it appropriate to respond to whatever junk science might be out there relative to this argument that there is some great danger if we eat fruits and vegetables in America.

If I am over-stating it, tell me that, too.

Mr. FIGUEROA. Mr. Nethercutt, the two reports that you are referring to—Consumer Reports issued a report and then that was followed by the Environmental Working Group that followed-up within days or weeks. First of all, we were surprised in the sense that generally in the past we have gotten a lot of press calls, at least in the Agricultural Marketing Service. It was very quiet vis-a-vis some other things that have happened in the past.

So, that is, I think, some good news in the sense that other media did not, at least, inquire at our agency to follow-up on this story.

Both reports relied on our pesticide data program data. It is our position that we are generating data and other individuals or entities it is for them to interpret the data that we report.

Thirdly, a number of the research and promotion boards have implemented some programs to react to some of these scares, if you will, that I think have been very effective. And I think that those plans are in place specifically for these purposes, so, that when and if they get inquiries about some of these issues being raised they have the materials prepared to respond accordingly. And I think that they have been effective, at least in this case.

Mr. NETHERCUTT. Your agencies, I assume, are satisfied that there is not a safety risk, that the consumer does not have to be reacting to these kinds of reports, that there is safety in our—notwithstanding the development under the PDP—that the consuming public is safe, is that a fair statement?

Mr. FIGUEROA. As you know, Mr. Nethercutt, we have another agency within the USDA that is entirely responsible for the safety of food. And it is not our position nor is it in our mission statement but it is clearly within AMS' role to facilitate the marketing of wholesome foods and I think we are, indeed, meeting that mission responsibility.

Mr. NETHERCUTT. All right.

Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Dickey.

Mr. DICKEY. I want to thank Mr. Farr for allowing me to do this and I want him to know that our relationship now has a chance to get started. [Laughter.]

FISH EATING BIRDS

Mr. DICKEY. I just want you to know that. I have two questions. It is about cormorants and egrets and other fish-eating birds that are just taking us by storm in Arkansas. We seem to be breeding these birds by feeding them with our fish. Here is my question: How much success has Wildlife Services had studying fish-eating birds in an effort to control their impact on the aquaculture and sports-fishing industry?

Dr. REED. Congressman, we know that cormorants are a problem in your State and in others because they can devastate both bait fish and farm-raised fish. We have gained some knowledge in developing control management plans, but it is a difficult problem that continues to move on us.

Wildlife Services is committed to helping all the industries associated with these kinds of bird problems with fish.

Mr. DICKEY. I think we have done everything we know to do to scare them away and we have used shotguns and then we have these automatic sound devices. They are actually landing on these things now. [Laughter.]

So, what I am saying to you that it is just unbelievable and the birds are getting bigger and bigger, you see, because they are eating the fish in our ponds.

Mr. DUNN. We have, in Wildlife Services, a group in our Starkville, Mississippi, area that studies habitat manipulation. We also have a tremendous problem with black birds that are consuming rice in your part of the world and sunflower seeds up in the Northern Plains. The Atlantic migratory bird flyway area seems to be a growing problem where we must consider both nonlethal and lethal means of assistance.

Mr. DICKEY. One last question. In the budget do you have more or less money or the same for whatever studies you are making on this?

Dr. REED. I am assured that we have the same amount.

Mr. DICKEY. Then I have one more question. If you got additional funds, what could you do to help with this problem?

Dr. REED. This problem requires good, sound research to find other methods of controlling these bird populations and predations. The National Wildlife Research Center conducts this type of research and would be allocated additional funding if it were provided.

Mr. DICKEY. Thank you.

Mr. Chairman, thank you for taking me out of order and Mr. Farr.

Mr. SKEEN. Have you tried chili on those birds? [Laughter.]

Mr. DICKEY. That is a country in South America, is it not?

Mr. SKEEN. No, it is a Southwestern dish.

Mr. Farr.

ARGENTINE CITRUS

Mr. FARR. Thank you, Mr. Chairman.

I want to thank my colleague from Florida for giving us the best reason to buy California oranges. But I want to follow-up on an issue that is of interest to everybody in this subcommittee and it regards APHIS' issue with Argentine citrus. I understand that APHIS is using funds in this next fiscal year to consider a rule which will permit fruit that admittedly is carrying one or more plant diseases to enter the U.S.?

Dr. REED. APHIS does not have a rule that would permit quarantinable diseases to come into the U.S.

Mr. FARR. Do we allow fruits in now under the 1912 Plant Quarantine Act that have any kind of diseases whether quarantine or not?

Dr. REED. Nothing of quarantine significance.

Mr. FARR. What does that mean?

Dr. REED. Certain conditions would be permitted that are quality-related or that will not pose a problem to any of our producers here.

Mr. FARR. So, you do not have a policy that allows a diseased fruit to enter the U.S.?

Dr. REED. No, APHIS does not.

Mr. FARR. And are you planning to allow diseased plants and vegetables to enter the U.S.?

Dr. REED. I am not aware that we would allow diseased plants and vegetables to enter the U.S. either.

Mr. FARR. Our office has been told that there is a problem with what you are allowing to come into the U.S. now with the Argentine citrus, are you aware of that problem?

Dr. REED. I am aware of the request from Argentina to permit citrus under certain conditions to enter this country. There has been a pest risk analysis conducted by the U.S. on that commodity that would come from Argentina that has been made public. We recently concluded the comment period on a proposed rule.

Mr. FARR. And then after that, what happens? Can the imports then come in?

Dr. REED. I am not sure if this is something we can discuss. Once completed, we would be glad to discuss it with you, Congressman. [Laughter.]

Mr. DUNN. The Administrator's concern is, are we in ex-parte because we are in the process of making a rule and we usually do not discuss it until we have actually finished a rule. But we can talk about process in that very general manner, Congressman Farr.

There is a desire for us to have trade. Just as we are asking Argentina to accept citrus from Florida, and we can certify to them that it is from an area free from citrus canker or an area free from Medfly, and they would accept our regionalization rule. We would accept their regionalization rule. If we have done a pest risk analysis and they have proven to our scientists that they have protocols in place, that would assure us that diseased fruits and vegetables would not enter, then we should allow entry. This procedure follows WTO rules.

Mr. FARR. As you can tell from Mr. Boyd's questioning, this is an issue that States with citrus growers are very concerned about. One of the difficulties we have is how to keep American growers viable and that is in the best interest of the national economy.

We are very concerned about the possibility of adopting rules that would allow citrus into the U.S. with more than just the citrus, but also the problems that have been spoken about.

ANIMAL WELFARE

Let me shift to another area and we can talk a little more about citrus at a later date. In the animal care and animal welfare area, Congress adopted in 1966, the Animal Welfare Act. I understand that under this law you have to inspect approximately 10,000 regulated facilities, is that correct?

Mr. DUNN. That is correct.

Mr. FARR. And that your budget for these inspections has been level funded for several years?

Mr. DUNN. It has been approximately $9 million since 1991.

Mr. FARR. How many field inspectors do you have to cover the 10,000 facilities?

Dr. REED. About 70.

Mr. FARR. How often are the required facilities inspected?

Dr. REED. We average about one inspection per facility per year. Some facilities get inspected more than others based on a risk assessment and their potential problems. Others who have a good track record do not get inspected as often.

Mr. FARR. I have a letter here from the American Veterinary Medical Association and it is signed by 480 entities. It is a broad coalition of veterinary, research and animal welfare groups. They are urging that the budget be increased to $13 million to adequately address this problem. 10,000 required facilities with 70 inspectors is just not enough.

Also there are some concerns about problems with airline shipment of animals. Are the field inspectors not the same inspectors that have to do the airline shipments?

Dr. REED. Yes, our inspectors who review facilities also inspect animals being shipped on airlines.

Mr. FARR. The problem with a lack of inspectors is increasing because we are carrying more animals on airlines. And would you get back to us on exactly what funding you need to do an adequate job on this? I am going to be seeking an increase in the budget for this amount to improve the efficiency and credibility of your inspections.

HORSE PROTECTION

Lastly, I would like to ask you about an area surrounding the controversy on the new strategic plan for the enforcement of the Horse Protection Act. Can you tell me how many horse shows APHIS inspectors attend?

Dr. REED. Yes, our inspectors attend about 40 to 50 shows a year.

Mr. FARR. And what is that as a representative of the whole, about 10 percent of the problem, less than 10 percent?

Dr. REED. Yes, it is probably less than 10 percent.

Mr. FARR. How many inspectors are involved in this program?

Dr. REED. About 35.

Mr. FARR. And what do you do when inspectors are not there?

Dr. REED. There is usually a horse industry official that is also responsible for inspecting horses for soring. Our veterinary inspectors monitor those officials to make sure they properly identify a sore horse.

Mr. FARR. So you are sort of turning it over, you are ceding authority to the industry?

To inspect itself?

Dr. REED. I guess I would not characterize it quite that way. I would say that the industry has taken responsibility to make sure they do not permit sore horses in shows. They enforce the soring and scarring rules under the Horse Protection Act. There has not always been consistent interpretation of how these standards apply in all cases. We have a horse inspection operating plan out there and we do try to work with these industry officials to make sure that offenders are put out of the horse show business.

Mr. FARR. Well, Congress has authorized the expenditure of $500,000 in this arena, and I do not know, what is your appropriation now?

Dr. REED. About $361,000.

Mr. FARR. Do you think that you need more?

Dr. REED. We know there are many horse shows and we know expectations go beyond our current resource levels. We have people dedicated to attending horse shows to make sure rules are enforced and sore horses are not shown. The way to make progress is to bring some of these bad offenders up on legal charges and get them out of the horse show business.

Mr. FARR. Have we been doing that?

Dr. REED. Yes, we have.

Mr. FARR. And you have been monitoring the industry inspectors?

The designated qualified person program?

Dr. REED. Yes, We monitor them, we make sure that we are consistent. Dr. DeHaven and his staff have gone to Tennessee and surrounding areas numerous times throughout the last year.

There is agreement that, when a horse is sore, everyone is in agreement. There have been some initial disputes over the amount of scarring needed to disqualify a horse. We are working through issues such as these. Some of the discussions appear to seem subjective depending on individuals familiarity with the horse show industry.

The objective is making sure that sore horses are not shown or sold. The trainers, owners, or others responsible for using unlawful methods such as hot mustard or pressure-shoeing to sore horses, should be forced out of the horse show business.

Mr. FARR. If more money was appropriated, how would you use it?

Dr. REED. We would be able to attend more horse shows by having more inspectors able to examine show horses.

Mr. FARR. Okay. Thank you very much.

No further questions, Mr. Chairman.

Mr. SKEEN. Mrs. Emerson.

CONTRACT POULTRY GROWERS

Mrs. EMERSON. Thanks, Mr. Chairman

Mr. Baker, tell me what the status is of GIPSA's rule on contract poultry growers and the contract poultry industry, please?

Mr. BAKER. The proposed rule on feed weighing in the contract?

Mrs. EMERSON. Yes. I want to know what the status is and also perhaps what you learned from the comments that you all received under the proposed rule-making

Mr. BAKER. We proposed rule-making on feed weighing to ensure integrity in the feed weighing system where feed becomes part of the contract settlement.

That has cleared the Department and it has been moved to the OMB. As soon as they get it back to us we will initiate the rule-making but it is in OMB at this time.

Mrs. EMERSON. And I am kind of curious—

Mr. BAKER. That went this week.

Mrs. EMERSON. This week

Mr. BAKER. Yes, this week.

Mrs. EMERSON. All right.

In the original announcement, the advanced notice of proposed rule-making, one of the things that was included and one of the things that my contract poultry growers are real concerned about has to do with the procedures related to the weighing of the live birds delivered to the processors.

And, so, that was included in this original announcement?

Mr. BAKER. There were three original ones that were included.

Mrs. EMERSON. Right. Can you just tell me why you decided not to address that particular issue in the proposed rule?

Mr. BAKER. It would be addressed in a separate proposed rule if we felt it was necessary. We are doing an investigation in the industry today to determine if it is necessary that we move forward on that one.

Mrs. EMERSON. Do you have any idea when that investigation might be concluded

Mr. BAKER. I am told that that investigation has just recently been concluded. We are examining the data on the weighing issue.

Mrs. EMERSON. And how soon might some information be available to us?

Mr. BAKER. It should be forthcoming within 60 days.

Mrs. EMERSON. Within 60 days

Mr. BAKER. Yes.

Mrs. EMERSON. Okay. I would appreciate receiving whatever report you all put out as soon as possible on that because my growers are real concerned.

POULTRY CONCENTRATION

Can you talk to me a little bit more about your personal concern about the level of concentration in the poultry industry? Just, for example, in my district we only have one processor offering contracts right now and this is a huge concern to my folks, many of whom left grain production, for example, and row cropping for chickens, because they thought that they would make a little more money I suppose. But, needless to say, it is not turning out that way and they have made huge investments and are in big trouble right now.

Mr. BAKER. The top four firms control about 50 percent of the production. The top 8 or 10 firms probably account for about 95 percent of the production. So, it has become highly concentrated and there is a problem when there is only one firm that a grower has a choice to produce for. There are no other options.

We look at poultry concentration constantly because it is happening throughout the Southeast. For the past four years we have asked for this additional money to conduct poultry investigations. We are asking again and I would appreciate strong consideration for providing the money for the poultry investigation area.

Mrs. EMERSON. Well, you have a little passion in your voice so I take it that means you are concerned about this.

Mr. BAKER. I am most concerned about it.

Mrs. EMERSON. Okay, thank you.

I wanted you to tell me you were most concerned about it so, therefore——

Mr. BAKER. If you had said that earlier I would have got on it right quick. [Laughter.]

Instead of beating around the bush like I have done.

Mrs. EMERSON. Yes.

Mr. BAKER. But I am most concerned with it. People with poultry growing contracts are selling a service. People's livelihoods depend on that service. You are not selling a product. Our people are gearing up—we are hiring and teaching our personnel to work with people that are selling a service instead of a product. But, we will need the money to get involved. We cannot get there with the present system.

Mrs. EMERSON. So, how much more do you need?

Mr. BAKER. $750,000 to start.

Mrs. EMERSON. And what will that do? What will you do with that $750,000?

Mr. BAKER. I will hire people with the expertise to get right in the middle of the investigations of the poultry companies. Those companies are large and complex and the investigations will take an extensive period of time. But first we need people that have the expertise to carry out those investigations.

Mrs. EMERSON. Thank you very much.

Mr. BAKER. And we have already reorganized our offices in Atlanta. We need to gear up that office. That money will be focused strictly in the poultry.

Mrs. EMERSON. I appreciate that.

Thank you.

And if you would like I would be glad to meet with you further on this because this is really a big concern to me. We will holler back at you.

MANDATORY PRICE REPORTING

Dr. Figueroa, I share your grave concern and that of other members of the committee about the high level of concentration in the livestock industry. And I note that you highlighted in your testimony the request for additional money to expand price reporting programs. According to your proposal, how would this pricing information be made available to producers and how timely would it be made available?

Dr. FIGUEROA. Congresswoman, as you may be aware, we report market news on a daily basis on a number of commodities whether they are livestock products or fruit and vegetable products. The additional money that we are requesting will expand not only the number of reports but the size and types of reports on the meat products, whether they are boxed beef products along different parts of the market channel.

As you also are aware, these are strictly a voluntary basis. We obtain this information voluntarily from the various entities in the market place. So, we would increase our outreach efforts to make sure that they would volunteer more of this information.

In addition, we are interested in developing perhaps new methodologies on how to interpret some of the price data so that we can make it more user-friendly, if you will, to the producer of the product and he or she can use it expeditiously that particular day or the next day.

Mrs. EMERSON. So, it would be made available say on the Internet on a website or something like that?

Dr. FIGUEROA. Yes, Ma'am.

Mrs. EMERSON. Okay.

To follow-up with that, what are your feelings about making price reporting mandatory?

Dr. FIGUEROA. The issue of mandatory price reporting is an issue that the Administration is supporting. I believe that the concentration issue, as Secretary Dunn indicated a little earlier, he was the chair of the Pork Crisis Task Force. I also served on that task force and I became directly aware of the crisis that was faced by all the farmers, the hog farmers in this country. It is a serious issue. And I think mandatory price reporting will address part of that problem.

Mrs. EMERSON. Well, I appreciate that having been an original co-sponsor of legislation to make that happen. Because our livestock producers are hurting big time and I think that is the only way to go.

So, I appreciate that. I came in late, Mr. Dunn, so I am sorry I did not hear all of your testimony. Now, I have got one other question that I have to ask on behalf of many of my constituents and this goes directly to Dr. Reed.

INVASIVE ALIEN SPECIES

This has to do with alien species. The first time I heard this, I really thought my constituents were joking when they asked me about the Executive Order. They said they were concerned about the fact that the President was going to sign an Executive Order with regard to alien species. There are a couple of questions I want to ask, one of which is an explanation of what this national management plan is that you all have.

First of all, can you tell me why you all did not pursue this legislatively rather than through an Executive Order? And then I want you to tell me more about the details of this.

Dr. REED. I do not have an answer for you on why it was pursued one way versus the other. The Executive Order was signed on February 3, 1999. We have major concerns about pests that are coming into this country and need to get a handle on them before

they get worse. Not the least of which is the brown tree snake, for example, that is a terrible problem in Guam. We are also concerned about it entering Hawaii and are conducting research to ensure we keep it out.

Overall this is something that we are just getting into and are trying to get more and more of a handle on to make sure that we do not have another Kudzu or another similar invasive species.

Mrs. EMERSON. I understand that but this national management plan that you all are going to be a part of—because I guess there are 20 Federal agencies or something involved—is that something that will be created that you all are in the design stage of?

Dr. REED. Yes.

Mr. DUNN. And Congresswoman, in addition to not granting new authority, the Executive Order was used because there are so many Federal agencies that would be involved in the effort. It ranges from the Department of Interior, Environmental Protection Agency as well as USDA, and the Forest Service within USDA as well as APHIS. So, we see it as a major problem.

Over the centuries there have been many alien species that have been introduced in the United States and it is time to shut the door on any new incursions.

Mrs. EMERSON. And you can understand that people are afraid that the Federal Government is going to come in and take over their private property which is understandable from their point of view, but I guess my big problem is that suddenly you all are asking for money and for us to give you all money for something that we have not authorized, and I just have a philosophical problem with that.

Dr. REED. If I could add, APHIS' mission is to keep foreign pests and diseases out, and we do it all the time for animal and a variety of plant pests and diseases now. We consider plant and animal pest and disease exclusion as one of our prime directives already and this continues with new pests and disease incursions.

Whenever we eradicate a disease from this country, whether it is avian influenza or hog cholera, it then becomes an alien species that could enter again and devastate our producers. We do not want that to happen.

Mrs. EMERSON. Sure. No, and I do not have a problem with that. It is just the process by which this all came up.

Thanks very much.

Mr. FARR. Will the gentlelady yield?

Mrs. EMERSON. Yes, sir.

Mr. FARR. Last year's research bill allowed for research dollars to be used for eradication of invasive species. But the protocol to do that requires consent by the landowner and a program has to be locally based. There is a concern that this is some kind of top-down process. It is actually just the opposite. A lot of communities have invasive species, not just affecting crops and animals but invasive species that are affecting the forests and the wild-lands. Partnerships now are being developed between local, State and the Federal Government to form a plan of attack. But that always requires consent of the landowner, whether it be a local government, a State government, the Federal Government or private ownership.

Mrs. EMERSON. I think your friends in California probably do a little bit better job doing that than in Missouri as far as getting the locals involved because somehow we usually find out about it afterwards.

But, thank you.

Mr. SKEEN. Mr. Hinchey.

Mr. HINCHEY. Thank you, Mr. Chairman.

Thank you, gentlemen, it has been very interesting listening to the testimony and your answers to these questions.

The issue of these invasive or exotic pests seems to be one that is getting more and more severe as time goes on. Is that true in your experience?

Dr. REED. The jeopardy for agriculture producers is certainly increasing.

Mr. HINCHEY. The jeopardy is increasing?

Dr. REED. The jeopardy to our own producers is having a pest or disease that would not only close an export market, but would devastate an individual's production capability. They would not be able to grow plants or animals for some period, severely impacting their ability to produce revenue. These are some of the things we worry about. Whether it is citrus canker, hog cholera, or Medfly, we are interested in making sure that these pests and diseases are excluded and not present here.

Production areas free of pests and diseases help us in a variety of ways. It helps us move agricultural products within the States, it helps us move products out of the country, and it is advantageous for us to tell other countries about how we control and regulate pest and disease situations. They then adopt a system that is similar to ours.

Mr. HINCHEY. In other words, having a program is effective in marketing produce?

Dr. REED. Absolutely.

Mr. HINCHEY. Because you can point to that program and say, because we have this program you are less likely to have these invasive pests coming into your jurisdiction?

Dr. REED. Yes, that can be the case, but also, we can certify when products leave the country that they are free of a pest or disease. It makes it easier to move agricultural products out of the country.

ASIAN LONG-HORNED BEETLE

Mr. HINCHEY. How serious a problem is the Asian long-horn beetle?

Dr. REED. It is really a serious problem. We are glad to have found it but we wish it was found sooner because of the tree devastation. We are conducting extensive surveys to determine the scope and area of problem.

Cutting down nice-sized trees is heartbreaking for residents, as well as for others involved. We must, however, grind those trees to ensure that all larva is destroyed.

We want to eliminate the pest as soon as possible so that we do not have to spend more money cutting trees and then replacing them.

Mr. HINCHEY. Where does it come from?

What is its origin?

Dr. REED. We know it came from Asia. We have found the larva in packing materials that came from China.

IMPORT/EXPORT

Mr. HINCHEY. Who has responsibility for examination and certifying the standard of feed that is fed to cattle or other meat producers?

Dr. REED. Generally, the Food and Drug Administration.

Mr. HINCHEY. Are you involved in that at all?

Dr. REED. We get involved if we suspect a tampering incident, along with FDA or if we suspect terrorist activity or an attempt to spread foreign matter or material through feed.

Mr. HINCHEY. Oh, okay, but not on a routine basis?

Dr. REED. No, not on a routine basis.

Mr. HINCHEY. Are you familiar with Exotic Newcastle disease?

Dr. REED. I am, indeed.

Mr. HINCHEY. And is it true that France is free of it?

Dr. REED. Yes, the French are free of Exotic Newcastle disease.

Mr. HINCHEY. Well, you recently certified foie gras from France for export to the United States and the reason that it had not been certified previously, as I understand it, is that there was some question about the existence of Exotic Newcastle disease in France. And, so, I am assuming that since you have recently allowed French foie gras to come into the country, that Exotic Newcastle disease is no longer a problem.

Dr. REED. Yes, that would be the criteria. Whether it is French foie gras or some other product, we do not want Newcastle in the U.S. We had a small outbreak in California not too long ago and we quickly eliminated it.

Mr. HINCHEY. Right. I understand that. I understand you do not want it and you are not going to bring it in here. But you recently certified French foie gras and I am just wondering what the basis for that decision was?

Dr. REED. We will receive a petition to permit the entry of an animal product into the U.S. Before APHIS will allow that product to enter, certain conditions must be met. One of the conditions is that the exporting country must be free of many diseases not in the U.S. If we are permitting foie gras, since it is basically an uncooked product, I can assure you that we are not allowing entry from France if they have Newcastle disease. We know there is some Newcastle over in Europe, though.

Mr. HINCHEY. Right.

Can you just, not now but at some point, let me know how this decision came about or what the status of it is? I would appreciate it.

[The information follows:]

On November 14, 1997 we proposed a rule to amend regulations to declare a number of countries free of exotic Newcastle include France. We proposed these actions in response to a request submitted in July 1997 by the European Commission's Directorate General for Agriculture. We solicited comments concerning our proposed rule for 60 days ending January 13, 1998. We received one comment by that date. The comment was from a veterinary association and fully supported the proposed rule. Therefore, based on the rationale set forth in the proposed rule, we adopted

the provisions of the proposal as a final rule without change effective December 23, 1998.

Mr. HINCHEY. In the context of a decision to allow a restricted product into the country, you do not take into consideration the effect of that decision on domestic markets. Is that within your jurisdiction?

Dr. REED. We look at it from a disease prevention standpoint. If product entry would cause undue risk for American producers, that would be reason enough for us to deny issuing an entry permit.

Mr. HINCHEY. Yes, okay, I understand that. But you would not take into consideration the fact that you are now lifting a ban. Say, for example, as a result of the eradication of this Exotic Newcastle disease, you are lifting that ban on Frech foie gras, therefore, allowing this product to come into our country. In such a case, you would not consider the effect of the decision on existing markets here? That is not something that you would examine, correct?

Dr. REED. APHIS would look at the economic aspect of those markets, but bases its decision to modify import restrictions on assessment of risk of exotic disease entry.

Mr. HINCHEY. Do you consult with the Commerce Department or anyone who would be interested in the impact on domestic markets when you make a decision like that or is that something that is done in isolation?

Dr. REED. Well, we usually solve the technical disease issues first and then the trade issues get resolved by Foreign Agricultural Service and USTR.

Mr. HINCHEY. But you do not consult with them with regard to your lifting a particular ban, say, for example?

Dr. REED. We do talk to the Commerce Department about certain policies that we put in place.

Mr. HINCHEY. I know that, but on a routine basis is it your policy to consult with the Commerce Department before you lift a ban so that you are more aware of the impact that lifting the ban will have on the domestic market for that particular product?

Dr. REED. In general we do consult with them.

Mr. HINCHEY. In general you do but you do not have that as a policy?

Dr. REED. We do not have a written policy to consult with them for agricultural trade. We do consult with USTR and other parts of the USDA like the Foreign Agricultural Service.

Mr. HINCHEY. Okay.

So, when you give me that information on foie gras and Exotic Newcastle disease, would you tell me to what extent Commerce was consulted before that ban was lifted?

Dr. REED. Yes. We will get it for you.

[The information follows:]

We rarely talk to the Commerce Department about agricultural trade promotion. On occasion, we may work with them on things like the solid wood packaging rule which affects trade in industrial products from China. We did not consult with Commerce before we lifted the exotic Newcastle disease restriction on France.

Mr. HINCHEY. Thank you.

RABIES

The situation with rabies is one that is, I think, either stable or becoming more serious. It depends on what part of the country you are looking at. But I think in the Southeast, generally, and running up the Atlantic Seaboard the problem of rabies is a problem that is increasing.

Dr. REED. Yes, it is becoming more serious.

Mr. HINCHEY. I understand that your budget calls for a decrease in oral vaccination for rabies, is that true?

Dr. REED. Yes, there is a slight reduction for rabies work in Wildlife Services operations.

Mr. HINCHEY. How do we justify that?

Dr. REED. We work with States to cost-share programs such as rabies eradication. We agree that the Eastern Seaboard is being plagued by increased incidents of rabies. It is moving Westward as well. It is becoming a very alarming problem.

Mr. HINCHEY. Well, I am just wondering since that is the case, based upon your testimony and my knowledge, why we would be reducing the amount of money that will be expended in the next fiscal year to control this problem when it is a problem that is increasing, and it is, obviously, a serious problem. It is one that we want to keep under control.

I think that the budget cuts something like $1 million or something of that nature, $1.-something.

Mr. WALSH. $1.8 million.

Mr. HINCHEY. Thanks.

Dr. REED. Congressman, it is a matter of priorities and we have got compelling priorities in predator control and aerial safety demands to protect our own people. We will continue to provide technical assistance in the rabies effort.

Mr. HINCHEY. Well, this is something that I suppose this committee might want to take a look at because our experience is that this is a growing problem and one that needs to be addressed thoroughly and completely.

Thanks very much.

Mr. SKEEN. Mr. Kingston?

Mr. KINGSTON. Thank you, Mr. Chairman.

WILD HORSES

Dr. Reed, I noticed that on your APHIS study of horses, do you do anything with wild horses?

Dr. REED. We recently signed an agreement with the Department of Interior to give them veterinary advice on wild horses.

Mr. KINGSTON. Sometimes the Department of Interior and the National Park Service gets undue pressure from the environmental community about wild horses, particularly ones that they want to get rid of in a National Park that as not being indigenous to the area or something like that.

And some of the studies can actually be tainted. Are you in a position to, if we request you to, to go in and look at horse populations, horse health and so forth in a National Park?

Dr. REED. Our new agreement with Interior allows us to examine horse health, populations, and problems associated with diseases.

The West is becoming saturated with wild horses causing their movement east.

Mr. KINGSTON. And would you feel that you would be a little more scientifically neutral?

Dr. REED. I feel I can be neutral. [Laughter]

Mr. KINGSTON. Because so often it is very frustrating that horse politics seems to be, you know, almost void of science.

FROGS

All right. The next question: You are aware or you have heard about this worldwide amphibian disappearance problem. Are you aware of that?

Dr. REED. Of the frog numbers decreasing?

Mr. KINGSTON. Right.

Dr. REED. Yes, I am aware of the situation.

Mr. KINGSTON. But I do not think it is just frogs, I think it is all amphibians.

Dr. REED. Yes, but frogs are a sentinel.

Mr. KINGSTON. Does that fit in at all to your wildlife? I know you are studying gray foxes, you are studying raccoons, you are studying coyotes, a lot of it has to do because they are predators. But in the food chain it is possible that if amphibians are disappearing it could be because of pesticides or fertilizers, we have no idea of knowing, but does that fit into APHIS' game plan since there could be an agricultural link and the reason why I am interested in that.

I think you guys, if there is something between fertilizer and pesticides and amphibian disappearance, that you need to be involved in it now rather than have groups that are inherently anti-agriculture involved in it.

Dr. REED. We have wildlife biologists that look at the bigger picture but only to a minor degree right now.

Mr. KINGSTON. What would be your involvement in the minor degree?

Dr. REED. When we study wildlife, whether it is endangered species or predator controls, if one of their food sources would be amphibians, for example, that would play into a method of how we might control that problem.

Mr. KINGSTON. Would you follow-up with our office on that and let me know?

Dr. REED. Sure.

POULTRY PROCESSING

Mr. KINGSTON. Because it is something that I am interested in and I am ultimately very concerned about, you know, what it means in the world picture but also how it could impact agriculture and so forth.

And, again, feel like you might be a little more scientifically neutral on it.

All right. Now, poultry process and meat and poultry inspections. As you know from the past we have a number of poultry processors in Georgia and at any given time I could just park my car in their parking lots, all of them, and walk in and see the CEO or the Vice President and I can listen to two hours about how they are scared

to death of the inspectors and what they can and cannot do to them and close them down and so forth.

And I do not see it getting better from the times that you and I have dealt with this in the past. What is your view on it?

Dr. REED. I am no longer associated with the Food Safety and Inspection Service. FSIS is feeling a lot of pressure from both producers and processors. I am sure there is nervousness because they have instituted all these new approaches and there is a great deal of uncertainly about how they will turn out.

I really would not want to comment further in my current position.

Mr. KINGSTON. Anybody want to say anything?

Mr. DUNN. You should probably save that for Dr. Wotecki when she is here.

Mr. KINGSTON. Okay.

I will. Let me ask you one other thing, though, Dr. Reed. If they want to complain—their big gripe is if they complain then vengeance will—they will pay the price down the road. If you have any secret—well, you do not want to share it with this group, I understand—but if there is any way they can complain without their fingerprints being on it, let me know.

Dr. REED. We will let you know.

Mr. KINGSTON. Okay.

Now, one other question. Having just talked to you about frogs, screwworms, gypsy moths, Medflies, fruit flies, long-horned beetles and now Jack Russells trained to find brown tree snakes. Whoever is interested in these items, I hope that they are proactive because as one committee member and I can probably speak for all, we are sick and tired of this committee taking hits in Reader's Digest and in all these little reports where people apparently can get by without worrying about a good, safe food supply, who laugh and ridicule all these studies.

And I hope that you tell the various networks that you work with, as I am doing it right now—if there are any little ears in the audience—they had better get off their rear ends and get proactive in explaining to the public why we need to be doing these things.

Because frankly I think maybe it is time for us to explore skipping funding some of these things. You know, you have had a lot of success in the Medfly. Maybe we should just stop funding it and see what the private sector does in a year and see what happens.

Or the fruit fly. You know, frankly, my folks are not real worried about the brown tree snake but they are going to laugh when they find out that you are training, with our tax dollars, 14 Jack Russells to identify these snakes. What if they confuse it with a king snake, you know? That is going to be a great article.

And I do not know, Mr. Chairman, I think maybe we should talk about skipping funding the gypsy moth every now and then and just see what the private sector does, see if they pick up the slack and if they do, good. Or boll weevil eradication which is very important to Georgia. But I know also that the State legislature is doing a lot, such as claiming credit for all the eradication.

So, yes, I just think that, you know, here in the agricultural family, Mr. Chairman, it might be time that we consider stopping some of this funding for a while and just see what happens.

Thank you.

Mr. HINCHEY. I see a lot of brown tree snakes in our future. [Laughter.]

Mr. SKEEN. Mr. Walsh?

Mr. WALSH. I think we ought to begin with peanut pest research. [Laughter.]

Mr. KINGSTON. Throw it on the table.

Mr. WALSH. That was facetious. I would not do anything to harm peanuts.

Thank you, Mr. Chairman.

RABIES

First of all, let me begin by associating myself with the remarks from my colleague from New York, Mr. Hinchey, regarding rabies. As I understand it, the President's budget would eliminate a little over $1.8 million in wildlife services under APHIS and the most severe impact would fall upon rabies.

We have had to add money back each year the last two years for rabies eradication. During the summer almost every week there are reports on local television regarding rabies and rabies warnings and so forth. So, it is a real concern and I just wanted to register that.

PESTICIDE RESIDUE

A lot of my farmers believe that later this year EPA will move to cancel effective pesticides which the farmers consider safe, which EPA apparently does not.

They think that the EPA will exaggerate their risks to justify canceling these pesticides. And the loss of some of these pesticides would raise the cost of production to many farmers and make worse the current squeeze on farm income. Have you discussed lately with EPA officials the need for science-based decision making for the Food Quality Protection Act, Dr. Dunn?

Mr. DUNN. What we do is provide information on pesticide residue, through 10 different states. And what we try to provide is unbiased information for employees at Ag Marketing Service glean that information and they make it public. It is information that EPA uses when they go to reauthorize a pesticide. It is what the chemical companies also use when they justify the need for that pesticide, that there is not an excess amount of it.

What we try to do is remain impartial in that so that there is a place where people can go and get genuine scientific information.

Mr. WALSH. Can you assure us that USDA takes its role serious enough to challenge EPA if they disagree with their determinations on certain pesticides?

Mr. DUNN. Again, the determination on pesticide is an EPA determination. What we do is simply supply them the information. If they have concerns about the validity of our information, we will discuss that with them.

Mr. WALSH. We have pretty much eliminated all chlorinated hydrocarbon pesticides, right?

Mr. DUNN. Yes.

Mr. WALSH. And it looks like organophosphates are soon to follow?

Dr. REED. There are still a fair amount of organophosphates that are used.

Mr. WALSH. Well, obviously, any time you mention pesticides people cringe. They get concerned about them. But the fact is that there are major economic impacts to farmers, especially with special use pesticides that cannot be replaced. I know in upstate New York along the lake plain there is a lot of organic soils where they grow vegetables.

There are certain pesticides that work in organic soil situations. In some cases, there is only one pesticide available to deal with a certain pest. And if you eliminate that pesticide, you eliminate that farmer's livelihood, because they may be growing onions at that time of year and the only way to treat a certain pest is with this chemical.

And I remember it happened several years ago but it was a New York State DEC decision and we went to them and worked with them. We said, there is huge economic impacts on this, can we work through this? Because it was not a real strong recommendation that they made. They said, well, this has got to go because we believe such and such.

It would seem to me that, obviously, the public and the public health have to be held in the highest regard. There is no question about that. But a lot of these pesticides have been licensed and used for many, many years in a safe and effective way. And I would just urge you in your consultatory role with EPA to protect that interest of the farmer, of the producer and ultimately the consumer. I do not think they are in opposition to each other but a balance has to be struck. And if you eliminate a whole family of pesticides, you better have something to replace them.

Could you explain how the pesticide data program works?

PESTICIDE DATA PROGRAM

Mr. FIGUEROA. Gladly, Mr. Congressman. We have approximately 10 States in the program that we have entered into cooperative agreements for the State labs to do the testing of the products that we develop a protocol for. Those 10 States represent a scientifically-defensible cross-section of produce.

Produce is collected at either wholesale distribution centers or supermarket warehouse distribution centers. Random samples are selected. We test for pesticides that the EPA, FDA, and we arrive at; a set of pesticides that are in need of being tested for. The data is submitted to our central offices here in Washington and compiled and we issue an annual report.

Mr. WALSH. What is the objective?

Mr. FIGUEROA. The objective of the PDP program is to have a scientific, statistically-defensible sample of what is actually on this basket of produce—in addition it includes milk and grains and some other products—over time. So that anyone that is interested in making a determination of what is actually in the marketplace, we have that data available for them to make that determination.

Mr. WALSH. How many States participate?

Mr. FIGUEROA. There are currently 10 States in the program.

Mr. WALSH. What do we need to do to get everyone involved?

Mr. FIGUEROA. I could not give you a dollar figure on that, Congressman. I am willing to——

Mr. WALSH. Is it a question of funding?

Mr. FIGUEROA. The 10 States that are currently in the program are representative of the national basket, if you will. There is enough product tested in enough diverse areas that we feel that it is a representative sample of what actually is transpiring across the country.

Mr. WALSH. And the agricultural practices are equally accepted in all those areas? In other words, what apple growers use in Washington State is what apple growers use in New York State?

Mr. FIGUEROA. We are testing when the product is already in the marketplace. So that we are actually trying to get a sample of what actually the consumer is going to consume. In fact, when we do the testing of apples, for example, the apples are washed because we are assuming that most consumers will wash their apples. Then we do the grinding and the testing for the pesticides.

Mr. WALSH. What role does this data play in EPA's pesticide registration program?

Mr. FIGUEROA. The role that it plays is that they will have direct data on exposure. They can use the pesticide data and infer that an average consumer consumes X number of pounds of apples. The data program provides how much pesticides are available in that apple or on that apple, and they can then develop the kind of exposure and risk assessment with regards to the various commodities and pesticides.

Mr. WALSH. That was my next question. Is this data then put to use in developing risk assessment?

Mr. FIGUEROA. Yes, it is. I might add, Congressman, that we do random samples so that we capture both domestic product as well as imported product.

Mr. WALSH. And you can identify both?

Mr. FIGUEROA. Yes, we can.

Mr. WALSH. As domestic or foreign?

Mr. FIGUEROA. Yes, sir.

FARM ANIMAL IDENTIFICATION AND RECORDS PROGRAM

Mr. WALSH. My last questions are for APHIS. Over the last several years I have worked fairly closely with dairy and livestock groups to provide funding for a farm animal identification and records program, FAIR they call it. It is a plan that is designed to lead to the creation of a unified system of animal identification to serve the needs of animal health and disease control, food safety, herd management, breed production, genetic advancement.

How much progress is being made toward the creation of a national livestock identification system, and when do you envision such a system being fully operational?

Dr. REED. We have a report—you may have the same report—on the need to have a national system. A method of national identification in the past has been brucellosis ear tags. With less need for brucellosis vaccinations in many States, this is no longer a viable identification.

All of the people involved in the livestock industry support the need for livestock identification to isolate a pest or disease problem,

trace it back, and eliminate it rather than using a less effective and efficient shotgun approach. We can obtain animal health information based on a sound national ID system.

We are getting closer, but we are not there yet. We are exploring several ideas from livestock producers on the best way to establish permanent identification.

Mr. WALSH. So there are sort of competing proposals on how to approach this?

Dr. REED. There are a variety of ideas on the table. Everybody agrees that there is a compelling need for animal identification, especially if we have a pest or disease outbreak. We can then respond positively to questions from other countries about a disease outbreak and know it is limited to a certain area.

Mr. WALSH. Thank you. Thank you all.

Thank you, Mr. Chairman.

Mr. SKEEN. Thank you.

Ms. Kaptur, we are going to go—this is only the start of the second round. Let's keep it to about two questions.

Ms. KAPTUR. Mr. Chairman, I was going to ask our guests if they wanted to stand up just for a two-minute break.

Mr. SKEEN. I am afraid they might fall over, they have been sitting there so long. We appreciate your endurance.

Ms. KAPTUR. Are you doing all right out there?

Mr. SKEEN. Ms. Kaptur.

STRATEGIC GOALS

Ms. KAPTUR. Thank you. Under Secretary Dunn, I just wanted to point out to you something I mentioned to the representatives from Agricultural Research Service yesterday. That is as I look at your strategic goals for marketing and regulatory programs, what continues to surprise me in many of the agency divisions' descriptions of their strategic goals there are many priorities, consumers, workforces, customers. But the word that is always missing is farmers.

You use—the term in here is producer, which is an interesting word. But I hope that does not—sometimes words really do tell us where people's minds are. So I just point that, to me, glaring omission out to you, in hopes that as you go back and talk about what it is you actually do, that farmers might get some attention in the most high-level goals that you establish as a part of USDA.

Mr. DUNN. Congresswoman, you have a good point in that we sometimes fail to realize why we are here. It is for family farmers throughout this Nation. That is one of the primary reasons why we are here, why we have a Department of Agriculture.

In our annual workplan, all three agencies have stressed this year, because Secretary Glickman has asked us to, family farmers. The Secretary had a commission on family farmers. In each agencies' annual workplan, special segments explain how they relate to family-size operators, and how we can assist in keeping them in business. We need to rededicate ourselves to helping family farmers every day.

Ms. KAPTUR. Do you have any explanation of why even the words are missing from your strategic goals?

That is a hard question. I really put you on the spot there. You do not have to answer it. I made my point.

SANITARY PHYTOSANITARY STANDARDS MANAGEMENT

I wanted to ask Dr. Reed, if I might. We talked a lot about the import of pests and bacterium into this country from other nations. As you look at what we are accused of globally, is the level of concern as great among our trading partners with what is exported out of here? Or would you say that the level of concern is greater based on what comes in here?

Dr. REED. I would characterize the concern it as about the same. People who receive our exports are very cautious, whether it is pork going to Japan, or wheat going to Italy. There are a variety of pest and disease concerns on both sides so we must make sure that what we certify is what we deliver and vice versa.

Ms. KAPTUR. Is that generally true, that what we certify is—what we deliver has been certified and that we do not create the same kind of problems elsewhere, our exports, as imports coming in here? I know the level of concern is the same, but I am saying in fact with what happens with the deliverables, how well do we present ourselves in the countries in which we sell our product?

Dr. REED. We do an excellent job because we know that if they find a pest or disease problem, they are going to close the export market for us.

Ms. KAPTUR. Have we exported citrus canker anywhere?

Dr. REED. I doubt it, because we have been containing spread through regulatory actions and surveying for it in commercial groves to prove free status before we export the citrus.

KARNAL BUNT

Ms. KAPTUR. What about Karnal bunt?

Dr. REED. We always have been worried about Karnal bunt. We do not want Karnal bunt to spread to free areas. Countries that receive our wheat are testing and examining for spores. That is why we look so hard here, to ensure we deliver a product that is disease free. If we do not, we are going to lose foreign markets for our agricultural products.

Ms. KAPTUR. On the Karnal bunt problem we had a couple years ago, was that not the first time that had been detected within our borders?

Mr. DUNN. Correct.

We had never had it before.

Dr. REED. Arizona was the first time it was detected in the U.S.

Ms. KAPTUR. It was the first. That is what I thought. On page 1417 of the budget that you submitted in the large budget book there is a line item for Karnal bunt CCC $16.273 million in 1998, and there is a carryover through that year, and there are no additional—it says, available for 1999, $2.9 million. Could you kind of summarize where we are on the Karnal bunt? I thought we had closed that down? Are we still expending funds to remediate that?

Dr. REED. We still have survey and control programs for Karnal bunt restricted areas in four States. We are proposing a new regulation that we expect to be out this coming week to inform producers of the remaining regulated areas.

Ms. KAPTUR. From which nation did we trace that Karnal bunt appearance in our country?

Mr. DUNN. We did not.

Dr. REED. We do not have any specific information.

Ms. KAPTUR. Was it windborne?

Dr. REED. We believe it was from Mexico, but can not be sure.

Mr. SKEEN. New Mexico has a quarantine in the southwest corner. The premise is that it came out of Mexico through Arizona and into New Mexico.

Ms. KAPTUR. As I asked on the beetle issue, could you present us with the total amount that we have spent in trying to eradicate and remediate against the Karnal bunt? Just ballpark. If you could submit that for the record I would appreciate it. And I take it that we have not discussed this with the government of Mexico, have we? Maybe they are remediating along their northern border. Do you know that, Secretary Dunn?

Mr. DUNN. We have not discussed any funding with Mexico on Karnal bunt. They have Karnal bunt in Mexico and have established quarantines similar to ours. Since 1996, we estimate spending about $67 million on Karnal bunt through this year.

We distributed about $33 million of the $67 million compensate to producers for losses that they have incurred because of the existence of Karnal bunt. We still are incurring costs to maintain quarantine areas. We then are able to assure our trading partners that when they buy wheat from the United States, we can provide a phytosanitary certificate that indicates this wheat comes from an area free of Karnal bunt.

Ms. KAPTUR. So our sales are—it has been all right?

Mr. DUNN. We have retained 98 percent of our sales that we had before our find of Karnal bunt here in the United States.

Ms. KAPTUR. I think that was due to your quick action as a department also. I want to compliment you on what was done there. That was really a terrible development.

Mr. DUNN. It was many fine men and women in APHIS, but State Governments as well worked very, very closely with us on that.

Ms. KAPTUR. Very good. I am glad to hear that wheat sales are okay. I had not been given that figure before so I appreciate that for the record.

SANITARY PHYTOSANITARY STANDARDS

On page five of Dr. Reed's testimony you talk about American agricultural producers last year shipping over $55 billion worth of products to overseas markets. Do you also have the number of—I know you are not the Economic Research Service, but the amount of imports now coming in here and the rate at which those are increasing, which affects your life very much?

Dr. REED. I can get the exact figures for you, but we still maintain an overall balance of around the $10 billion to $15 billion mark of getting a product out more than we take it in.

[The information follows:]

In 1998, we imported about $37 billion worth of agricultural products so we still maintain an overall balance of around $17 billion. In 1996, the balance was more

favorable, about $28 billion, but a combination of weaker exports and increased imports has reduced the balance today.

Ms. KAPTUR. That is true. But of course, the rate of growth is what is very significant in both those lines. I would just commend that to your attention. And there seems to be some aversion—I do not know why this is. In our country, we always—in every single Administration document that comes up here, we always talk about the export side of the equation. I am all for that.

But it is just a glaring hole that we also do not report on the imports. And in the area of agriculture, this is very, very important. In some ways, it would support your arguments for more funding to do some of what you need to do. But those dollars are never reported. Those quantities are never reported.

We follow them pretty regularly up here because of our interest in our national interest. But it is always interesting to me to look at testimony and to see what is in and what is not in. So I just wanted to make that observation.

PACKER CONCENTRATION

I wanted to ask for further clarification, either verbally or for the record, of Mr. Baker on how your budget addresses the concerns regarding concentration that others on this committee also talked about today, and is anything being done to expand your investigatory ability in the budget submission?

Mr. BAKER. The budget asked for additional funds to address concentration; specifically concentration. We are sending forward a bill to amend the Packers and Stockyards Act to cover poultry under our administrative authority. We feel that we need to have administrative authority for poultry. It is pretty hard to have the responsibility and not the authority.

So we are asking for administrative authority that would place poultry under the same authority that the other meats have, and our budget is structured around that.

Ms. KAPTUR. All right, I thank you for that.

Secretary Dunn.

Mr. DUNN. Congresswoman, I think we and the Nation owe this committee a vote of thanks for the $2.5 million that was made available last year as a one-time cost to restructure packers and stockyards, to allow us to get more people out in the countryside to actually do the business, to look at concentration issues out there. We went from having 72 percent of the people in the field to 80 percent of the people in the field. We now have three regional offices set up, one specializing in poultry, one specializing in swine, and one specializing in beef and lamb. So that we are getting the expertise where we need to have it.

We do have requests for looking at competition, and requests for poultry. Again I reiterated what I said in my opening statements, the single biggest factor that could help us is having that money available for the electronic filing of information so that we can get that information from packers. It will not be a burden on them if we can do it electronically. They can tally up at the end of the day and let us have that. That would give us the type of information we need to be able to tell the world what is happening out there.

Ms. KAPTUR. You certainly have my support on that. You reminded me, I wanted to compliment Mr. Baker. After he traipsed through northwestern Ohio last year I asked his assistance in another area, which was to try to get up on a web site at USDA in the area of contract farming, helpful questions for farmers. I do not know who did that. Congratulations. It is a fine, fine, fine job.

Farmers can really benefit by reading through that, and you give them other references. Where you cannot put a sample contract, for example on there, you refer them to Iowa and other places. But honestly, it was just excellent.

Mr. BAKER. There was a need for that.

Ms. KAPTUR. We thank you very much for that, and we hope we save a few of them out there by just access to better information.

DIRECT MARKETING

I wanted to ask Dr. Figueroa, I have been a long supporter of farmers' markets, and the Secretary has been really helpful on that. I wanted to ask you, if you could comment, how well you work with the rural development part of your department, particularly Under Secretary Long-Thompson, to find other ways, economic ways for farmers to arrange their own production or their own marketing of product, to find outlets to market.

I was listening to Mr. Baker when he was talking here about people bidding so much on animals, $7 or $5 or $3 or whatever it was and how the transparency was not necessarily there in the marketplace for the farmer. But as I recall hearings in my area people were saying, hey, we can produce a quality product, but the auction barns and the market does not request quality; does not respect our quality. That is what they were saying to us.

Our problem is getting to the market. Our problem is how we organize ourselves as groups of smaller producers to reach the market. And when they have a very little narrow, eye of a needle to pass through to get to the market, it is very difficult for them.

So my question really goes, to what extent is the marketing service looking at ways for farmers to bond together or to work together, whether it is through a marketing co-op or through the credit support for an expanding small slaughter facilities that might be out there to permit them to actually bring product? It is the same problem we have now if we are going to buy extra product to try to relieve the surplus that is out there in the low prices, who are we going to go to to buy those hogs or buy those cattle, and how do we reach them as the Government of the United States? Who is going to end up being the seller?

So I am curious as to how much work you are really doing to try to find ways to help lead these farmers to market in non-traditional channels.

Mr. FIGUEROA. Congresswoman Kaptur, I will make available to your office a copy of a direct marketing action plan, or a strategic plan that was developed under the leadership of Under Secretary Dunn and my staff in marketing and transportation. You will see in the plan where it includes a number of initiatives that we want to pursue to address not only farmers' markets but other channels of direct marketing. It establishes there a council, if you will, that includes individuals such as you mentioned, Jill Long-Thompson.

So that there is more of a coordinated effort within the USDA to try to develop more comprehensive approaches to innovative solutions for direct marketing venues and opportunities for farmers in this country.

Ms. KAPTUR. I am very, very glad to hear that. To the extent you can provide any of that information for the record I would very much appreciate that.

Mr. FIGUEROA. We will do that.

[The information follows:]

FARMER DIRECT MARKETING

ACTION PLAN

AGRICULTURAL MARKETING SERVICE

MARKETING AND REGULATORY PROGRAMS

July 23, 1998

AMS FARMER DIRECT MARKETING ACTION PLAN

VISION:

USDA/MRP/AMS and their partners will work together to enhance the strengths of small farmers to enable them to thrive now and in the future.

MISSION:

The fundamental mission of Agricultural Marketing Service (AMS) is to facilitate efficient, dependable and equitable marketing of agricultural products.

PURPOSE:

The purpose of this plan is to describe actions which will promote direct marketing alternatives for providing access to markets for the small farmer.

The plan will identify and affirm the role of AMS and USDA in support of small farmers and will establish the basis for the FY 2000 budget submissions supporting direct marketing.

BACKGROUND:

A number of recent studies indicate that farmer direct marketing–growers selling their farm products directly to consumers–has been gaining popularity in recent years. This direct marketing of farm products is characterized by immediate contact between producer and consumer, smaller-scale production operations, and a highly decentralized structure. Direct marketing includes farmers markets, pick-your-own farms, and roadside stands, and also includes subscription farming and catalog sales.

Farm products sold through direct marketing include fruits, vegetables, nuts, honey, meats, eggs, flowers, plants, herbs, spices, specialty crops, Christmas trees, and value added products such as maple sugar candies, cider, jellies, preserves, canned food, and firewood.

This renewed interest in farmer direct marketing benefits consumers, growers, and society as a whole. Consumers benefit from the freshness, quality, and wide selection of products, and the opportunity to meet and interact with the farmer that grew the food develops a bond of trust in the integrity and accountability of the grower. Increasing interest in organically grown farm products and the consumer's desire to buy ripe, fresh, and high quality products is driving the growing emphasis on farmer direct marketing.

Society benefits by being able to maintain green space by sustaining farms near population centers. Markets create an opportunity for city dwellers to meet growers and gain an appreciation of farming. Many communities have found it feasible to invest in markets as a component of economic development and realize benefits from resulting tourism.

Direct marketing is especially beneficial to small farm operators. Small farms, as defined by ERS and used in the report of the National Commission of Small Farms, are farms with less than $250,000 gross receipts annually on which day-to-day labor and management are provided by the farmer of the farm family that owns the production, or leases, the productive assets. This comprises almost 1.9 million farms, or 94 percent of all farms. Although these farms account for 41 percent of farm receipts, on average, they earn a negative return on equity. These farms provide an average net income of only $23,159. About half of the 1.5 million farmers with gross income of less than $50,000 supplement their income with off-farm jobs or receipt of subsidies for tobacco, cotton, and peanuts.[1]

The 1992 census of agriculture counted 86,432 farms which had direct sales of agricultural products to individuals for human consumption. Gross sales from these farms totaled $404,056,000. Of this total, 98.5 percent had direct sales less than $50,000, and 50.6 percent had total direct sales of less than $1,000 with an average of $369 per farm. [2]

In a 1976 report of direct marketing by producers to consumers, USDA estimated there were some 8,915 roadside stands, 3,069 pick-your-own operations, and 541 of the more permanent farmers markets operating in 41 of the 50 states and in the District of Columbia. Estimates for the non-reporting states would increase the total number of outlets to well over 13,000. [3] No current USDA data exist which quantifies overall directing marketing activities on a nationwide basis. However, the total number of outlets is believed to be substantially larger based on the popularity of farmers markets.

Farmers markets, in particular, have recently received heightened attention and are being promoted by cities, states, and the USDA. The concept of the farmers market where two or more growers come together to sell locally grown produce is as old as farming itself. These markets include open air markets, curb and corner markets, and metropolitan markets. Markets can range from a neighborhood parking lot to larger permanent structures.

Until the advent of supermarkets, farmers markets were one of the primary ways consumers bought seasonal produce. It appears that a resurgence of these markets is indeed occurring.

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[1] *A Time To Act*, A Report of the USDA National Commission on Small Farms, January 1998

[2] 1992 Census of Agriculture, Table 2, Market Value of Agricultural Products Sold and Direct Sales: 1992, 1987, and 1982, page 10 and 11.

[3] Economics, Statistics, and Cooperatives Service, USDA, ESCS-01,1976.

Preliminary estimates of farmers markets operating in the U.S. in 1998 is 2,725.[4] In 1995, the reported number of farmers markets was 2,410, an increase of 655 markets reported over the 1993 market season.[5] Periodic updates of this information is important for maintaining accurate data on growth of farmers markets and other direct marketing activities nationally.

Since about 80 percent of a farmer's gross sales are absorbed by farming expenses,[6] small farmers must pursue marketing strategies that promote their smallness as an attribute and minimize their cost of sales. Selling directly to consumers at their own road-side stands, through pick-your-own operations, through subscription with urban dwellers, or at farmer's markets allows a grower to eliminate the "middle-man" and to sell products at, or near local retail prices.

It is the intent of AMS to ensure and enhance cooperation and collaboration with and among agencies and organizations which promote and support small farmers in order to maximize the opportunity for small farmers to realize the benefits of the growing consumer interest in direct marketing. The following objectives outline the actions AMS will take to facilitate the development of direct marketing opportunities for small farmers.

OBJECTIVES:

Objective 1 Form a USDA Farmer Direct Marketing Council to allow the Department to be better able to identify policy issues. The Council would meet quarterly with AMS as the host organization. The Administrator of AMS would be permanent Executive Secretary and the Chair would rotate among members. The Council will coordinate, as appropriate, with the proposed Interagency Regional Food Systems Team to be established based on recommendation 3.26 of the Small Farm Commission report. Members of the Council would include:

Assistant Secretary for Marketing and Regulatory Programs
Under Secretary for Farm and Foreign Agricultural Service
Under Secretary for Rural Development
Under Secretary for Food, Nutrition, and Consumer Services
Under Secretary for Research, Education, and Economics
Administrator, Agricultural Marketing Service
Administrator, Farm Service Agency
Administrator, Rural Business-Cooperative Service

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[4] 1998 National Farmers Market Directory data

[5] *1996 National Farmers Market Directory*, Agricultural Marketing Service, USDA, 1996.

[6] 1991-1994 Farm Costs and Returns Survey, Economic Research Service, USDA, 1995

Administrator, Agricultural Research Service
Administrator, Cooperative State Research, Education, and Extension Service
Administrator, Economic Research Service
Administrator, Forest Service

Objective 2 Identify farmers direct marketing issues and opportunities for small farmers through public input.

- Conducted a forum with managers of Farmers Markets and others on July 1, 1998, to identify opportunities for small farmers to maximize their access to these markets.

- Conduct focus meetings with industry organizations dedicated to the support of small farmers. The focus groups will provide recommendations for program activities, and begin to build a network of organizations with resources to facilitate direct marketing activities. Organizations identified thus far for possible inclusion in these focus groups are listed in Attachment Number 1.

Objective 3 Promote the development and operation of farmers markets and other marketing activities which support small farmers.

- Encourage the establishment of farmers markets on Federal properties.

- Facilitate farmers markets on Federal property in DC during summer 1998 as models for other Federal agencies. The first farmers market opened at USDA on July 2, 1998, with markets opening thereafter at Energy, State, Labor Transportation, and Capitol Hill.

- Developed a Secretarial Proclamation declaring the week of July 2 Farmers Market Week.

- Provide farmers market information in all briefing materials prepared for senior USDA officials to allow them the opportunity to promote these markets as they travel on official business.

- Established a farmers market home page linked to the USDA Home Page to serve as a clearinghouse for information on markets throughout the country. Using the Home Page, coordinate with FSA to provide listings of farmers markets located in county offices; cooperate with FCS to list farmers markets providing WIC coupons. (The page has been established, and has begun to provide information on farmers markets and their

locations throughout the country.)

- Identify organizations and volunteer groups to develop additional farmers markets in 1999. Contacts will include the following organizations:

  - The Army National Guard has armories in almost all counties in the U.S. and its territories. These armories are traditional gathering places for local communities, and could be excellent locations for hosting farmers markets.

  - The National Grange of the Order of Patrons of Industry. This rural family organization has had a special interest in agriculture since 1867. The Grange has membership in 37 states and the District of Columbia. Members of the organization would support all forms of farm-related direct marketing and would be a good source of volunteers for farmers markets. There are approximately 300,000 members in 3600 communities.

  - Farm-based organizations such as Farm Bureau, Farm Credit Administration, Federal Land Bank, National Farmers Union, and other farmer groups with facilities/land space to support seasonal farmers market operations.

  - Faith-based organizations including churches, synagogues, and other religious groups supportive of farmer direct marketing and providing fresh agricultural products to its membership and community.

- Encourage the development of cooperatives and other farmer group efforts to support the production, processing, transportation, and marketing of food and agricultural products.

- Encourage the development of means to increase small farmers access to mass markets and to global markets.

- Encourage the development of small processing facilities or companies to work in conjunction with small farmers to add value to locally grown produce, livestock, and poultry through canning and slaughtering operations.

Objective 4 Develop the ability to serve as a one-stop information source for farmer direct marketing activities.

- Provide on-line, interactive technical support to growers and market organizers through an expanded AMS-800 number (currently dedicated to farmers markets), web-site with e-Mail response capability, and/or FAX.
    - Build a knowledge file of USDA/AMS/Industry publications and references as an on-line resource beginning with currently available publications.
- Design and implement an AMS farmers direct marketing web page providing information on a variety of topics, also linking to appropriate Federal, State, university, and other web sites relating to direct marketing.
    - California, Florida, and others that have already been created.
    - Link to other existing Federal Agency web sites including those developed by TVA, CSREES, etc.
    - Include links to local web sites featuring road side stands and pick-your-own locations.
- Publish a "How to Start a Farmers Market" handbook.
- Publish a "How to Market Produce to School Systems" handbook based on the experiences of projects in Florida and Georgia.
- Update and publish 1998 Farmers Market Directory.

Objective 5 Conduct, support, and promote research in farmer direct marketing.

- Complete farmer direct marketing projects scheduled for completion during FY98 and FY99. AMS is currently conducting studies to develop or improve facilities at farmers markets in 8 states (described in Attachment Number 2).
- Work directly with State Departments of Agriculture and under the auspices of NASDA/NAAMO to encourage additional emphasis on farmers direct marketing issues.
- Actively seek a larger number of stronger proposals to address high priority marketing issues being faced by small farmers.

- Support development of educational programs for small farmers.
    - Support development of a farmer direct marketing distance learning program for small farmers with CSREES. Courses would cover direct marketing alternatives, market analysis, business planning, advertising and promotion, legal considerations, production considerations, and resources available and other appropriate subjects.
    - Support development of a training/certification program for farmers market managers.
- Develop new research projects within funding limits for FY99 which will focus on farmers direct marketing issues and problems.
    - Identify obstacles to farmer direct marketing for the small fresh fruit and vegetable producer identified by the focus groups.
    - Support research to develop farmer direct marketing alternatives for farmers engaged in growing tobacco and peanuts.
- If additional funding can be obtained through FY2000 appropriations, identify new farmer direct marketing strategies, reflecting results from research, from focus group sessions conducted earlier, and reflective of the applicable recommendations made by the Small Farm Commission. Research needs will be identified, and where comparative advantage lies outside the agency, AMS will sponsor such research by other organizations, such as CSREES, ERS, or universities.
    - Collaborate with CSREES and ERS to develop a decision "tool kit" to enhance the ability of small farmers to evaluate the potential returns and risks from pursuing niche marketing with new or differentiated products. Technical assistance could be provided by taking the "tool kit" off the research shelf directly into the field, evaluating its usefulness, and disseminating the results of such "market experiments" that use new strategies and the tool kit to enhance market opportunities and returns. AMS would coordinate the technical assistance with staff from land grant universities or Extension personnel, and in conjunction with ERS, suggest modifications to the tool kit, and draft the written output for dissemination.
    - Case studies will be conducted on niche markets and other facility-type

markets, to establish their contributions to farmer returns. These studies will be collaborative efforts, with ERS, universities, state Departments of Agriculture, and small farm organizations, etc.

- A survey will be designed and conducted periodically to collect data on trends in the production of niche products, in market demand for such products, and in evolving marketing channels and arrangements. The data collected will form a critical and expanding information base for producer and marketer decision making. AMS will collaborate in this initiative with NASS and ERS.

CONCLUSION:

Through accomplishment of these objectives, AMS will develop the ability to identify and coordinate resolutions to many of the problems facing small farmers in marketing their products. Consumers will benefit through an even fresher, safer supply of a wide variety of farm fresh products. Society will benefit from a strengthened bond between grower and consumer, a more sustainable agricultural base, and the continued heritage of the American small farm.

Within three years of implementation of this plan, accomplishment of the above objectives will result in:

- Achievement of the goal of having AMS recognized as a principle contact at USDA for information regarding farmer direct marketing.
- Establishment of the USDA Farmer Direct Marketing Council with regularly scheduled quarterly meetings being held.
- AMS hosting an annual forum of farmers market managers and regional focus groups from industry associations in order to maintain effective networks and to identify and respond to marketing issues affecting small farmers.
- Development of a model for holding farmers markets on Federal property based on the experience from the 1997, 1998 and 1999 markets held in the Washington, DC area. The model will be updated annually with new information. The model will be available to all agencies through the AMS web site.
- Establishment of a one-stop farmer direct marketing information clearinghouse for handling inquiries and routing calls to appropriate sources. An extensive knowledge base will be developed and made available through the AMS web site.
- Establishment of a directory of all active farmers markets which will be maintained on-line, with a new directory published in July of each year.
- Development of a training program for managers of farmers markets and marketing information programs for small farmers which will be available on-line or through distance learning facilities.
- Additional requests for feasibility studies for year-round farmers market facilities.

ATTACHMENT 1 – INDUSTRY ORGANIZATIONS:

To fulfill its role as facilitator of direct marketing activities, AMS will bring various organizations together to leverage the synergy of different perspectives in addressing the various issues and brainstorming possible solutions to the problems facing the small farmer and the industry. Among those to be invited to participate in direct marketing focus groups are those listed as follows:

1. The North American Farmers Direct Marketing Association (NAFDMA) is an organization composed of direct marketers and other people who work in extension, education, market management, government, and in supporting industries, and allows AMS to readily identify critical marketing issues and provide essential services to small farmers.

2. The Federation of Southern Cooperatives works with the South's rural low-income people to develop cooperatives to create economic self-sufficiency and to assist in land retention and development for all family farmers.

3. The Commodity Growers Cooperative Association of Kentucky seeks to identify alternative crops for tobacco farmers.

4. The federations of farmers markets formed by the various states including California and Massachusetts.

5. The Small Farm Center located at the University of California, Davis.

6. The Southwest Georgia Alternative Agriculture Project is focusing on the education and encouragement of small minority farmers to engage in production of fruits and vegetables.

7. The Project for Public Spaces, a non-profit (501.C3) consortium which assists city planners, and others concerned with the economic development of communities.

8. The National Association of Produce Market Managers and the National Association of Perishable Produce Receivers to explore methodologies of improving the delivery of fresh produce to consumers.

9. The North American Agricultural Marketing Officials. This organization promotes education, communication and cooperation among the membership to enhance worldwide market opportunities for North American agricultural products.

10. The Food Distribution Research Society. This organization of individuals from universities, government and the food industry was formed to effectively address the problems confronting the food system.

11. S-222, a regional research project dealing with fruit and vegetable marketing has been recently reauthorized.

12. The Transportation and Distribution Committee of the United Fresh Fruit and Vegetable Association, represents a broad spectrum of produce wholesalers, and distributors.

13. The Produce Marketing Association facilitates a number of workshops, round tables, and conferences including the largest fresh produce and related products show in the world. Other programs include the fresh pre-cut and other value-added products show. The organization is also funding studies of the wholesale produce markets through Cornell University.

14. The Food Marketing Institute facilitates conferences such as the US Food Export Showcase which attracts 30,000 domestic retail food store buyers and executives and over 6,000 international buyers. The 1998 conference will sponsor the USDA exhibit of farm produced specialty foods from New York and four other states.

15. USDA's Sustainable Agriculture Research and Education (SARE). This program, while initially focused toward farm production and related resource issues is directing increasing allocations to marketing of environmentally friendly products.

16. The National Association of State Departments of Agriculture.

17. The American Farm Bureau Federation, National Farmers Union, National Farm Organization, and the National Grange. The American Farm Bureau is active in 39 states. They have developed a *Voice of Agriculture Connection*, as a place to find agriculture and rural-related web sites, resources and services. This site includes AMS as well as other USDA web sites.

18. Appropriate Technology Transfer for Rural Areas. Operated by the National Center for Appropriate Technology, ATTRA provides information to farmers and other rural users on a variety of sustainable agricultural practices that include both cropping and livestock operations.

19. National Association of Farmers Market Nutrition Program

ATTACHMENT 2 – CURRENT PROJECTS UNDER DEVELOPMENT

The direct marketing projects currently under development in AMS' Wholesale and Alternative Markets Program Area will be incorporated as activities of the Direct Marketing Action Plan as time and scheduling permit. Since these projects are typically developed by several of the staff members working as teams–most of whom will be actively participating in the implementation of the plan–it will be necessary to adjust the anticipated completion dates. Cooperative agreements have been made in order to acquire data or specialized skills not otherwise available within the staff. These projects are:

- Strategic Initiative to explore alternative marketing channels for fresh fruits and vegetables. TM is conducting marketing research through a cooperative agreement with Cornell University's Food Industries Division and the Small Farm Center located at UC Davis to evaluate recent changes and trends related to traditional and alternative marketing channels for fresh fruits and vegetables in the U.S. This research will identify the full range of marketing options currently available to the U.S. fresh fruit and vegetable producer, and is scheduled for completion in FY98.

- Farmers Markets and Tourism, KY: the purpose of this research study is to determine if farmers markets promote tourism and provide an opportunity for small farmers to increase their sales. The study was conducted in four States (NC, PA, TN, KY) to determine the relationship between farmers markets and tourism. Information about potential use of farmers markets by tourists regarding purchases and attractiveness of farmers markets, and the importance of tourists to business from vendors was obtained from the surveys. The final report of this project will be published in 4th Quarter FY98 .

- Farmers Market Survey: this project is intended to explore the expansion of farmers markets identified in the 1996 Farmers Market Directory, and expected to be found in the 1998 study. The project should provide information to determine the assistance the industry will need in future years - 1st quarter FY99.

- Develop a profile of patrons at farmers markets through analysis of demographics based on a study of Delaware Farmers Markets - 1st Quarter FY99.

- Waterloo, IA: a seasonal farmers market will be developed to complement the year-round Chicago Great Western Public Market being established - 1st quarter FY99.

- St. Louis, MO: a seasonal farmers market will be developed to complement the year-round Soulard Market- 1st quarter FY99.

- Santa Fe, NM: development of a permanent facility for expansion of the market - 2nd

quarter FY99. The City of Santa Fe is contributing matching funds and acting as Cooperator for the project.

- St Paul, MN: redevelopment of the St. Paul Farmers Market to expand the facilities will create additional marketing opportunities for small farmers in the region. Phase one of the project is complete and the final phase will be completed in FY99.

- Burlington, VT: the project entails evaluating a cooperative strategy among very small farmers to grow and assemble produce in sufficient quantities to support a direct marketing operation in an urban location.

- Organizing a Successful Urban/Rural Direct Market, Atlanta, GA - FY99. The Federation of Southern Cooperatives is Cooperator for the project.

- Building Sustainable Agricultural Systems Through Direct Marketing, CA: the project entails gathering and analyzing information on 5,000 plus direct marketers and some 400 direct market producers throughout California.

- Madison, WI: The purpose of this study is to determine the potential success of operating a second farmers market in the Madison, WI area. The original market serves 300 local small farmers with approximately 200 additional growers on a waiting list unable to participate because of the lack of space. The final report will be released in 1st quarter FY99 .

ATTACHMENT 3 - IMPLEMENTATION ACTIVITIES AND TIME LINE:

It is anticipated that this plan will implemented in approximately six months with some activities continuing indefinitely. The initial steps to be completed in order to implement this plan include:

- Identify staff to support and implement this plan - June 1, 1998.

To accomplish Objective 1: forming a Direct Marketing Council

- Establish the Direct Marketing Council - Fall 1998.

To accomplish Objective 2: identifying direct marketing issues and opportunities.

- Held a brainstorming meeting with farmers market managers and others interested in farmers markets - July 1, 1998.

- Develop plan for hosting industry focus group meetings to take place in early FY99. Develop a cooperative agreement with a university for organizing and hosting meetings to be located at convenient sites for attendees - Fall 1998.

To accomplish Objective 3: promoting farmers markets:

- Host USDA Farmers Markets in the DC area during summer 1998, and expand to other sites in 1999. An action plan has been developed to implement this objective with the first market taking place on July 2, 1998. - on going from May through October.

- Develop a list of special activities taking place at farmers markets throughout the country which could be attended by Mr. Dunn and/or other key USDA officials, *i.e.* Okra auction in Cairo, GA; strawberry auction in Benton Harbor, MI; peach pie judging in CA - July - August, 1998.

- Identify organizations and volunteers to develop additional farmers markets to begin operation in 1999 - Fall 1998.

To accomplish Objective 4: Create a one-stop information source for direct marketing:

- Conduct an in-depth search for potential web-sites which can be linked to the AMS direct marketing home page - beginning in June 1998.

- Conduct an in-depth review of publications relating to direct marketing as a basis for development of a knowledge file - beginning in June 1998.

- Develop an AMS direct marketing web site - by Fall 1998.
- Develop links to other existing Federal Agency web sites including those developed by TVA, CSREES, etc., beginning in Fall 1998.
- Identify and train staff to provide on-line, interactive technical support to growers and market organizers by responding to the AMS-800 number and web-site through e-Mail, telephone, and/or FAX - by Fall 1998.
- Update and publish the 1998 Farmers Market Directory, and place on the Direct Market web site - July 1998.
- Publish a "How to Start a Farmers Market" handbook, and place on the Direct Market web site - Fall 1998.

To accomplish Objective 5: Conduct, support, and promote research

- Identify potential source for developing a training program for market managers for FSMIP funding - Summer 1998.
- Review FSMIP proposals for potential projects which would support direct marketing - July - August 1998.
- Develop project proposals to implement recommendations from the focus groups and Direct Marketing Council that are applicable to direct marketing and within available funding - 2nd quarter, FY99.
- Explore development of a distance learning program on direct marketing skills - Fall 1998.
- Complete current direct marketing projects undertaken in the Wholesale and Alternative Markets program.

ATTACHMENT 4 – PROPOSED STAFFING AND FUNDING

STAFFING:

- The following T&M staff will form the basic working group to implement this Plan:

  Errol Bragg, Senior Agricultural Marketing Specialist, Team Leader
  Larz Kremer, Agricultural Marketing Specialist
  Nichole Holley, Agricultural Marketing Specialist
  Denny Johnson, Agricultural Marketing Specialist
  Claire Klotz, Agricultural Economist
  Tatiana Nelson, Summer Intern
  Debbie Tropp, Economist
  Ron Smalley, Agricultural Economist
  Velma Lakins, Marketing Assistant

- The following T&M staff will provide assistance to the working group:

  Larry Summers, Agricultural Economist - FSMIP
  Paula Collins, Writer - Editor

- The following AMS staff have functions which provide support for implementation of the direct marketing plan:

  Kelly Williams, Confidential Assistant
  Demaris Kogut, Public Affairs
  Becky Unkenholz, Public Affairs
  Billy Cox, Public Affairs
  Summer Intern (IRMD--Eric Won to provide)

- Two college students working on advanced degrees in marketing will be hired as temporary interns to assist in the implementation of this plan if funds are available.

FUNDING:

- Reallocation of unobligated FY98 funds will be required to support the direct marketing initiatives described in this plan for the balance of FY98.
- Funding requirements for FY99 will be developed based on the activities programmed for FY99.
- Support of direct marketing activities will require additional funding of $1 million in FY2000 to support 11 additional staff and cooperative research studies.

Ms. KAPTUR. Mr. Baker, I wanted to ask you, the Baltimore Sun has been running a series on contract farming in our country and I am wondering, you had talked about the additional authority that you need and I am very sympathetic toward that. Do you think—we know in the hog area and in the poultry area people are heavily impacted by this. Do you see other areas coming on stream, even though they may not be under your authority, that are also going to be impacted in a like manner?

Mr. BAKER. Not really. We have the authority in other areas already. We do not have the authority in poultry. That is a limiting factor.

Ms. KAPTUR. But in fruits and vegetables, you do not see the same——

Mr. BAKER. I see grains and fruits and vegetables and all being more of a concentrated effort, grown under contract. I think we will see——

Ms. KAPTUR. Dairy?

Mr. BAKER. I doubt that the dairy will follow as fast as the grains because the grain industry is shifting to the source of the GMOs, and they are going to want to control that, the GMO. So there is going to be more contract farming in the grains. But it presents a problem when you are dealing with contracts versus open market, and a tremendous problem in regulating it when you have got a contract versus open market bidders.

It is difficult for us, but what we are really interested in right now is the poultry authority because we have it in the livestock, cattle, pork, and sheep areas.

Ms. KAPTUR. You reminded me of something. Ohio is now the largest egg producer in the country because of Buckeye Foods. It used to be called, I think, AgriGeneral, a company out of Germany. What has happened in Ohio, and I am sure this is happening in other places, Kroger, which is one of our largest retail chain supermarkets, used to buy eggs and chicken from many of our local producers. Now what has happened is, all those locals have disappeared off the shelves and you are seeing the very large, industrial firms, like Buckeye Foods, supply the majority of eggs on the shelves in communities like ours.

If you think about marketing, Dr. Figueroa, and some of the other initiatives that you are involved in, I hope you will give a serious talk to some of the retail chains and find a way to help some of our smaller producers find their way to market. Because truly, they are not on the shelves any more.

Mr. DUNN. Congresswoman, Secretary Glickman has asked us to put together an agency-wide task force to look at the concentration of various issues. And it is all the way from transportation issues to concerns that Mr. Baker had articulated.

What we are finding is that there are some things within our jurisdiction and some things that are not within our jurisdiction. For instance, on the Cargill proposed takeover for Continental on the grain industry, that was one that maybe FTC or Justice should have authority over. So we had spent a great deal of time talking

to those two agencies about what we have spotted out there, to share the information with them.

When you get into the retail sector, this is an area which FTC has jurisdiction over. So we can take it up through perhaps the wholesale side, but when we get into the retail side then we lose jurisdiction over that. But certainly, there are a lot of concerns that we hear from many people about slotting fees, et cetera, that they have to pay in order to shelf space. And if you do not have the shelf space, you cannot sell.

Ms. KAPTUR. All right. I thank you very much and I appreciate your advice there. I also appreciate the indulgence of my colleagues.

Mr. SKEEN. Mr. Boyd.

INTERNATIONAL TRADE

Mr. BOYD. Thank you, Mr. Chairman. Just a couple of quick questions. First, I want to follow up on the line of questioning and the comments by my friend from Ohio regarding the import versus export balance, the trade balance, the agricultural balance, which traditionally in this country has been the major industry that has softened the deficit in our trade balance. I recently read a summary of Secretary Glickman's speech that he gave sometime in the last week where he was predicting that that trade balance in agriculture would be narrowing.

In other words, the surplus in that balance would be getting smaller. Does anybody care to address that, maybe Mr. Dunn or——

Mr. DUNN. That was, I believe, Congressman Boyd, the Secretary's speech at the Outlook conference that took place a week ago. And he talked about what has happened here as some of our trade partners, primarily the Asian market we have seen a tremendous collapse. Two years ago we had about $60 billion of international trade. This year we may be down below $50 billion in international trade, and that gives us a great deal of concern.

There is also a weakening of some of our trade partners in South America that will not be able to purchase some of the commodities that we had sold to them in the past. That is of a great deal of concern to the Secretary, and something that he is asking us to take a hard look at and see if we can get back on track.

Now I think there are some silver linings in there. I was over to Asia not too long ago, the beginning of the year, and what I was told was that our share of the market there has grown, but the overall market has shrunk. The pie has not gotten bigger, but our slice of the pie has gotten bigger. So hopefully when that Asian economy comes back we will be in place to be able to get back to where we were before.

But there is really a very—I do not want to say pessimistic, but it is going to take us a while to get back to where we were a short two years ago.

Mr. BOYD. Pessimistic, I agree with that. What we all fail to talk about is our exports, that the export side—and this is, I think, the point Ms. Kaptur was trying to make. The imports continue to grow, our exports do not, and that creates significant problems for

our producers. Not only economic problems, but problems for some of your activities too.

SCREWWORM

Now Mr. Bonilla asked a question earlier that I really did not catch the whole gist of. But as a person who maybe, besides Chairman Skeen, the only person in this room that ever treated screwworms in livestock. I want you to clarify: We are not at any risk in our livestock industry of this pest now, are we?

Dr. REED. We are always maintaining vigilance for it. We do not have screwworm here. We had a find in the one goat that we eliminated very quickly. We know there are screwworms in Central America. We have a program there to eliminate the past and keep moving its presence southward so it is not an immediate threat for U.S. producers.

Mr. DUNN. Mr. Boyd, we are at risk. We have also had a screwworm find in a dog brought back from Panama. We also had an individual that had visited Brazil and had a screwworm imbedded in his scalp. So we are at risk. We cannot afford to drop our guard.

We need to finish the eradication program going to Panama in the next two years to build a sterile rearing facility there so that we can have the barrier at the isthmus of Panama. I would hope that our friends on the subcontinent would also take a look at what they can do to get that out of our hemisphere altogether.

Mr. BOYD. Thank you. As the chairman I am sure can attest, the screwworm an ugly, ugly pest. For everyone involved, since we eradicated it—35 years ago, there has been all kinds of pluses. Not only for the livestock industry, but for the wildlife industry. We have a resurgence of wildlife population, I know at least in the southeast and I am sure all over this country, particularly among the deer population that has created a whole new industry in itself. So this thing is broader than just cows, and sheep, and goats, and hogs. I just wanted to make sure that everybody understood that.

HOG PRODUCTION

One final question, and maybe Mr. Baker you can answer this, or either Dr. Figueroa. Regarding Hog production in this country, are we quickly going to the same production model that exists now in poultry where it is going to be integrated and all controlled by—just a few large companies. They are all produced for—and I do not want to name names, but we know who they are, three or four large poultry guys. I mean, do we have numbers? Do you all have statistics that show that we are moving in that direction with our hog production also?

Mr. BAKER. The statistics will show that it is getting to be more contract growing of hogs in this country, yes. Contract growing similar to what the poultry industry is doing where a supplier furnishes you with a product, your management and facilities are at risk.

Mr. BOYD. Has the Department taken any position about the development of that concept and whether it is good, bad, or indifferent? I know, again, it is a private sector matter, but nevertheless, it is—I mean, this Government has a history of maintaining

or making sure that we maintain a strong economy. Do you have any thoughts on that, or does the Department have any thoughts on it or any position?

Mr. DUNN. I think, Mr. Boyd, that is of grave concern to us of who is going to be out there and who is producing. A few years ago people used to say, we keep this way we are going to end up with only one farmer out there and one processor, and they did it very jokingly. But if you look at the situation with Murphy Farms, if there were 18 Murphy Farms out there, they would cover that whole commodity, and that is all you would need.

So it is something of a great deal of concern. It is something the Secretary has asked us to look at, and it is one of the reasons why we think we need the additional funding for packers and stockyards so that we have the economists and the statisticians there to enter into this next millennium with the resources that we need to find out what is happening before it happens.

Mr. BOYD. Mr. Chairman, you know the way it is in my area of the country where we used to have small hog producers all over the countryside, for many of them, that is their sole income, and others, supplements their income. It just does not exist any more. I want you to know, Mr. Chairman, and members of the panel, that I am somewhat concerned about that trend in our pork production.

Thank you.

Ms. KAPTUR. Will the gentleman yield? I did not quite understand your point, Secretary Dunn, on the 18 to one ratio. Could you clarify that?

Mr. DUNN. What I said is that if there were 18 Murphy Farms out there, they would be able to supply our entire need for that commodity. When we used to have 2 million farmers out there—in my part of the country in Iowa where we used to have what they called the mortgage burners, the hog operations out there. What used to be a large operation, any more is a small operation. And what used to be considered a mega-operation is now a family-size farm. So there is a definite trend.

Mr. SKEEN. Mr. Farr.

Mr. FARR. Thank you very much, Mr. Chairman. I know it is getting late and I appreciate your indulgence. There is an interesting theme that is developing here and I want to comment on it and ask some questions. Jim Walsh started it and Ms. Kaptur picked up on it.

EXPORT PROMOTION

It seems what we are doing in America is providing a lot of resources to regulate agriculture in this country, to regulate the management and restriction of herbicides and pesticides, to inspect etc. Yet we allow countries to import goods that do not face the level of regulation that domestic goods face. If we keep going this way we are going to end up not growing any food in this country, we are just going to import it all, because the cost of doing business is going to be too great in America.

One of the things that I am really concerned about is health and safety. We all support the idea that we ought to be better informed and use smarter and safer products and support the registration process. But at the same time, we give the determining authority

to another agency, EPA. I have often found that they do not have any deadlines. They can do more and more studies while avoiding the need to come to a conclusion.

When I was in California what we did is we put limits of time, saying that if you did not do something within a reasonable amount of time—then it was deemed approved. And that really started moving things.

I think that your department needs to come back and suggest to this committee that we may need to have some of those timelines in the extra-regulatory agencies who do not really have to make it a high priority within their budget process to get these things done.

In order for us to get our product abroad and market our product, obviously we have got to sell—we only have 3 percent of the world population and we grow most of the world's food. We cannot consume it all. We have got to export.

We lend money through the export promotion to do advertising. But we need more than that. We need technical hustlers. Ms. Kaptur talked about the idea of getting farmers more access to market information. I think that we could do that on computer.

I know the California World Trade Commission has given California farmers essentially a laptop software marketing strategy. So if you grow strawberries and you want to wake up in the morning and say, who in the world wants to buy my strawberries today, you can look up every country in the world that buys them and what the protocol is for getting them to market. And then find what the price is and make your decision of whether you want to sell domestically or to foreign buyers that day. We need to do more of that in America to give our farmers access.

SANITARY PHYTO SANITARY STANDARDS

What proportion of the APHIS budget is allocated to working on projects where U.S. industries are asking APHIS for assisting in working with foreign governments to open up new export markets?

Dr. REED. I will have to get those numbers for you, Congressman.

[The information follows:]

Almost 4 percent or about $16 million is spend directly on export—related SPS issues. This includes issuance and review of export certifications, bilateral negotiations with trading partners, risk assessments, and participation in international trade and SPS standard-setting organizations.

Mr. FARR. How do you allocate staff resources to this?

Dr. REED. On the import sides, we have a number of countries that petition to ship us products. Of course, we will examine these products to determine their eligiblity for import. There is some staff time that goes to determine pest or disease risks.

On export, we do the same thing. We work on behalf of a commodity producer or an exporter. When there is an interest in a foreign market and there is a technical issue, a sanitary or phytosanitary issue, then APHIS ensures that we can meet SPS needs of the importing country. So there is effort both ways.

It depends on the product to be exported. APHIS does not promote exporting products that people do not have an interest in exporting. By the same token, when a producer asks for help, we assist in resolving any SPS issues.

Mr. DUNN. Mr. Farr, In the past, a GAO report indicated that we do not do enough coordination of sanitary, phytosanitary issues between the Department of Agriculture, USTR, and other entities.

So we met with USTR and developed thresholds to determine our involvement in sanitary and phytosanitary issues. USTR published a list of these thresholds about two or three months ago. The whole world knows our involvement regarding SPS managment issues.

But one of the primary drivers is that is the industries' requests.

Mr. FARR. How many export projects are currently in the pipeline?

Dr. REED. There are about 56.

Mr. FARR. Is the time allocated to assisting U.S. industries more or less or equal to the amount of time that is devoted to assisting foreign governments who wish to import, or wish to export to us?

Dr. REED. I do not have a good answer for you on that one. But what I would submit would be that if there is producer interest, whether it takes a little time or a lot of time, we are going to support that producer request to move product into a foreign market.

[Subsequent to the hearing, the agency provided the following:]

I estimate the time we spend on export work is four times greater than the time we spent on import work.

Mr. FARR. What do you do when you have got to determine where to put these resources? Do you put resources into making sure that we are not losing export markets? For example, when there has been an infestation of flies or other pests identified in the United States, how do you calculate the resources assigned to work with foreign governments so that they understand the nature of the problem in the U.S. and do not overreact to such a pest problem?

Dr. REED. We have two mechanisms. If we have a reportable pest, we must notify the country receiving our product about the pest discovery. And, many times, we can also tell them that we have quarantined and delimited an area and that only certain products will come out of that area so we can keep that expert market open.

Mr. FARR. Do you dedicate staff to making sure that market share is not lost, that a niche is not lost?

Dr. REED. Oh, yes. We will get you the numbers on that.

[The Information follows:]

We have over 200 staff years devoted to risk assessments and bilateral negotiations with trading partners to maintain markets.

Mr. DUNN. Mr. Farr, the Karnal bunt that we talked about earlier is probably a good example of maintaining wheat exports.

Mr. FARR. That is a good example because it is a huge export market.

Mr. DUNN. It is a huge export market. In the case of Karnal bunt APHIS' International Services employees stationed worldwide began talking to scientists and technicians in other countries so that they understood our situation. Using our protocols, we established quarantines and conducted a nationwide survey to ensure that bunted kernels did not get into shipments that went outside the United States.

Then we also used our Foreign Agricultural Service employees located in all of the embassies to ensure that the ambassadors and their staffs were well aware of what actions we were taking, so that it was a dual approach. We went to the scientists, we went to the technicians, and then we went to the policy people as well.

Mr. SKEEN. Could I ask the gentleman to——

Mr. FARR. Yes, this is concluding.

Mr. SKEEN. Thank you.

Mr. FARR. Wheat is huge. I understand APHIS sent a letter to the minister of agriculture in Japan almost a year ago concerning the phytosanitary standards for lettuce and requesting changes to the restrictions. Has there been any response to your letter?

That is a year ago. This is why I am asking about dedication of personnel to follow through with these things.

Dr. REED. We are continuing to follow that issue closely. We are engaging in bilateral talks on that commodity.

Mr. FARR. It takes over a year on one commodity just to answer some questions?

Dr. REED. Sometimes it takes many years.

Mr. FARR. Are you going to more forward on any action in the WTO if they do not respond?

Mr. DUNN. That is one of those decisions above our pay grade, unfortunately. I was over in Japan early last spring and we talked about this very issue; this as well as tomatoes, various varieties of tomatoes. At that time, the Japanese did not have enough time, enough personnel to work on lettuce because they were fighting us on varietal issues on apples that were going in there.

We are now seeing Japan going back to the table and sitting down and talking to us about the phytosanitary issues on scientist to scientist, technician to technician basis. But again, they lack resources, both human and fiscal, the same as we might.

Mr. FARR. Yes or no answer. Do you support origin labeling?

Mr. DUNN. Me personally?

Mr. FARR. The Secretary.

Mr. DUNN. There are a number of issues involved with that. If it comes down to a consumer's right to know, I personally would support it.

Mr. FARR. Thank you.

KARNAL BUNT

Mr. SKEEN. Thank the gentleman. I think that it is time to wrap this up and I would just like to ask one question. Has the Karnal bunt moratorium on planting wheat in the quarantine zones in southern New Mexico been lifted as of March 1, Dr. Reed?

Dr. REED. It is not going to be entirely lifted. We are going to have to go field by field.

Mr. SKEEN. I understand that you are going to do the inspection. Thank you very much.

I want to thank all of you for your responses, and thank you for the time and all of the effort. If you want to worry about the flies we used to have so much trouble with, you will never eat rice pudding again. [Laughter.]

With that wonderful thought, I will leave it to you. Thank you all very much. We have questions we would like to give you, Mr. Dewhurst, to respond for the record. Thank all of you very much.

[The following questions were submitted to be answered for the record:]

Animal and Plant Health Inspection Service
Questions submitted by Mr. Skeen

ANIMAL WELFARE

Mr. Skeen: Please provide a table showing, by state, the number of staff years assigned to the animal welfare program, as well as the number of animal care facilities, in each state for fiscal year 1998.

[The information follows:]

State	Staff-Years	Number of Animal Care Facilities
Alaska	--	22
Alabama	1	66
Arkansas	1	212
Arizona	1	67
California	13	484
Colorado	2	72
Connecticut	1	68
Delaware	0.25	19
District of Columbia	1	6
Florida	5	382
Georgia	1	105
Hawaii	1	43
Iowa	3	383
Idaho	1	22
Illinois	3	260
Indiana	1	154
Kansas	4	484
Kentucky	1	48
Louisiana	1	56
Massachusetts	0.75	144

State	Staff-Years	Number of Animal Care Facilities
Maryland	28	72
Maine	0.25	25
Michigan	1	170
Minnesota	6	192
Missouri	7	1,171
Mississippi	0.25	30
Montana	0.5	40
North Carolina	3	91
North Dakota	0.5	41
Nebraska	2	170
New Hampshire	0.5	23
New Jersey	1	116
New Mexico	1	30
Nevada	1	67
New York	2	289
Ohio	3	187
Oklahoma	3	396
Oregon	1	121
Pennsylvania	3	332
Puerto Rico	--	20
Rhode Island	0.25	18
South Carolina	0.5	35
South Dakota	2	118
Tennessee	1	73

State	Staff-Years	Number of Animal Care Facilities
Texas	13	441
Utah	1	27
Virginia	0.75	81
Vermont	0.25	10
Washington	1	92
Wisconsin	2	162
West Virginia	0.25	28
Wyoming	--	5
Guam	--	2
Virgin Islands	--	1
Total	128	7,773

STOLEN DOGS

Mr. Skeen: APHIS has been developing legislation to strengthen and improve the agency's authority regarding stolen dogs. Last year you testified that the legislation was "under review." What is the status of this legislation?

Response: A key element of this legislative proposal has been the elimination of Class B dealers as a source of random-source dogs and cats for research. Over the last several years, APHIS has undertaken a comprehensive effort to improve compliance with the Animal Welfare Act--AWA--recordkeeping requirements and to revoke the licenses of habitual and serious offenders. In FY 1998, APHIS had a 92-percent success rate in efforts to trace research animals back to their original sources. This was up from approximately 40 percent in FY 1993. Because APHIS is extremely gratified with these dramatic results, it is believed that the legislation may be unnecessary and have decided not to proceed with the proposal as originally drafted.

ANIMAL CARE

Mr. Skeen: A training manual to increase the quality, uniformity, and standardization of inspections and reports of the Animal Care program has been developed at the agency for several years. How many phases of this manual have been distributed?

Response: A draft manual titled "Dealer Inspection Guide" has undergone a technical review and based on the comments submitted, will be issued to APHIS personnel in the spring of 1999.

Mr. Skeen: Provide a table similar to the one that appears on page 43 of last year's hearing record showing inspection activities of the animal welfare program for fiscal year 1998.

[The information is as follows:]

	Number of sites	Average number of inspections	Total number of inspections
Inspections for Compliance:			
Dealers	4,265	1.36	5,819
Research facilities	2506	1.11	2,790
Exhibitors	2453	1.16	2,851
In-transit handlers	417	0.66	275
In-transit carriers	725	1.24	901
Subtotal	10,366	1.22	12,636
Other Types of Inspections:			
Prelicensing and preregistration audits	N/A	N/A	1,932
Auction market observations	N/A	N/A	59
Inspections of dealers and exhibitors	N/A	N/A	1,363
Subtotal			3,354
Total Enforcement Activities			15,990

Mr. Skeen: What is the status of the regulations to amend the animal welfare regulations to ensure that farm animals used for regulated research, exhibition, and sale are treated humanely in accordance with the Animal Welfare Act?

Response: On March 4, 1999, USDA published a Federal Register notice seeking public comment on the adoption of two guidelines for the care of farm animals used in nonagricultural exhibition and research. Two publications are being considered for adoption as guidelines by USDA. The first publication is the "Guide for the Care and Use of Agricultural Animal in Agricultural Research and Testing," published by the Federation of Animal Science

Societies and the second is a "Guide for the Care and Use of Laboratory Animals," published by the Institute for Laboratory Animal Resources." All comments submitted by May 3, 1999, will be given consideration.

Mr. Skeen: Have you conducted the additional training to determine scar rule violations as mentioned in last year's hearing record?

Response: In March and April 1998, APHIS Veterinary Medical Officers received additional training in diagnosing violations of the Scar Rule at the annual Horse Protection Training. Additional training was also conducted in recognizing violations of the Scar Rule in March 1999.

REGULATORY ENFORCEMENT AND ANIMAL CARE

Mr. Skeen: Update the table that appears on page 44 of last year's hearing record showing the funding levels, both dollars and staff, allocated for Regulatory Enforcement and Animal Care to include fiscal year 1999.

[The information follows:]

REGULATORY ENFORCEMENT

Fiscal Year	Funding (appropriated)	Staff-years
1989	$4,516,355	123
1990	4,844,844	131
1991	5,789,519	121
1992	5,904,459	141
1993	5,623,823	125
1994	5,958,354	129
1995	5,858,926	119
1996	5,892,726	107
1997	5,781,600	79
1998	5,933,875	79
1999	5,855,000	78

ANIMAL CARE

Fiscal Year	Funding (appropriated)	Staff-years
1989	$5,928,033	154
1990	7,688,947	174
1991	9,224,947	184
1992	9,447,313	184
1993	9,796,411	179
1994	9,755,805	183
1995	9,585,218	178
1996	9,766,427	157
1997	9,705,776	137
1998	9,812,887	131
1999	9,536,000	127

Mr. Skeen: Also update the table that appears on page 45 showing the number of: dealer facilities; complaints registered against these facilities; inspections and re-inspections that took place; cases submitted by Animal Care to Regulatory Enforcement for review and action; and each cases resolution to include fiscal year 1998.

[The information follows:]

Category	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998
Total number of facilities	7,837	7,819	7,773
Complaints registered	508	463	N/A*
Inspections/re-inspections	12,636	12,022	10,709
Cases submitted	126	118	416
Resolution: Official warnings	182	167	219
Stipulations settled	45	49	66
Formal admin. decisions	84	98	82
Civil penalties	$1,002,250	$822,200	$378,900
Suspensions/revocations	29	43	34

*In FY 1998, APHIS redefined what constitutes a complaint and switched from a manual method at each region to a centralized database. Therefore, only those complaints that resulted in an official inspection were counted. The count for FY 1998 was 180. Since this was significantly different than previous years, APHIS decided not to report this possible erroneous data. APHIS is reevaluating its methods of tracking and defining complaints.

Mr. Skeen: How many unannounced inspections of registered in-transit carriers and in-transit intermediate handlers were conducted in fiscal year 1998?

Response: There were 525 unannounced inspections of registered in- transit carriers and 197 unannounced inspections of in-transit intermediate handlers.

ANIMAL CARE

Mr. Skeen: Has the data base for repeat violations involving animal care inspections that remained uncorrected at the time of a reinspection visit mentioned in last year's hearing record been put into operation?

Response: The data base for repeat violations involving animal care inspections has not yet been implemented. The scheduled date for implementation is summer 1999. This data base will have the capability of tracking repeat violations.

Mr. Skeen: The legislative proposal drafted in fiscal year 1996 to strengthen the authority of the Animal Welfare Act appears to be under permanent and indefinite review, according to the past several hearing records. Is there a specific reason or reasons for this lengthy review?

Response: APHIS' aggressive efforts to improve enforcement of the AWA have resulted in significant changes in compliance that have obviated the need for certain elements in our legislative proposal. The compliance of animal dealers with recordkeeping requirements has dramatically increased. As a result, it has been decided not to pursue the elimination of random-source dealing in dogs and cats, which had been a cornerstone of the legislation APHIS had originally considered proposing. APHIS is continuing to aggressively enforce the AWA and to evaluate the limits of our authority, and will recommend appropriate legislative changes if supported by trends in compliance.

Mr. Skeen: Please provide a copy of your annual Animal Welfare Act report for the record.

Response: At this time, the FY 1998 Animal Welfare Report is under Departmental review; a copy of that report will be forwarded to the Committee when it is published.

BRUCELLOSIS

Mr. Skeen: What is the most recent data on herds under quarantine in the United States for brucellosis.

Response: As of February 28, 1999, there were 6 cattle herds under quarantine in the United States for brucellosis. Of the 6 herds, 5 were located in Texas and 1 was located in Florida. In addition, 1 bison herd in South Dakota was under quarantine. Presently, 2 of the cattle herds in Texas are being depopulated. Plans are underway to depopulate the main bison herd in South Dakota. Other smaller groups of offspring from the main bison herd have been isolated, vaccinated, and have tested negative on recent tests. These smaller groups of bison are operating under a new herd management plan.

Mr. Skeen: Provide a five year table, including estimates for fiscal year 2000 that shows the amount spent on brucellosis infected bison at Yellowstone National Park. Also, provide a brief explanation of how these funds were used.

[The information follows:]

YELLOWSTONE NATIONAL PARK--YNP--BRUCELLOSIS PROGRAM

Year	Amount Spent
1996	$300,000
1997	$400,000
1998	$700,000
1999	$700,000
2000	$1,000,000

APHIS works with the National Park Service and the State of Montana with the implementation of the Interim Bison Management Plan and the development of the long-term bison management plan. APHIS participates on the Greater Yellowstone Interagency Brucellosis Committee and assists with preparing the Environmental Impact Statement. In addition, APHIS provides personnel to assist with liaison activities, planning, bison capture, testing and sampling; provides laboratory support; and provides funds for research in YNP. The increase in funds estimated for FY 2000 is due to the operation of a bison quarantine facility and the assistance in the operation of a capture facility at Horse Butte prior to the construction of the quarantine facility. In addition, the Agricultural Research Service has requested $1 million in FY 2000 to develop a vaccine for brucellosis in wildlife.

Mr. Skeen: In 1989, APHIS adopted the Rapid Completion Plan for the eradication of brucellosis. The objective of this plan is to have all states qualifying for Class Free status by 1998. Did you meet this goal?

Response: By the end of calendar year 1998, 43 States had achieved Class Free status. Seven states remained in Class A status. Of these states, four were in the qualifying stage for Class Free status. APHIS expects the three remaining states to be in the qualifying stage for Class Free status by the end of FY 1999.

SWINE BRUCELLOSIS

Mr. Skeen: What is your timetable for your goals of eradication in the swine brucellosis program?

Response: The Agency plans to eradicate brucellosis from the swine population in the United States by January 2001. At this time, there are 46 validated Free States. The four remaining States of Arkansas, Florida, Louisiana, and Texas are all in Stage II.

BRUCELLOSIS

Mr. Skeen: How many brucella vaccine research studies are scheduled for fiscal year 1999?

Response: APHIS expects to fund one brucella vaccine research study in FY 1999. The study involves RB51 field trials in feral swine in South Carolina. APHIS is also aware of several ongoing Agricultural Research Service--ARS--brucella vaccine research studies including one study involving RB51 dose responses in calves. APHIS, ARS, and the National Park Service--NPS--are scheduled to meet in the last half of FY 1999 to establish a consolidated approach to prioritizing and funding brucella vaccine research needs.

Mr. Skeen: Has the Environmental Impact Statement on brucellosis in Yellowstone National Park been released?

Response: The Environmental Impact Statement--EIS--on brucellosis in Yellowstone National Park was made available for public comment in the Summer of 1998. The EIS includes seven separate alternatives that could be implemented by the NPS in their management plan for bison in the park. The comment period was open until mid October 1998. More than 66,000 comments were received. Presently, the NPS is reviewing the comments. A final decision on the EIS is not expected before April 1999.

Mr. Skeen: Do you still expect to complete a project to study the transmission of brucellosis between bison in Yellowstone National Park in 2001?

Response: Yes, APHIS still expects to complete the study in 2001.

Mr. Skeen: Have any states imposed restrictions on cattle imports because of brucellosism?

Response: APHIS is not aware of any states imposing restrictions on cattle imports because of brucellosis.

Mr. Skeen: Provide the Committee with an update on the status of the swine herds in Florida affected with brucellosis.

Response: The two swine herds in Florida identified last year as infected with brucellosis have been depopulated. After continued surveillance, three more small "backyard" infected herds have been identified and are slated for depopulation.

SCREWWORM

Mr. Skeen: When do you expect to complete eradication of screwworms in Panama and the Darien Gap?

Response: We expect to complete the eradication of screwworms in Panama in FY 2002. Once eradication is complete, the program will maintain a sterile fly barrier from the Canal to the Colombian border to prevent the reinfestation of Panama and screwworm-free countries to the north. In July 1998, we began aerial release of sterile screwworm flies in Panama over western portions of the country. In the first quarter of FY 1999, we expanded sterile release to the Canal covering the entire western half of the country. Country-wide dispersal should start in the fourth quarter of FY 1999.

FOOT-AND-MOUTH DISEASE

Mr. Skeen: APHIS and the Colombian Agriculture Institute, ICA, operate a cost-sharing foot-and-mouth eradication program. What is the status of this initiative as well as its cost?

Response: APHIS's objectives in South America to exclude of Foot-and-Mouth Disease--FMD--and other foreign animal diseases have shifted from simply cooperating with the Colombian Agriculture Institute, ICA, to maintain a static barrier in Colombia. In conjunction with the Colombia program, APHIS also supports the Pan American Health Organization's--PAHO--plan to eradicate FMD throughout the western hemisphere. In FY 1998, APHIS provided $1,764,000 in support of the cost-sharing FMD eradication program in Colombia and monitoring and surveillance activities in Brazil, Ecuador, Bolivia, and Peru.

APHIS is gradually increasing its support to the PAHO plan for hemispheric eradication of FMD while maintaining current funding levels. The Hemispheric plan is based on bordering countries (Venezuela, Ecuador, Bolivia, Brazil, and Peru) working together to eradicate FMD. APHIS gives priority to components of the plan which focus on efforts to control endemic FMD "hot zones" which threaten the FMD-free area along the Colombia-Panama border. Our support of this process as been very crucial to the success of the initial steps of the Hemispheric plan in

the Andean area. Success in eradicating FMD from Colombia and further reduction of the risks to the United States industry would be ensured by this regional approach to FMD eradication.

Since FY 1995, organizations of Colombian cattle producers have steadily increased their monetary contributions to supplement the FMD eradication program. From 1995 to 1998, Colombian cattle producers have contributed approximately U.S. $10 million to promote FMD eradication. The cattle producers have now agreed to cover the costs and responsibility of vaccinations in program areas.

APHIS still maintains the FMD-free area along the Colombia-Panama border. This maintenance area serves as the "first line of defense" for preventing the spread of FMD northward into Panama, Central America, Mexico, and the United States. This free area has nearly one million head of cattle.

MEDITERRANEAN FRUIT FLY

Mr. Skeen: How much funding will be devoted to each country where medfly work is being done in fiscal year 1999?

Response: APHIS cooperates with Mexico and Guatemala in eradication, trapping, and sterile fly production activities to exclude Medfly from the United States. In FY 1999, APHIS will devote $3,506,000 to direct eradication activities in Mexico and $5,301,000 for those activities in Guatemala. The Agency will also allocate $3,284,000 for sterile fly production at our facility in Waimanalo, Hawaii, and $10,879,000 for fruit fly detection and preventive efforts in the United States.

Mr. Skeen: Update the table that appears on page 51 of last year's hearing record showing the total funding for medfly work and the source of the funding.

[The information follows:]

CCC TRANSFERS FOR MEDFLY EMERGENCY ERADICATION

Fiscal Year	California*	Florida*
1990	$31,425,000	--
1991	5,710,215	--
1992	9,500,000	--
1993	25,860,000	--
1994	4,118,000	--
1995	10,300,000	--
1996	10,000,000	--

Fiscal Year	California*	Florida*
1997	--	$10,000,000
1998	--	6,895,000
1999	--	3,159,000

* Amounts shown represent authorized transfers from the Commodity Credit Corporation; actual obligations may be different. Unused portions remain available until expended.

Mr. Skeen: Briefly describe the Temperature Sensitive Lethal strain of sterile Medfly and update the Committee on its significance.

Response: The strain used in Guatemala has a temperature sensitive lethal--TSL--mutant gene. Female Medflies with this temperature sensitive trait die at temperatures above 31°C. Males have the dominant wild gene and are not temperature sensitive. All eggs are put in a water bath; at 32°C the females are killed and the males survive. This eliminates the females at the beginning of the rearing process, thus reducing production costs.

This strain is more effective in the field. Research by ARS in Hawaii and the International Atomic Energy Agency showed that all male strains cause significantly better Medfly population suppression than sexually mixed steriles. APHIS has integrated TSL and biological control agents into its Moscamed operations. The sterile Medfly facility in El Pino, Guatemala, has the potential to produce 450 million sterile TSL pupae per week. TSL assists program goals for efficient, effective, and ecologically safe Medfly eradication programs by offering several advantages over current methods: a) reduced costs associated with sterile fly production, release, and fruit fly identification; b) avoids ovipositional "sting" damage on fruit by sterile females which makes the fruit susceptible to disease and insects; c) more effective and competitive flies leading to improved efficiency since, in the absence of sterile females, sterile males disperse better and are more likely to mate with more wild females; and d) better genetic stability than other all-male strains.

PSEUDORABIES

Mr. Skeen: Please update the tables beginning on page 52 of last year's hearing record showing the amounts, both federal and non-federal, that each state expended on the pseudorabies program as well as the stage each state was in to include fiscal year 1998 actuals.

[The information follows:]

Pseudorabies Expenditures

STATE	FY 1998 Actual		FY 1999 Estimate		FY 2000 Estimate	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Alabama	$4,085	$2,500	$4,270	$2,550	$4,270	$2,601
Alaska	1,884	0	1,969	0	1,969	0
Arizona	684	22,254	715	22,699	715	23,153
Arkansas	11,180	24,003	11,686	24,483	11,686	24,973
California	6,733	1,417,465	7,038	1,445,814	7,038	1,474,731
Colorado	100,944	2,000	105,510	2,040	105,510	2,081
Connecticut	3,288	7,920	3,437	8,078	3,437	8,240
Delaware	3,253	5,000	3,400	5,100	3,400	5,202
Florida	82,204	0	85,923	0	85,923	0
Georgia	19,697	411,837	20,588	420,074	20,588	428,475
Hawaii	294	129,173	307	131,756	307	134,392
Idaho	8,441	9,468	8,823	9,657	8,823	9,851
Illinois	219,709	2,260,494	229,648	2,305,704	229,648	2,351,818
Indiana	97,934	1,250,000	102,364	1,275,000	102,364	1,300,500
Iowa	898,525	891,010	939,172	908,830	939,172	927,007
Kansas	14,966	18,049	15,643	18,410	15,643	18,778
Kentucky	14,752	99,140	15,419	101,123	15,419	103,145
Louisiana	61,834	0	64,631	0	64,631	0
Maine	2,005	27,000	2,096	27,540	2,096	28,091
Maryland	623,564	268,856	651,772	274,233	651,772	279,718
Massachusetts	9,927	30,917	10,376	31,535	10,376	32,166
Michigan	197,456	279,990	206,388	285,590	206,388	291,302
Minnesota	500,074	561,092	522,696	572,314	522,696	583,760
Mississippi	10,137	0	10,596	0	10,596	0
Missouri	201,344	217,274	210,452	221,619	210,452	226,052
Montana	747	7,867	781	8,024	781	8,185
Nebraska	163,708	549,718	171,114	560,712	171,114	571,927
Nevada	630	17,615	658	17,967	658	18,327
New Hampshire	2,179	3,000	2,278	3,060	2,278	3,121
New Jersey	26,586	39,975	27,789	40,775	27,789	41,590
New Mexico	10,570	51,370	11,048	52,397	11,048	53,445
New York	98,984	1,000	103,462	1,020	103,462	1,040
North Carolina	280,060	0	292,729	0	292,729	0
North Dakota	11,069	500	11,570	510	11,570	520
Ohio	83,993	648,375	87,793	661,343	87,793	674,569
Oklahoma	41,781	58,889	43,671	60,067	43,671	61,268
Oregon	747	0	781	0	781	0
Pennsylvania	86,357	388,231	90,264	395,996	90,264	403,916
Rhode Island	4,029	1,500	4,211	1,530	4,211	1,561
South Carolina	14,640	0	15,302	0	15,302	0
South Dakota	73,418	0	76,739	0	76,739	0
Tennessee	11,259	0	11,768	0	11,768	0
Texas	108,378	261,259	113,281	266,484	113,281	271,814
Utah	449	10,000	469	10,200	469	10,404
Vermont	1,346	0	1,407	0	1,407	0
Virginia	76,803	246,402	80,277	251,330	80,277	256,357
Washington	754	1,000	788	1,020	788	1,040
West Virginia	3,474	0	3,631	0	3,631	0

STATE	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Wisconsin.....	65,497	285,604	68,460	291,316	68,460	297,142
Wyoming.....	444	0	464	0	464	0
Washington DC..	97,967	0	102,399	0	102,399	0
Puerto Rico.....	8,561	0	8,948	0	8,948	0
TOTAL.....	$4,369,344	$10,507,747	$4,567,000	$10,717,902	$4,567,000	$10,932,260

States enrolled in the program and the Stage of each as of March 1, 1999 are as follows:

Stage II/III	Stage III	Stage III/IV	Stage IV	Stage V 1/
Indiana	California	South Dakota	Arkansas	Alabama
Iowa	Florida		Georgia	Alaska
Minnesota	Illinois		Kansas	Arizona
Stage II/III	Stage III	Stage III/IV	Stage IV	Stage V 1/
	Louisiana		Missouri	Colorado
	Massachusetts		New Jersey	Connecticut
	Michigan		Ohio	Delaware
	Nebraska		Oklahoma	Hawaii
	North Carolina		Wisconsin	Idaho
	Pennsylvania			Kentucky
	Texas			Maine
				Maryland
				Mississippi
				Montana
				Nevada
				New Hampshire
				New Mexico
				New York
				North Dakota
				Oregon
				Puerto Rico
				Rhode Island
				South Carolina
				Tennessee
				U.S. Virgin Islands
				Utah
				Vermont
				Virginia
				Washington
				West Virginia
				Wyoming

1/ Stage V is the final stage in which a State is declared pseudorabies free.

Mr. Skeen: Do you still expect to complete the pseudorabies program by December 2000?

Response: The Agency plans to eradicate pseudorabies from swine herds in the United States by December 2000. After eradication, the program should continue to perform a surveillance function to ensure that the nation's swine herds are not re-infected with pseudorabies.

NOXIOUS WEEDS

Mr. Skeen: What is the status of the Weed Implementation Plan? Has the authorizing legislation been submitted to the new Congress?

Response: Even though we completed this Plan in 1996, we still do not have the authority to fully implement because it is part of our proposed Consolidation Statutes legislation. The main aspect of the Plan that we do not have authority to implement involves regulating the interstate movement of Federal Noxious Weeds in commerce.

We anticipate that the Plant Protection Act will be reintroduced shortly in the 106th Congress. This would preclude the need for us to transmit a separate submission. In addition, Senator Craig of Idaho has already introduced a version of this bill. While we are concerned that provisions from existing law concerning Federal preemption are not contained in that bill, we believe that our continuing dialog with Senator Craig's office will produce legislation that will be beneficial to all.

Mr. Skeen: Did you discover any new noxious weed introductions in the U.S. last year?

Response: In FY 1998, APHIS cooperated with other Federal, State, and private organizations to detect and rapidly respond to several incipient infestations of invasive plants, including branched broomrape (*Orobanche ramosa*) in Texas; small broomrape (*Orobanche minor*) in Georgia, North Carolina, South Carolina, and Virginia; wetland nightshade in Florida; tropical soda apple--TSA--in the Southeast; cogongrass in Georgia; hydrilla in California; Japanese dodder in South Carolina; giant salvinia in Maryland, South Carolina, Virginia, and Texas; the aquatic weed mud mat in New Jersey and Pennsylvania; wormleaf salsola in California; giant hogweed in Pennsylvania; and goatsrue in Pennsylvania and Utah. As a result of introductions such as these, we have recognized the need for and are working to establish a national early warning, reporting, and rapid response system for weeds.

WITCHWEED

Mr. Skeen: What is the status of witchweed eradication?

Response: In North Carolina, we have transferred the responsibility for eradication to the North Carolina Department of Agriculture and Consumer Services. We will continue providing the financial and technological support to allow the State to complete the eradication of infested acres, conduct post-eradication surveys, and treat new infestations when detected. In South Carolina, we are responsible for eradicating the remaining infested acres. We will continue providing financial support to both States for surveys to verify eradication and treat new infestations found during these surveys. Surveys to provide information on the status of

witchweed and regulatory activities associated with infestations assure that agricultural commodities in the United States are not restricted in the global marketplace.

In addition, State/Federal cooperative efforts continued moving the program toward eradication. By the end of the 1998 season, the project had reduced the original infestation by 98.4 percent from nearly 500,000 acres in 1958 to 8,001 acres. During FY 1998 alone, infested acreage was reduced by 26 percent, as 3,838 acres were eradicated. In FY 1997, by comparison, the program reduced the infested acreage by 19 percent with the eradication of 4,028 acres. With the elimination of witchweed from known infested sites in North Carolina and South Carolina, both States will continue participating in ongoing field surveys to monitor the effectiveness of eradication. Conversely, if witchweed is allowed to spread into the corn belt, it would cause an estimated 10-percent yield loss of the $20 billion corn and sorghum crop in the United States.

Mr. Skeen: Update the table that appears on page 56 of last year's hearing record, showing the total acres infested, the acres released per fiscal year and totals, and the cost of the program, to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

WITCHWEED PROGRAM STATUS AND COST

FY	ACRES INFESTED (END OF SEASON	ACRES RELEASED FROM QUARANTINE (END OF SEASON) 1	RELEASED ACRES IN PROJECT 2	ACRES TERMINATED FROM PROJECT AT END OF SEASON 3	ACRES TERMINATED FROM PROJECT (CUMULATIVE) 4	COST
95	19,500	9,000	115,707	3,800	196,800	1,955,974
96	13,334	7,665	123,372	54,941	251,741	1,701,175
97	10,794	4,028	127,400	17,700	269,441	1,704,790
98	8,001	3,838	115,900	14,298	283,742	1,661,611
99	5,100	3,900	122,000	13,200	296,942	1,506,000

[1] Witchweed has been eradicated from these acres and these acres have been released from quarantine.

[2] These acres remain in "Release Category" for 10 years of negative survey to verify eradication. The number of released acres in the project is affected by the number of re-infested acres as well as the number of acres released from quarantine at the end of a season.

[3] As the program approaches total eradication, it becomes increasingly more difficult to eradicate acres.

[4] The cumulative number of acres terminated from the project is affected by the number of re-infested acres as well as the number of acres terminated from the project at the end of a season.

NOXIOUS WEEDS

Mr. Skeen: In fiscal year 1996, APHIS established a Weed Team to coordinate the agency's noxious weed program and develop a Weed Implementation Plan. Who serves on this Weed Team?

Response: In FY 1996, we established a National Weed Team to coordinate our noxious weed program and develop a Weed Implementation Plan. This National Team is comprised of our Noxious Weeds Coordinator, a botanist, an expert on environmental assessments and pesticide registrations, a biocontrol-weeds representative with expertise on scientific partnerships, a port operations specialist, and a weed scientist. In FY 1998, we established a Regional Weed Team to coordinate our domestic weed prevention program. This Regional (Domestic) Weed Team is comprised of our National Weed Coordinator and four Regional Weed Coordinators.

Mr. Skeen: Are you still seeking the same changes in the Federal Noxious Weeds act as described in last year's hearing record?

Response: Yes, we are. In our pending Consolidated Statutes proposal, we are requesting emergency listing authority for noxious weeds. This authority would enable APHIS to prevent the dissemination of foreign weeds by permitting a timely response when an infestation of a potentially harmful weed is first detected. The current listing process mandated by the Federal Noxious Weeds Act is long, cumbersome, and requires a public hearing. In addition, we are very limited in the emergency actions we can take if a new weed is introduced. Also in the Consolidated Statutes, we are requesting authority to regulate the interstate movement of listed weeds for which no control or eradication program has been established, without having to establish a quarantine. This authority is necessary to effectively thwart the movement of designated weeds.

BOLL WEEVIL

Mr. Skeen: Has the Lower Rio Grande Valley rejoined the boll weevil program?

Response: No, the growers in the lower Rio Grande Valley--LRGV--have not petitioned the Texas Agriculture Commissioner for a new referendum to rejoin the boll weevil program. This has no immediate impact on the program in other areas but it will become a problem in several years when Texas nears eradication, which is projected to occur in FY 2003. Without the LRGV area active in the boll weevil program, the possibility would exist that weevils from the valley could reinfest other areas. We would certainly like to see the LRGV rejoin the program and believe it is more likely to occur as the program succeeds in other portions of Texas and northeast Mexico.

Mr. Skeen: What is the status of the Mississippi referendum to restart and expand the program?

Response: There are five boll weevil eradication zones in Mississippi: the North Delta A, North Delta B, South Delta, Central Mississippi, and Eastern Mississippi zones. Three of these zones are currently active; the Eastern Mississippi area (80,000 acres), the Central Mississippi area (305,000 acres), and the South Delta area (200,000 acres). The Eastern Mississippi program, which initially started in the fall of 1995, shut down in 1996 but resumed eradication efforts in 1997. We anticipate eradicating boll weevil in Eastern Mississippi in 2000.

The Central Mississippi and South Delta programs began in the fall of 1997 and the fall of 1998, respectively.

The final two boll weevil eradication zones, the North Delta east and North Delta west areas, recently passed referenda for a fall 1999 startup.

Mr. Skeen: Have any states recently passed an assessment referendum for the boll weevil program? Do you expect any states to pass referenda in fiscal year 1999?

Response: Yes, referenda recently passed in both the North Delta of Mississippi for a fall 1999 startup. In addition, northwest Tennessee and northeast Louisiana passed referendum late in 1998 and early in 1999, respectively. The northeast Louisiana program will begin in the fall of 1999 along with southeast Arkansas, while the northwest Tennessee program will begin in the fall of 2000. The Western High Plains zone in Texas passed a referendum late in 1998. There is a strong possibility that several additional zones in Texas will pass referenda in FY 1999.

Mr. Skeen: Please update the table that appears on page 58 of last year's hearing record, showing boll weevil funding, to include fiscal year 1999.

[The information follows:]

BOLL WEEVIL FUNDING
(In thousands of dollars)

	Fiscal Year				
Region	1996	1997	1998	1999	2000
Central Eradication and Suppression	$4,920	$12,360	$9,199	$9,215	$1,824
Southeast Eradication	11,663	4,906	6,555	6,567	1,388
Southwest Eradication	463	55	427	427	108
TOTAL	17,046	17,321	16,181	16,209	3,320

Mr. Skeen: What activity has there been in the boll weevil loan program?

Response: In FY 1998, the Farm Service Agency--FSA--issued loans totaling $40 million to finance startup costs for new eradication programs and operating capital for existing programs. The total loan amount was issued as follows: $22.8 million to the Texas Boll Weevil Foundation, $11.8 million to the Mississippi Boll Weevil Management Corporation, $5 million to the Tennessee Boll Weevil Foundation, and $0.5 million to the New Mexico Boll

Weevil Foundation. A total of $100 million is available for boll weevil loans in FY 1999. While no loans have been issued yet in FY 1999, approval of a $7.9 million loan for the Arkansas Boll Weevil Foundation is currently pending and additional requests for at least $89 million are expected.

Mr. Skeen: What is the status of the boll weevil eradication program in Mexico?

Response: Previous program areas in northwestern Mexico remain weevil-free. In the northeastern part of Mexico, some progress has been made in reducing weevil populations in the southern portion of the State of Tamaulipas where the largest cotton growing areas exist. Mexican officials hope to work toward moving this technology northward closer to the U.S./Mexico border in the future.

APHIS believes certain technical and risk assessment issues still need to be resolved. Mexico's eradication plan relies heavily on biological control measures whose efficacy is not proven for eradication. Further, the area chosen for this pilot effort has native plants besides cotton which could act as boll weevil hosts and, therefore, could pose a significant problem for a comprehensive eradication effort. Mexico and the United States will both benefit greatly from a boll weevil program that is based on sound science. We will continue to monitor control efforts In northern Mexico, and to work with Mexican Government officials and grower representatives.

TUBERCULOSIS

Mr. Skeen: Is the target for eradication of bovine tuberculosis from the U.S. still FY 2000?

Response: The target for eradicating bovine tuberculosis from domestic cattle in the United States is now FY 2002.

Mr. Skeen: What is being done about tuberculosis in imported Mexican cattle?

Response: Three recent developments have served to reduce the negative impact of Mexican origin cattle on U.S. tuberculosis eradication efforts. These three developments include Mexico's implementation of a National tuberculosis eradication program in 1993; the U.S. prohibition of Holstein steers from Mexico in 1994; and the reduction in the numbers of feeder cattle imported annually from Mexico. For FY 1998, animal importations of feedlot cattle were down by almost 65 percent from the all time high of 1.6 million cattle imported in FY 1995.

Mr. Skeen: What is the status of the tuberculosis infected dairy herds in the El Paso milkshed area?

Response: There are currently three tuberculosis-infected dairy herds--totaling 15,000 animals--in the El Paso milkshed area. These herds are trying to test out of quarantine. The earliest these herds can be declared free is in February 2000. However, if a new infection occurs in these herds before February 2000, the year-long quarantine period will begin again. Due to the large size of the herds, depopulation has not been an economically feasible option for either

the herd owners or the Federal Government. A concerted effort between APHIS and the herd owners will be needed to eliminate tuberculosis from these herds without depopulation. This effort will require herd management changes to minimize intraherd spread, careful selection of replacement animals, and the use of testing procedures to their maximum potential.

Mr. Skeen: How much did APHIS spend in fiscal year 1998 to support tuberculosis research initiatives and where was the money spent?

Response: In FY 1998, APHIS spent $200,000 to support tuberculosis research initiatives. The Agency provided $100,000 to Michigan State University to study the transmission of tuberculosis in Michigan's free ranging white-tailed deer population; $50,000 to the Hawaii Department of Agriculture to conduct a field project on tuberculosis in wildlife; and $50,000 to Colorado State University to conduct studies on tuberculosis in wildlife.

INTEGRATED SYSTEMS ACQUISITION PROJECT

Mr. Skeen: Please provide an update of the Integrated Systems Acquisition Project activities from page 60 of last year's hearing record.

Response: The ISAP contract awarded to IBM is an Indefinite Delivery Indefinite Quantity requirements contract with a delegation of procurement authority up to $250 million. Actual APHIS expenditures will depend upon specific goods and services, but are likely to be substantially less than $250 million.

The ISAP initiative enabled the Agency to achieve a major milestone in FY 1998 and continues to facilitate Agency goals to standardize information delivery systems in FY 1999. In FY 1998, the Agency was successful in attaining a single e-mail and collaborative computing environment for more than 4,000 employees. This milestone replaces a patchwork of e-mail systems while adding collaborative computing capabilities in a common computing environment for everyone in the Agency. For FY 1999, continued Y2K replacement, remediation, and the implementation of a common database server infrastructure are on schedule. The ISAP initiative is also providing additional security mechanisms during FY 1999.

The following table shows the other agencies using the procurement authority provided in the ISAP contract:

PROCUREMENT ACTIVITY BY OTHER USDA AGENCIES
(Dollars in thousands)

Agency	Purpose	FY 1998	FY 1999	FY 2000
Farm Service Agency/CCC....	Local Area Networks; Wide Area Networks; Voicemail.	$1,541	0	0
Office of Operations.....	Analysis, design, implementation of personnel tracking system.	74	0	0

Agency	Purpose	FY 1998	FY 1999	FY 2000
Cooperative, State, Research Education, and Extension Service	Processors, memory, disk drive, tape drives.	0	0	0
Forest Service	Personal computer and peripherals. Miscellaneous services.	917	0	0
Natural Resources Conservation Service	Telecommunications equipment and services to support LAN/WAN project.	3,974	$702	0
Farm Service Agency/ Management Services Division	Telecommunications equipment and services.	0	33,791	$18,811
Food Safety and Inspection Service/Automated Information Systems Division	Operational support for 4 months	248	0	0
Total		$6,754	$34,493	$18,811

Mr. Skeen: Update the table that appears in page 61 of last year's hearing record showing a complete breakout of the appropriated funds for the information systems acquisition project to include fiscal year 1997 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

INFORMATION SYSTEMS ACQUISITION PROJECT FUNDS
FY 1992-2000
(Dollars in thousands)

Fiscal Year	Funds Appropriated	Funds Spent
1992	$2,507	$1,078
1993	2,507	2,099
1994	3,500	2,829
1995	3,490	553
1996	4,055	825
1997	4,000	3,211

Fiscal Year	Funds Appropriated	Funds Spent
1998	3,500	7,429
1999(estimated)	3,500	8,925
2000 (proposed)	3,696	3,696

Mr. Skeen: What are the implementation and maintenance costs of the ISAP contract?

Response: The estimated maintenance costs for FY 1999 are $1,155,000. The estimated implementation costs for FY 1999 are $7,797,000.

AGRICULTURAL QUARANTINE INSPECTION

Mr. Skeen: Update the table that begins on page 61 of last year's hearing record showing the total number of staff years funded through the Agricultural Quarantine Inspection program, both the user fee program and the appropriated program, to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION PROGRAM
STAFF YEARS

Fiscal Year	Appropriated	User fees	Total
1990	1,785	0	1,785
1991	462	1,338	1,800
1992	502	1,474	1,976
1993	546	1,529	2,075
1994	598	1,604	2,202
1995	613	1,872	2,485
1996	613	1,970	2,583
1997	514	1,987	2,501
1998	540	2,000	2,540
1999	572	2,128	2,700

Mr. Skeen: Also update the following table showing the amount of AQI fees collected, the amount spent, and the carryover levels.

Response: In accordance with the U.S. Treasury's interpretation of our user fee authority, AQI user fee collections and carryover amounts are recorded on a cash basis, i.e, in the year they are received. The amounts collected and the carryover levels are as follows:

Fiscal Year	Cash Collections	Obligations	Unavailable Reserve	Balance
1991	$11,879,565	$4,991,139	--	$6,888,426
1992	96,340,546	85,922,000	--	17,306,972
1993	114,015,393	83,362,000	--	47,960,365
1994	100,848,105	98,257,160	--	50,551,310
1995	105,195,342	105,907,999	--	49,838,653
1996	104,274,333	118,607,891	--	35,505,095
1997	115,218,453	130,937,886	2,000,000	17,785,662
1998	150,804,661	140,094,753	13,829,975	14,665,595
1999	160,245,393	143,514,000	12,000,000	19,396,988

Since FY 1997, the AQI User Fee program has been appropriated less than $100 million: $98 million in FY 1997 and $88 million in both FY 1998 and FY 1999. Because only the amounts in excess of $100 million in collections ($15.2 in FY 1997, $50.8 in FY 1998, and $60.2 in FY 1999) can be spent, the shortfall must be funded from the AQI Reserve Account. Cash collections between the amount appropriated and $100 million are unavailable until FY 2003.

Mr. Skeen: Update the table that appears on pages 62 through 65 showing, by airport, the resources for FTEs and funds used to reflect fiscal years 1997 through 2000.

[The information follows:]

AQI RESOURCES AND FTE'S BY AIRPORT								
	FY 1997		FY 1998		FY 1999		FY 2000	
Location	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE
Airborne Airpark, OH	$38	0.3	$38	0.5	$38	0.5	$38	0.5
Albuquerque, NM	8	0.2	17	0.3	17	0.3	18	0.3
Ancorage, AK	505	8.7	479	7.6	586	9.3	635	9.8
Andrews AFB, MD	139	1.6	152	1.7	152	1.7	152	1.7
Atlanta, GA	2,397	43.6	2,519	46.4	2,855	51.8	2,915	53.0
Austin, TX	196	1.0	264	1.6	276	1.7	297	2.2
BWI, MD	416	5.0	456	5.2	456	5.2	456	5.2
Bangor, ME	173	2.3	160	2.4	160	2.4	160	2.4
Baton Rouge, LA	10	0.0	13	0.2	15	0.2	16	0.2
Billings, MT	0	0.0	1	0.0	1	0.0	1	0.0
Bismark, ND	7	0.0	5	0.0	15	0.1	15	0.1
Bradley IA, CT	68	1.0	69	1.0	69	1.0	69	1.0
Brownsville, TX	115	1.8	137	2.3	149	2.6	154	2.6
Burlington, VT	25	0.2	24	0.1	24	0.1	24	0.1
Calexico, CA	0	0.0	1	0.0	1	0.0	1	0.0
Charlotte, NC	576	8.6	605	9.3	667	10.6	756	12.0
Cheyenne, WY	2	0.0	4	0.1	5	0.1	5	0.1
Cleveland, OH	125	1.6	125	1.5	125	1.5	125	1.5
Dallas, TX	1,812	29.5	1,855	29.1	2,103	36.1	2,238	37.4
Dayton, OH	62	0.5	62	0.7	62	0.7	62	0.7

AQI RESOURCES AND FTE'S BY AIRPORT								
	FY 1997		FY 1998		FY 1999		FY 2000	
Location	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE
Des Moines, IA	5	0.0	9	0.1	10	0.1	10	0.1
Detroit, MI	965	12.5	1,057	13.5	1,057	13.5	1,057	13.5
Dover AFB, DE	199	3.0	241	4.0	241	4.0	241	4.0
Dulles IA, VA	960	20.0	1,133	20.0	1,133	20.0	1,133	20.0
Eagle Pass, TX	13	0.0	7	0.0	10	0.2	11	0.2
El Paso, TX	175	2.4	149	2.2	182	3.3	189	3.3
Ft. Lauderdale, FL	1,279	15.6	1,223	15.3	1,528	18.5	2,199	26.5
Galveston, TX	4	0.0	0	0.0	2	0.0	2	0.0
Gen. Mitchell Fld, WI	132	1.1	82	1.3	132	1.3	132	1.3
Harlingen, TX	31	0.1	6	0.0	27	0.1	28	0.1
Hilo, HI	445	10.0	484	10.5	508	10.5	584	11.5
Honolulu, HI	8,217	147.9	8,781	152.5	9,300	154.5	10,245	164.5
Houston, TX	1,792	29.1	1,977	32.9	2,406	38.7	2,579	41.3
Indianapolis, IN	80	0.9	109	1.3	109	1.3	109	1.3
Inglewood, CA	8,243	143.6	8,660	137.8	9,373	144.8	10,122	151.8
Jefferson City, MO	398	5.1	370	5.2	373	5.5	386	5.5
JFK, NY	9,996	145.0	10,883	153.0	10,883	153.0	10,883	153.0
Kahului, HI	1,217	33.4	1,284	34.6	1,348	34.6	1,466	35.6
Kailua-Kona, HI	675	18.2	721	18.3	777	18.8	916	21.3
Lakewood, CO	234	3.3	211	3.1	241	3.6	253	3.6
Lanai, HI	116	2.5	124	2.5	130	2.5	137	2.5
Laredo, TX	85	1.2	63	0.8	52	0.7	54	0.7
Las Vegas, NV	103	0.5	169	1.4	198	1.9	228	2.4
Lihue, HI	472	11.5	462	11.5	485	11.5	510	11.5
Lincoln, NE	7	0.1	6	0.1	40	0.7	41	0.7
Little Rock, AR	16	0.2	16	0.2	22	0.4	23	0.4
Logan IA, MA	1,088	15.7	1,237	19.0	1,237	19.0	1,237	19.0
Louisville, KY	512	8.4	617	9.2	667	9.4	735	10.5
Martinsburg, WV	29	0.3	49	0.7	49	0.7	49	0.7
Mayaguez, PR	595	13.7	607	14.5	748	16.6	753	16.8
Miami, FL	12,263	218.3	13,583	228.5	14,198	243.0	20,350	351.0
Nashville, TN	523	8.2	565	9.3	571	9.4	580	9.5
New Orleans, LA	298	3.2	269	3.1	363	5.3	377	5.3
Newark, NJ	2,121	29.3	2,569	37.9	2,569	37.9	2,569	37.9
Newburgh, NY	101	2.0	105	2.0	105	2.0	105	2.0
Norfolk, VA	51	1.0	68	1.0	68	1.0	68	1.0
Oakland, CA	338	3.9	388	4.8	408	4.8	428	4.8
O'Hare, IL	2,579	32.7	2,727	33.3	2,727	33.3	2,727	33.3
Oklahoma City, OK	16	0.2	23	0.3	25	0.4	26	0.4
Orlando, FL	1,853	24.2	1,876	24.7	1,955	26.6	2,110	28.5
Pharr, TX	128	1.3	87	0.9	66	0.2	66	0.2
Philadelphia IA, PA	558	8.0	751	10.4	751	10.4	751	10.4
Phoenix, AZ	280	4.4	326	4.7	342	4.7	359	4.7
Pierre, SD	21	0.3	16	0.2	15	0.2	15	0.2
Pittsburgh, PA	300	4.3	351	5.5	351	5.5	351	5.5

AQI RESOURCES AND FTE'S BY AIRPORT								
	FY 1997		FY 1998		FY 1999		FY 2000	
Location	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE	Funds (000)	FTE
Port Columbus, OH	62	0.5	62	0.7	62	0.7	62	0.7
Portland, OR	254	5.2	261	5.0	274	5.0	288	5.0
Raleigh, NC	540	8.0	459	8.2	491	8.2	500	8.3
Rickenbacker, OH	10	0.1	10	0.1	10	0.1	10	0.1
Salt Lake City, UT	98	1.6	105	1.7	110	1.7	116	1.7
San Antonio, TX	333	3.8	341	5.1	376	4.9	390	4.9
San Diego, CA	129	0.3	142	0.3	149	0.3	157	0.3
San Francisco, CA	3,056	54.7	3,199	57.7	3,419	59.2	3,650	60.7
San Jose, CA	233	4.2	291	5.0	306	5.0	321	5.0
San Juan, PR	5,556	100.8	5,804	105.4	6,279	112.2	6,440	115.0
San Luis, AZ	22	0.5	10	0.2	10	0.2	10	0.2
Seattle, WA	1,005	15.5	1,118	16.8	1,254	18.8	1,397	20.8
Spokane, WA	11	0.1	9	0.1	9	0.1	10	0.1
Tampa, FL	814	9.1	975	9.3	1,047	13.6	1,155	15.0
Toledo, OH	38	0.3	38	0.5	38	0.5	38	0.5
Topeka, KS	16	0.2	18	0.3	18	0.3	19	0.3
Twin Cities, MN	490	6.9	581	9.4	581	9.4	581	9.4
U.S., VI	595	13.7	692	14.6	747	15.9	760	16.0
Wright-Patterson, OH	10	0.1	10	0.1	10	0.1	10	0.1
TOTAL	79,459	1,318.1	85,552	1,382.6	90,748	1,456.5	101,245	1,613.2

Mr. Skeen: Update the table that appears on page 66 of last year's hearing record showing the fee schedule for each activity and changes that have occurred since instituting the user fee.

[The information follows:]

CATEGORY	FEE	REVISED FEE
Airport operations:		
International passengers 1/	$2.00	$1.45 Effective 01/01/93
International passengers		1.95 Effective 09/01/97
International passengers		2.00 Effective 10/01/97
Commercial aircraft 2/	$76.75	$61.00 Effective 01/01/93
Commercial aircraft		53.00 Effective 03/01/96
Commercial aircraft		59.25 Effective 09/01/97
Commercial aircraft		59.75 Effective 10/01/97
Maritime operations: 1/		
Commercial vessels	$544.00	$369.50 Effective 01/01/93
Commercial vessels		447.00 Effective 09/01/97
Commercial vessels		454.50 Effective 10/01/97
Land border operations: 1/		
Commercial trucks	$2.00	$3.75 Effective 09/01/97
Commercial trucks		4.00 Effective 10/01/97
Loaded railroad cars	$7.00	$6.50 Effective 09/01/97

CATEGORY	FEE	REVISED FEE
Phytosanitary certificates: 2/		
Commercial	$30.00	$50.00 Effective 03/01/96
Noncommercial/low value	$19.00	$23.00 Effective 03/01/96
Reissued	$6.00	$7.00 Effective 03/01/96

NOTES:

1/ Fees effective May 13, 1991
2/ Fees effective February 9, 1992

Mr. Skeen: Do you anticipate any changes in the charges in AQI user fees?

Response: APHIS is currently developing a proposal to increase AQI user fee rates. Due to airport expansions and difficulties of inspecting for invasive alien species in increased volumes of imported cargo at air, land, and sea ports, and increased numbers of international air passengers, APHIS needs approximately 511 more positions at air (401 positions), land (65 positions), and sea ports (45 positions). Our current AQI user fees are not sufficient to cover these additional costs. If approved, the new rates will become effective in FY 2000.

Mr. Skeen: APHIS and the U.S. Army have entered into an MOU to develop an automated baggage inspection system, X-Ray. What is the status of this initiative?

Response: APHIS continues working with the U.S. Army on developing new x-ray technology which can detect agricultural products in baggage based on anatomic makeup and shape using neural network software. We plan to test this new equipment in a laboratory in June 1999. However, due to technical problems developing a suitable processing chip, testing of an x-ray prototype in San Juan, Puerto Rico, has been delayed until December 1999.

Mr. Skeen: What is the status of the Automated Cargo System?

Response: The Automated Cargo System--ACS--remains in the formative stage of development. Trial locations have been established but evaluation of the system's effectiveness has been delayed due to Y2K compliance efforts in other projects. The ACS is Y2K compliant.

Mr. Skeen: Give the Committee an update of the status of how the new Automatic Targeting system for electronic transmission of cargo data and entry documents.

Response: The Automated Targeting System--ATS--is part of the Customs Service system which uses artificial intelligence techniques to rank shipments for inspection. Currently being piloted by Customs at selected ports, the system merges carrier manifest and broker entry information, filters this information through a set of established criteria, and prioritizes the shipments for inspection based on system findings. We are continuing to work with Customs on the planning and administrative aspects of the project. However, due to the need for both APHIS

and Customs to redirect technical resources to ensure Y2K compliance in other projects, implementation of an ATS pilot project in Miami, Florida has been delayed. The ATS is Y2K compliant. Once other systems meet Y2K specifications, we plan to resume implementation of the ATS pilot project.

Mr. Skeen: Has traffic of untreated Asian and European agricultural products into the U.S. from Canada continued to increase and, if so, why?

Response: Yes, smuggling of prohibited Asian and European fruit into the United States from Canada continues to occur. Many of the untreated "exotic" fruits are prohibited if the shipment originated in a country known to be infested with fruit flies or other harmful agricultural pests. These products are smuggled due to an increased demand for certain types of food from foreign countries and because they are prohibited. Similar products produced in the United States are usually 4 to 10 times as expensive as similar smuggled and untreated foreign fruits.

In addition, enforcement is very difficult. Smuggling is a crime under the U.S. Codes, but there are no administrative sanctions under the Code of Federal Regulations. The Custom Service has jurisdiction over these violations, but they usually do not place emphasis on low valued agricultural commodities. Responsibility for prosecuting smuggling cases rests with the U.S. Attorney's Office, whose main focus is on the largest violations, usually involving drugs and/or illegal weapons.

Smuggling of prohibited agricultural products from Canada has not proven to be a difficult pathway. We are finding that many smuggled agricultural commodities are brought in through Indian reservations along the U.S./Canada border. This has proven difficult to control because the Indian reservations are not under the jurisdiction of either the Canadian or the U.S. Government.

APHIS has implemented a regulatory compliance program to enhance our ability to detect and eliminate commercial smuggling of agricultural products. The Agency has established trade compliance liaison officer positions in all states to monitor trade imports for regulatory compliance and smuggling. These officers work in teams with others from State Departments of Agriculture, U.S. Customs Service, State and local police, and tribal authorities. The teams are trained to detect, investigate, and prosecute violators. APHIS detected tons of illegally imported commodities in the past year. We are actively pursuing violations against smugglers and to date have successfully secured five grand jury indictments nationwide.

Mr. Skeen: How long does it take to train a dog for the beagle patrol job?

Response: Beagle dogs undergo a 12-week training course with their proposed handlers.

Mr. Skeen: Does APHIS still maintain a preclearance program in Cuba. What is this preclearance program for?

Response: No, APHIS no longer maintains a preclearance program in Cuba.

SCRAPIE

Mr. Skeen: Please update the table that appears on page 68 of last year's hearing record showing scrapie program spending to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

Scrapie Program Spending

ACTIVITY	FY 1997	FY 1998	FY 1999 (est.)	TOTAL
Research.....	$194,000	$194,000	$124,000	$512,000
Other.....	2,741,202	2,582,625	2,867,000	8,190,827
TOTAL.....	$2,935,202	$2,776,625	$2,991,000	$8,702,827

CATTLE TICK

Mr. Skeen: Reinfestation of cattle tick in the U.S. is likely a result of the movement of wildlife, especially exotic game and white-tailed deer. A new technology involving a systemic pesticide provided through pesticide-medicated baits was being tested to solve this problem. At this time last year, you requested FDA approval for use of this technology. What is the status of this new issue?

Response: In FY 1997, APHIS submitted a formal request to the Food and Drug Administration--FDA--for approval of this new technology through the FDA's Minor Use Animal Drug Program. In spite of FDA's efforts to approve the technology, the manufacturer of the pesticide was unwilling to support its use in a minor use program. Since the patent for the pesticide has expired for the original manufacturer, APHIS is in the process of locating another company that would be willing to produce the pesticide-medicated bait.

WILDLIFE SERVICES

Mr. Skeen: Your agency has cooperative agreements with all states related to animal damage control work. Provide a list of the amounts of cost-share provided by each state and the federal share spent for fiscal year 1998.

Response: The following table contains the amount of net Federal appropriated funds and cooperator contributed funds by State for FY 1998. Federal funds used for Congressional Directives, human health and safety work, protection of endangered species, migratory bird work, and basic program infrastructure costs are excluded from the Federal amounts listed. The balance reflects the Federal amounts which are directly contributed toward cooperative agreement activities.

State	FY 1998 Appropriated	FY 1998 Cooperative
Alabama	0	$ 216,034
Alaska	0	348,152
Arizona	0	348,170
Arkansas	0	36,556
California	0	2,769,267
Colorado	386,401	323,315
Connecticut	0	45,359
Delaware	0	0
District of Columbia	0	0
Florida	0	340,714
Georgia	0	128,064
Guam	0	2,014,044
Hawaii	0	658,390
Idaho	473,903	571,620
Illinois	0	355,478
Indiana	0	40,022
Iowa	0	42,581
Kansas	0	51,045
Kentucky	0	354,072
Louisiana	0	326,840
Maine	0	163,930
Maryland	0	44,742
Massachusetts	0	58,300
Michigan	0	82,526
Minnesota	0	14,443
Mississippi	390,593	1,156,257
Missouri	0	151,346
Montana	509,924	1,212,920
Nebraska	61,529	325,402
Nevada	390,520	703,566
New Hampshire	0	163,817
New Jersey	0	222,328
New Mexico	725,043	966,336
New York	0	156,352
North Carolina	0	775,000
North Dakota	97,681	422,587
Ohio	0	45,839
Oklahoma	313,363	1,134,405
Oregon	353,634	979,828
Pennsylvania	0	61,574
Rhode Island	0	4,500

State	FY 1998 Appropriated	FY 1998 Cooperative
South Carolina	0	$379,519
South Dakota	217,041	955,964
Tennessee	0	368,525
Texas	1,795,766	6,053,468
Utah	640,782	1,028,807
Vermont	0	43,818
Virginia	0	334,356
Washington	0	1,064,126
West Virginia	57,461	161,478
Wisconsin	202,228	1,229,296
Wyoming	547,221	590,501
TOTALS	7,163,090	30,026,579

Mr. Skeen: Update the table that appears on page 71 of last year's hearing record showing the amount spent on animal damage control research, including the amount allocated to non-lethal methods development, to include fiscal year 1999.

[The information follows:]

Fiscal Year	Total Funding	Total Non lethal	Percent
1995	$9,681,000	$7,260,000	75
1996	$9,665,000	$7,248,000	75
1997	$10,591,000	$7,248,000	68.4
1998	$10,121,032	$7,672,000	76
1999	$10,365,000	$7,827,000	75

Mr. Skeen: Please give us a status report on the project to reintroduce the wolf into Yellowstone Park. What have you learned? What has been the impact on your operations and budget?

Response: Gray wolves began moving back into northwestern Montana from Canada in the mid-1980's. This naturally occurring population of wolves is well established and its size has approached 100 animals at various times. Some wolves have been removed from the population after they repeatedly killed livestock. The population currently consists of about 45 animals.

To speed wolf recovery in the region, the U.S. Fish and Wildlife Service--FWS--captured 29 wolves in Canada in 1995, 37 wolves in 1996, and released them into YNPark and central

Idaho. These wolves are considered nonessential experimental populations, and both are increasing. There are now well over 100 wolves in each area.

Formal rules and plans direct that Wildlife Services--WS--will deal with wolves that damage livestock. WS verifies wolf damage to livestock, captures depredating wolves as directed by the FWS, mediates conflicts between agencies and resource owners, disseminates information to the livestock community and the general public, and provides training to people who work with wolves that damage livestock.

Wolf recovery in Montana and reintroduction into Idaho and Wyoming have impacted WS' ability to conduct routine livestock protection activities. Restrictions on the use of traditional methods of control where wolves may exist have hampered APHIS' ability to manage coyote damage to livestock. There has been a significant increase in work to verify potential cases of wolf predation and to deal with instances of confirmed wolf damage. Current funding levels will not allow us to address the additional service requests associated with wolf damage.

In August 1974, the eastern gray wolf was classified as an endangered species. At the time, the Minnesota wolf population was estimated at 500 to 1,000 animals and occupied a range of approximately 19,000 square miles. The Minnesota wolf population is increasing at an annual rate of 3 to 5 percent and expanding its range considerably. By 1996, the population had reached an estimated 2,200 to 2,300 wolves which had expanded their range to more 39,000 square miles. APHIS verified 145 incidents of wolf predation on domestic animals in Minnesota in FY 1998 and captured 166 wolves.

In Wisconsin where the gray wolf is listed as endangered, APHIS investigated 32 complaints of wolf depredations in FY 1998, an increase of almost 100 percent from FY 1997, and captured 3 animals.

Mr. Skeen: How much funding do you receive from the Fish and Wildlife Service for monitor and control work on the wolf program? Does this amount cover the full cost of your work? If not, what is the shortfall?

Response: APHIS and the FWS each provided $100,000 through interagency agreements in FY's 1997, 1998, and 1999 to support wolf damage management activities in Wyoming, Idaho, and Montana. FWS also provided another $100,000 for Mexican wolf capture activities in Arizona. An additional $72,000 in APHIS contingency funds were needed to accomplish the wolf damage management work in FY 1998.

In addition to the funding shortfall of $175,000, a shortfall of $72,000 is expected in FY 1999 due to the increasing wolf populations in Montana, Idaho, and Wyoming, and related dispersal activities. A wolf from Idaho recently dispersed into Oregon, and its presence is impacting WS ability to conduct routine wildlife damage management activities in that State. WS biologists expect more wolves to disperse from both the Idaho and Yellowstone recovery areas this spring. Oregon livestock producers are concerned about their ability to protect their livestock. WS expects a significant increase in work load in Wyoming, Montana, Idaho, and Oregon associated with these dispersals.

Also, reintroduction of the Mexican wolf in Arizona, initiated in January of this year, will result in an additional need of about $100,000 in FY 1999. FWS provided $100,000 to deal with initial wolf predation problems in Arizona in FY 1998.

In Minnesota, where wolf control work is conducted solely with APHIS funding of about $250,000 per year, APHIS spent an additional $30,000 in FY 1998, and total costs in this State are expected to be $380,000 in FY 1999. In addition, wolf expansion into Wisconsin is projected to cost approximately $15,000 in FY 1999 due to increasing populations. APHIS will have to adjust response levels to match available funding.

Mr. Skeen: Describe the Living With Wildlife campaign.

Response: In January 1994, APHIS launched an outreach effort and educational campaign aimed at the general public and future generations about balancing the needs of wildlife with the needs of people. The primary message of the educational campaign is that wildlife is a national treasure to cherish and conserve and like our other resources, wildlife must often be managed to ensure abundance, and diversity. Wildlife, however, can cause a great deal of damage in rural and urban settings.

The educational project uses this message to highlight how WS professionals work with the public, industry groups, growers, special interest groups, and local and State agencies, to find humane, environmentally safe, and socially acceptable solutions to wildlife problems. Since 1994, hundreds of positive news items have appeared in national and regional publications. These articles included information about disease prevention, the Brown Tree Snake control program on Guam, livestock guarding dogs, aquaculture, urban wildlife problems, reducing bird strikes at airports, and new research techniques. In addition, a video entitled "Living With Wildlife" has been shown on several cable access channels nationwide, and is regularly presented to civic organizations and schools. WS also provides the video to cooperative extension wildlife biologists and State wildlife agencies throughout the country. Upcoming outreach efforts will focus on National Wildlife Research Center research activities, bear relocation, protection of endangered species, and the protection of human health and safety.

An active effort to place WS educational materials in classrooms is continuing. Since January 1995, more than 20,000 teachers nationwide have received Living With Wildlife posters, activity sheets, factsheets, brochures, and other materials. In cooperation with Agriculture in the Classroom programs in Colorado, North Dakota, and Nevada, WS' Living With Wildlife educational readers were developed and distributed to more than 5,000 teachers in those states.

WS factsheets and press releases are also distributed to news agencies on a regular basis and are available on the WS web site. The WS web site includes basic information on the program and on the Living With Wildlife campaign. Public and industry outreach is achieved by participating in annual agriculture and wildlife conferences.

In 1998, a National Wildlife Reader, Living With Wildlife Coyote Activity Book, Living With Wildlife Beaver Activity Book, and Living with Wildlife Teacher's Guide were developed and distributed to teachers in Colorado. These materials were uploaded to the WS web site and made available electronically to teachers and classrooms in every state. In 1998 and the first two months of 1999, more than 103,000 educational outreach materials were distributed in 23 states.

In October 1998, WS launched a very successful print, video, and radio public service announcement--PSA--effort. The PSA focuses on urban audiences and highlights WS' efforts to protect public health and safety, pets, urban and natural resources, agriculture, and threatened and endangered species. More than 4,000 radio stations reported broadcasting the PSA 14,717 times

between October 16, 1998, and February 26, 1999. The video PSA played on 242 TV stations and 30,514 cable stations during that time.

Mr. Skeen: Provide a table that shows, by state, the amount that is spent on protection of threatened and endangered species activities.

Response: The following table contains estimated total WS operations expenditures by State, for protection of threatened and endangered species in FY 1998. This includes a combination of Federal, reimbursable, and cooperative funding.

[The information follows:]

State	FY 1998 Fed/Reim/Coop Expenditures
Alabama	$2,453
Alaska	70,483
Arizona	7,114
Arkansas	0
California	849,964
Colorado	5,636
Connecticut	0
Delaware	0
District of Columbia	0
Florida	15,396
Georgia	2,476
Hawaii	234,601
Indiana	254
Iowa	100
Kansas	0
Kentucky	0
Louisiana	13,156
Maine	500
Maryland	0
Massachusetts	375
Mississippi	2,662
Missouri	100
New Hampshire	1,000
New Jersey	3,834
New Mexico	13,966
New York	0
North Carolina	1,565
North Dakota	572
Ohio	160
Oklahoma	0
Rhode Island	0
South Carolina	0
South Dakota	0
Tennessee	8,000

State	FY 1998 Fed/Reim/Coop Expenditures
Texas	8,809
Utah	15,662
Vermont	0
Virginia	480
Washington/Guam	420,390
West Virginia	0
Wisconsin	10,332
Wyoming	0
Virgin Islands	4,552
Puerto Rico	8,600
Total	**$2,086,057**

Mr. Skeen: What is the status of the use of livestock protection collars?

Response: The Livestock Protection Collar--LPC--is a relatively new damage management tool used to selectively remove coyotes that kill sheep and goats. LPCs are placed on sheep or goats that are pastured where coyotes are killing livestock. By positioning the collars on the throats of livestock, LPC applicators are able to selectively target coyotes which kill livestock by biting the throat of their prey. Each LPC contains a small amount (300 mg) of sodium fluoracetate (Compound 1080) solution. Attacking coyotes ingest a lethal dose when they puncture the LPC. The collar is the only application for which Compound 1080 is registered by the EPA, and it is the most selective method available to control coyote predation on sheep and goats because it is specifically designed to target animals causing damage. In certain situations it is the only effective tool to alleviate wildlife damage.

Compound 1080 is used safely and effectively throughout the world. New Zealand, by far, is the largest user of Compound 1080. On average, New Zealand uses 4 metric tons of Compound 1080 for the control of the non-native brush-tailed opossums on 8 percent (8,222 square miles) of the land mass. Use in New Zealand has been endorsed by the New Zealand Audubon Society. Australia is the second largest user of Compound 1080 accounting for approximately 882 pounds per year. Australia uses Compound 1080 for the control of wild dogs, foxes, rabbits, and feral pigs. Other users include Japan, Canada, and the Galapagos Islands. The Charles Darwin Society has endorsed the use Compound 1080 for the protection of native species in one of the most fragile environments in the world.

WS typically uses the livestock protection collar only after all other control methods have failed. Accordingly, its overall use in the United States is extremely limited. For example, a total of 62 animals were taken via this method in FY 1997, all of which were coyotes. Each collar contains 1.1 oz of Compound 1080. Thus, coyote attacks upon sheep and goats accounted for 4 lb 4 oz of product released from WS LPCs.

APHIS restricts its use to program personnel who are registered pesticide applicators who have received specialized training in this control method. APHIS also requires that these individuals strictly adhere to the collar's use guidelines approved by EPA. These guidelines stipulate that the collar can be used only within fenced pastures and must be monitored weekly to

check for any losses, malfunctions, or punctures. Users are also required to promptly remove any sheep or goats that were attacked while wearing the collar and to make an earnest effort to track and remove any coyotes that may have ingested Compound 1080. In addition, individuals must keep detailed usage records, and they are prohibited from using the collar in areas where it might pose a risk to threatened and endangered species. Research has shown that, when EPA's guidelines are followed, the livestock protection collar poses a minimal risk to humans and non target species.

Currently, the LPC is registered for use by certified applicators in Idaho, New Mexico, South Dakota, Texas, Utah, Virginia, and West Virginia. At the request of the Governor of Oregon, APHIS did not renew the LPC registration in FY 1999. The LPC was banned by ballot initiative in the State of California in 1998.

KARNAL BUNT

Mr. Skeen: What is the status of the Karnal Bunt situation?

Response: Through our Karnal Bunt--KB--Emergency Program, we have prevented the presence of KB in the United States from crippling the $6 billion wheat export market. In addition, the disease did not reach the major wheat-producing areas of the United States. In FY 1998, we continued working with cooperators to conduct sampling surveys throughout the regulated areas. Our regulatory decisions and certification are based on spores if the wheat is intended to be used as seed, and on bunted kernels if the intended use is as grain. We recognize the importance of finalizing KB regulations in a timely fashion so that affected producers can make informed planting decisions. In August 1998, however, we unexpectedly found positive fields within a regulated area. This led to an additional level of sampling and certification. These fields fell within an area in central Arizona which was being considered for deregulation. The process was further delayed by the detection of an infected seed sample from an area previously believed to be free of KB. We are continuing to work with foreign trading partners, the research community, industry and State officials to change their perception of KB from a quarantine issue to a grade and quality issue since the presence of KB does not affect the safety of the grain. In addition, we will continue our ongoing national monitoring system to demonstrate to our trading partners that KB is not widely distributed throughout the United States.

For the upcoming 1999 harvest season, we are proposing to greatly reduce the size of the existing regulated areas. In addition, we expect to deregulate any areas with 3 years of negative surveys. Also in FY 1999, we will begin to transition KB from an emergency program to a routine domestic program. This effort will help to place the significance of the disease into the proper perspective.

Since the program's inception, we have worked diligently to keep export markets open, remove as many restrictions as possible, and compensate those producers and others most affected by KB restrictions. These actions have helped secure continued access to foreign markets for U.S. wheat. In addition, over $33 million has been provided to mitigate producer and handler losses since the program began.

Mr. Skeen: What do you plan to spend on Karnal bunt in fiscal year 1999 compared with the previous year?

Response: In FY 1999, we plan to spend approximately $2.4 million on operating costs, which will fund surveys, testing, regulatory, and laboratory work. This compares to approximately $2.3 million that was spent in FY 1998. These figures consist primarily of CCC funds carried over from FY 1998, but also include some funds appropriated to the Pest Detection line item.

Mr. Skeen: What elements of the National Karnal Bunt Survey have been transferred to the private sector?

Response: Currently, some of the sample collection process is shared among Official Agencies and the private sector. Grain handlers at county elevators cooperate with Official Agencies--usually USDA or State Departments of Agriculture--to collect the samples that are required to demonstrate the US wheat production areas are free from KB. As long as our trading partners consider KB to be a phytosanitary issue, we must provide official oversight for the program. This includes sample collection, sample analyses, and data management. The International Plant Protection Convention--IPPC--, which is administered under FAO and of which the US is a member, provides the framework for international plant protection issues. Under the IPPC, the National Plant Protection Organization of a country is responsible for complying with international plant quarantine regulations. Until KB is downgraded internationally to a quality concern and not a quarantine concern, we must be involved in an official capacity. KB remains a very sensitive trade issue and reducing or eliminating our official oversight could result in loss of wheat sales to several trading partners.

NATIONAL ANIMAL HEALTH MONITORING AND SURVEILLANCE

Mr. Skeen: Update the table that appears on page 80 of last year's hearing record, showing the annual cost and the FTEs assigned for each year to the National Animal Health Monitoring System Program, to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

COST OF THE NAHMS PROGRAM ($000)		
FISCAL YEAR	COST	FTE'S
1994	$4,844	53
1995	4,844	53
1996	4,369	51

FISCAL YEAR	COST	FTE'S
1997	4,787	52
1998	5,356	55
1999 (est)	5,542	59

Mr. Skeen: How many states are currently participating in the NAHMS Program? Do you anticipate any new states signing up during fiscal year 1999?

Response: Twenty-eight states are participating in the Equine '98 study, which is scheduled to end in March 1999. New Jersey was included in this study and was new to the NAHMS program. Fifteen states will be participating in the Layer '99 study which began in February 1999. Thirteen states are expected to participate in the second national feedlot cattle survey scheduled to begin in October 1999. In addition, APHIS may begin a sheep study in the spring of 2000 in 16 states, with the State of Utah being new to the NAHMS program. Data collection for the Swine 2000 study will begin in June 2000 with 17 states.

Mr. Skeen: What is the status of the NAHMS horse study?

Response: The Equine '98 study is close to completion. From March through April 1998, data was collected on equine health and management practices via personal interviews from a representative sample of equine operations in 28 states. The National Agricultural Statistics Service--NASS--collaborated with APHIS to select a statistically-valid sample such that inferences could be made for all equine in the 28 states. The sample provided 2,904 participating operations. The 28-state target population represented 78.2 percent of the United States' horses and ponies and 78 percent of farms with horses and ponies. Biological samples were collected and tested from horses of the participating operations to estimate the prevalence of diseases affecting the U.S. horse population. Two descriptive reports were published based on the data collection: Part I and Part II - Baseline Reference of 1998 Equine Health and Management. These reports were released in August and September 1998, respectively. Results of the Equine '98 study can be accessed on the World Wide Web at http://www.aphis.usda.gov/vs//ceah/cahm.

BUILDINGS AND FACILITIES

Mr. Skeen: Update the tables that appear on pages 81 through 83 of last year's hearing record showing the buildings and facilities funds that have been appropriated, the amount of carryover, and what the funds will be used for to include fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

Fiscal Year/Project		Appropriated ($000)	Carryover ($000)
1986	For buildings and facilities, repairs and alterations;	$2,335	
	For the completion of a sterile tri-fly rearing facility in Hawaii.	1,901 $4,236	$6,572
1987	For repair and improvement of existing facilities, and for construction of small buildings such as greenhouses.	2,246	$821
1988	For repair and improvement of existing facilities, and for construction of small buildings such as greenhouses.	2,246	$76
1989	To repair and improve the facilities at Denver Wildlife Research Center.	2,546	$337
1990	For repair and improvements of existing facilities and for construction of small buildings, such as greenhouses;	$4,422	
	Master plan to rebuild and modernize Germplasm Quarantine Laboratory;	$3,000	
	Increase for Denver Wildlife Research Laboratory.	6,000 $13,422	$9,408
1991	Routine maintenance of buildings and facilities;	$4,396	
	First phase of National Germplasm Quarantine Center;	12,000	
	For APHIS share of Plum Island Animal Disease Center consolidation.	5,000 $21,396	$23,393
1992	For buildings and facilities, repairs, and alterations;	$3,396	
	Construction of Phase II of Plant Germplasm Quarantine Center;	12,000	
	Increase for Denver Wildlife Research Center;	2,500	
	Modernization and construction of Plum Island Animal Disease Center.	3,500 $21,396	$40,217 1/
1994	For basic buildings and facilities, repairs and alterations, and preventative maintenance;	$6,973	
	Complete Phase IB of Denver Wildlife Research facility;	2,000	
	Replace the Animal Predator facility;	500	
	Expand Plant Methods Development Rearing facility.	672 $10,145	$40,800 2/

Fiscal Year/Project		Appropriated ($000)	Carryover ($000)
1995	For basic buildings and facilities, repairs and alterations, and preventative maintenance.	$4,973	$33,493 2/
1996	For basic buildings and facilities, repairs and alterations, and preventative maintenance.	$9,044	$29,561 3/
1997	For the APHIS share of Plum Island Animal Disease Center modernization.	3,200	$25,178 4/
1998	For the APHIS share of Plum Island Animal Disease Center modernization. Plan, develop and construct quarantine facility in Montana to hold and test bison and elk leaving Yellowstone National Park.	3,200 1,000 $4,200	$5,532
1999	For basic buildings and facilities, repairs and alterations, and preventative maintenance; For the APHIS share of Plum Island Animal Disease Center modernization; Construct wing at National Wildlife Research Center at Fort Collins, Colorado.	1,000 3,200 3,500 $7,700	$1,757
2000 (est.)	For basic buildings and facilities, repairs and maintenance, and preventative maintenance; For the APHIS share of Plum Island Animal Disease Center modernization.	4,000 3,200 $7,200	1,553

1/ $24 million of this amount is for the National Plant Germplasm Quarantine Center.
2/ $25 million of this amount is for the National Plant Germplasm Quarantine Center.
3/ $22 million of this amount is for the National Plant Germplasm Quarantine Center.
4/ $21 million of this amount is for the National Plant Germplasm Quarantine Center.

NATIONAL WILDLIFE RESEARCH CENTER

Mr. Skeen: What is the status of construction of the new National Wildlife Research Center in Fort Collins, Colorado?

Response: APHIS is preparing the solicitation package for the construction of the Animal Research Building--ARB--support wing which was funded in the 1999 appropriation. APHIS will award an ARB support wing construction contract in FY 1999 with completion expected for FY 2001. This structure is crucial to the ability of NWRC to develop alternative control methods.

The main NWRC Wildlife Science Building was completed in December 1998. In January 1999, all headquarters NWRC research and support staff vacated three of four temporary leased

structures in Fort Collins to occupy the new Wildlife Science Building. The fourth structure, a warehouse, will continue to be leased until a similar facility is constructed as part of the Outdoor Pen Project. The NWRC Wildlife Science Building was constructed with private financing and will be repaid through a 20-year GSA lease. With the move to the NWRC site, headquarters personnel are once again located at one site.

The Outdoor Pen Project, which consists of 23 structures including an indoor aviary, 18 outdoor pen structures, the warehouse, bulk chemical storage facility, garage/ Maintenance/shop building and an equipment compound, will be financed and constructed by a private party, and also leased to the NWRC through GSA. The estimated cost of this project is $13 million. GSA is preparing the final bid documentation. If a contract is awarded this summer, construction should be completed by FY 2001.

Mr. Skeen: Provide an updated breakout of the funding needed to complete each remaining component of the entire project.

Response: A total of $15 million in remaining components of the 43 acre Master Plan include $3.8 million for the design and construction of the ARB animal holding and testing rooms; $1.2 million for the design and construction of a pump house, irrigation piping, landscaping/visual barriers, and fencing; and $10 million for the design and construction of the Invasive/Exotic species Research Building.

NATIONAL GERMPLASM QUARANTINE CENTER

Mr. Skeen: The design for both phase I and II of the National Germplasm Quarantine Center in Beltsville, Maryland was scheduled for completion in February 1997. What is the status of both?

Response: After all bids on the initial design exceeded the construction cost estimate and the construction budget, design for the project was adjusted to incorporate cost reductions, a process that was completed in early 1998. The construction contract associated with the project was awarded in June 1998. As of March 15, 1999, construction is at the 25-percent stage, with a target date of January 2000 for completion.

PLUM ISLAND ANIMAL DISEASE CENTER

Mr. Skeen: Update the long-term modernization plan for work at the Plum Island Animal Disease Center in New York.

Response: The Plum Island Animal Disease Center is an Agricultural Research Service facility. In 1983, a memorandum of understanding --MOU-- transferred the diagnostic laboratory functions to APHIS. APHIS and ARS signed a Memorandum of Agreement in 1989 that established the facilities improvement management plan and operational responsibilities. This same agreement provided for funding of a facilities deficiency study, provided for an annual meeting on or about March 1, and established APHIS' share of costs based upon a program support ratio.

In 1994, a new MOU was signed and replaced the 1983 MOU. This new MOU provided a new method of distributed mutual support costs based on an allocated space ratio. The ratio was 61 percent ARS and 39 percent APHIS. Since then, the two agencies have requested funding for modernization at $11.4 million per year--$3.2 million for APHIS and $8.2 million for ARS. Approximately $49.2 million has been appropriated for the Plum Island modernization project since 1993.

The following table reflects projects scheduled to take place over the next 3 years.

Fiscal Year	Project	Cost ($000)
FY 1999	1.) Wastewater treatment plant operational improvements.	$1,800
	2.) Repairs to sewage decontamination plant.	1,700
	3.) Replace transformers, Building 101.	1,000
	4.) Power Plant, Phases I and II (building, boilers, generators).	1,000
	5.) Additional remedial investigation and characterization of old waste management areas.	1,000
	6.) Remove RCRA (Resource Conservation Recovery Act) regulated waste from the Wastewater Treatment Plant Aeration Lagoon.	600
	7.) Modify 3 pathological incinerators in Bldg. 101 to meet New York State Department of Environmental Conservation air emissions requirements.	500
	8.) Prepare Corrective Action Plan in accordance with NYSDEC compliance order for Bldg. 101 complex and Plum Island harbor, fuel oil cleanup.	400
	9.) Design new power plant providing boilers, generators, and electrical --switchgear.	370
	10.) Design renovations East Service Wing, Bldg. 101	200
	11.) Location support services to modernization projects, small miscellaneous projects, and contracted inspection services.	130
		$8,700

Fiscal Year	Project	Cost ($000)
FY 2000	1.) Additional funds to construct new power plant: building, boilers, generators.	3,500
	2.) Design for renovation of West, East and Orient Animal Wings.	1,500
	3.) Relocate Laundry Room to basement.	800
	4.) RCRA remediation and cleanup.	600
	5.) Prepare East Service Wing for renovation, includes asbestos abatement and demolition.	500
	6.) Location support services to modernization projects, small miscellaneous projects, and contracted construction inspection services.	500
	7.) New waterline for Building 101.	400
	8.) Implement corrective action plan for cleaning RCRA underground storage tank oil spill.	400
	9.) Provide new electrical service for preparation of East Service Wing renovation.	300
		$8,500
FY 2001	1.) Construction of East Service Wing renovation in Building 101.	$7,100
	2.) Construct additional sampling for Remedial Investigations/Feasibility Study.	900
	3.) Additional monitoring and sampling for RCRA closure plans.	100
	4.) Additional monitoring for RCRA related oil spills from underground storage tanks.	100
		$8,200

IMPORTED FIRE ANT

Mr. Skeen: APHIS has a cooperative agreement with the University of Arkansas at Monticello to conduct research on imported fire ants. The three areas funded by this agreement are a self-supporting community abatement program, an economic impact assessment, and an ARS biological control project. What is the total amount of the cooperative agreement and how much is spent in each area?

Response: In FY 1998, approximately $97,000 was spent on the economic impact assessment, $74,000 was spent on the abatement program, and $29,000 was spent on the biological control project. The total amount of the agreement was $200,000.

Mr. Skeen: Provide a breakout, by state, of spending on the imported fire ant program in fiscal years 1998 and 1999. How much does each state contribute to the program?

[The information follows:]

IMPORTED FIRE ANT--IFA-- SPENDING				
State	FY 1998 Actual APHIS Obligations	FY 1998 Actual State Contributions	FY 1999 Est. APHIS Obligations	FY 1999 Est. State Contributions
Alabama	$50,491	$50,453	$50,491	$50,453
Arizona	10,000	245,007	10,000	245,007
Arkansas	34,570	91,000	34,570	91,000
California	31,873	------	31,873	------
Florida	117,037	3,500	117,037	3,500
Georgia	49,919	71,080	49,919	71,080
Hawaii	------	25,500	------	25,500
Louisiana	41,414	83,586	41,414	83,586
Maryland	106,190	------	108,293	------
Minnesota	33,095	------	34,147	------
Mississippi	198,210	67,000	185,388	67,000
Montana	40,371	------	40,371	------
Nevada	7,358	6,294	7,358	6,294
New Mexico	45,905	1,708	45,905	1,708
North Carolina	18,428	78,213	18,428	78,213
Oklahoma	5,881	138,000	5,881	138,000
South Carolina	28,508	40,000	28,508	40,000
Tennessee	18,180	192,618	18,180	192,618

State	FY 1998 Actual APHIS Obligations	FY 1998 Actual State Contributions	FY 1999 Est. APHIS Obligations	FY 1999 Est. State Contributions
Texas	128,099	13,000	128,099	13,000
Virginia		28,000	------	28,000
Wyoming	$23,756	------	$23,756	------
D.C.	20,032	------	$20,382	------
Puerto Rico	------	5,000	------	5,000
TOTAL	$1,009,317	$1,139,959	$1,000,000	$1,139,959

Mr. Skeen: What is the status of testing on the three different biological control organisms for potential impact on imported fire ants?

Response: The three organisms that were identified in ARS project were a microsporidium disease (*Thelohania*), a species complex of phorid flies (Phoridae), and a social parasitic ant (*Solenopsis dagarri*). ARS scientists are continuing to study several colonies of these agents at their quarantine facility in Gainesville, Florida. These studies, which will likely continue until 2001, are aimed at introducing these organisms into the U.S. from South America. Once they are introduced, APHIS would mass produce and distribute the biological control agents. In FY 1998, *Thelohania* was released at test sites in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, and Tennessee. Also, we released Phorid flies in Alabama, Arkansas, Florida, Oklahoma, and Texas. We have not yet been able to determine if these organisms will have a measurable impact on IFA populations. Entomologists at Texas Tech University have developed a potent strain of a bacterial disease (*Beauveria bassiana*) that appears very promising as a biological control agent. We will be cooperating with Texas Tech to test this organism in Gulfport, Mississippi, this summer. None of the identified organisms by themselves would be enough to eradicate IFA from the United States because the pest is so widespread. We hope, however, that some combination of these methods will eventually enable native ants to compete effectively with the IFA to reduce economic losses and public health risks associated with IFA.

BROWN TREE SNAKE

Mr. Skeen: What will the Department of Defense allocate to APHIS in fiscal year 1999 for the brown tree snake control program?

Response: The Department of Defense--DOD--will allocate $1 million to APHIS to conduct a Brown Tree Snake--BTS--control program on the Island of Guam. The objective of the BTS program is to establish snake-free zones around military airports and shipping facilities on Guam. WS field personnel remove snakes to prevent the transport of the snakes in military

cargo, aircraft, and ships to other Pacific islands and the U.S. mainland. Control methods include traps, detector dogs, night searches, habitat modifications, and prey base removal. WS personnel use 14 Jack Russell terriers to detect and control the snakes in military and civilian cargo at transportation facilities.

In addition, the DOD Legacy Program provided $408,000 to APHIS' NWRC for the development of toxicant and fumigants for BTS, as well as for the registration of control chemicals. The Department of the Interior also provided APHIS with another $286,000 to conduct work at commercial ports and surface transport facilities. In addition, APHIS receives another $80,000 in local funding.

AQUACULTURE

Mr. Skeen: What happened to your agency's legislative proposal to give the Secretary the authority to monitor and regulate international trade and interstate movements of aquatic animals, plants, and products?

Response: Presently, we have no immediate plans to pursue the legislative proposal as we are considering other options such as the American Farm Bureau's petition to expand the definition of livestock under our existing authorities to include aquaculture. This petition, if accepted, would require APHIS to promulgate regulations governing the importation and exportation of aquacultural products and the interstate movement of these products.

EMERGENCY FUNDING

Mr. Skeen: Describe what has happened during the past year in terms of serious outbreaks of pests and diseases. What resources did you expend on each?

[The information follows:]

Asian Longhorned Beetle--ALB

In FY 1998, APHIS released $1.6 million in contingency funds to continue the ALB emergency control project in New York State--NYS--and begin a similar project in Illinois. Of this amount, $1.5 million was released for NYS and $100,000 was released for Illinois. To date, major infestations have hit Brooklyn, New York; Amityville, Long Island; and three locations near Chicago, Illinois. Swift action on this pest was necessary to protect forest products, nursery, tourist, and maple syrup industries, which generate combined revenue of $47 billion annually.

Participating with APHIS in the NY effort are the U.S. Forest Service--FS--and officials of State, county, and city agencies. The program consists primarily of tree removal, which is funded through cooperative agreements with the New York Department of Agriculture and Markets. The program also includes detection and delimiting surveys and intensified extension/education efforts. A number of other studies were conducted as well. Surveys will continue in Long Island and Manhattan for 2 years after the last beetle find. During FY 1998, the program achieved drastic reductions of ALB populations in areas that had been heavily infested and the tree removal effort made outstanding progress. However, the program did locate five infested properties and expanded the quarantine boundaries accordingly.

In July 1998, ALB was found at three locations in the Chicago, Illinois, area. Delimiting surveys were conducted and a quarantine was established. Appropriately 300-350 trees were infested and scheduled for removal. The infested areas are the Ravenswood section of Chicago, Addison, and Summit. This program is a cooperative effort between APHIS, the Illinois State Department of Agriculture, and the City of Chicago. These areas will be surveyed several times per year for 5 years after the last beetle find. In addition, a biometric survey will be conducted for 2 years after the last beetle find. It is anticipated that additional infested trees will be identified and removed.

Bovine Spongiform Encephalopathy--BSE

In FY 1997, $101,000 was carried over from FY 1996 in contingency funds for the purchase and disposal of United Kingdom--UK--imported cattle. These funds were requested because no program funds were available for this activity in FY 1997. From January 1981 through July 1989, the United States imported 496 animals from the UK. The UK was later determined to be affected with BSE. In March 1996, APHIS determined that 113 of the 496 animals were known to be alive. Funds were used to purchase and dispose of 74 animals. The owners of the remaining 39 chose not to sell their animals to APHIS. In FY 1997, the owners of seven of the remaining animals reconsidered and sold their animals to APHIS for diagnostic purposes. Funds were also used for transporting and disposing of these animals. In FY 1998, $90,109 was carried forward. A total of $9,888 was obligated in FY 1998. These funds were used to dispose of cattle condemned at slaughter for neurological disease. Approximately $80,000 is expected to be carried forward into FY 1999 for a similar purpose.

Citrus Canker

In FY 1998, APHIS released $760,000 in contingency funds to assist Florida with the citrus canker emergency project in the Miami, Florida, area. This cooperative program involves intensive surveys to delimit the outbreak, regulatory action to prevent the movement of potentially infected materials, removal and destruction of infected trees, and pruning of exposed trees of all leaves and softwood. The bulk of funding and staff for eradication activities in FY 1998 was provided by the State, using funds received in the January 1997 settlement of a lawsuit against the USDA. The State hired temporary employees to conduct most of the survey work and APHIS provided technical assistance, conducted regulatory and survey activities, and participated in program planning. Federal involvement has enabled the program to conduct innovative regulatory and public information programs to delimit the pest and to demonstrate national commitment to eradication. The quarantine zones enable the program to detect and control further occurrences of the disease in and around the infested areas. In Dade County, infestations were found at approximately 22,000 residential properties. These infestations occurred in 116 of the 265 sections that comprise the current regulated area. In addition, citrus canker was found in 10 sections outside the regulated area (8 in Dade County and 2 in Broward County). In some of the most heavily infested sections, over 500 infested properties were identified (out of an estimated 2,000 residential properties per section). As a result, about 40,000 infested trees were destroyed, about 15,000 exposed trees destroyed, and about 23,000 exposed trees severely cut back. In Palmetto (Manatee County), citrus canker was found in 47 groves, comprised of 409 acres. In addition, the disease was found in 11 abandoned groves totaling 41 acres. State contractors destroyed approximately 46,000 trees on 511 acres. Of the 13,000

residential properties surveyed in Manatee County, 49 were found to be positive, and 184 infected trees were destroyed. DNA "fingerprinting" revealed that the citrus canker strain in Manatee County is similar to the one that was believed to have been eradicated in 1994. Therefore, it appears that the current infestation may be a carryover from the previous infestation.

European Gypsy Moth--EGM--/Asian Gypsy Moth--AGM

In FY 1998, APHIS released $1,111,000 from the contingency fund to conduct emergency projects to control EGM and AGM. The FY 1998 program for EGM included delimiting surveys, aerial treatments of Bt, post-treatment surveys, and egg mass surveys covering approximately 600,000 acres in 13 States outside of the generally infested areas. Seven States-- California, Minnesota, North Carolina, Oregon, Virginia, Washington, and Wisconsin-- conducted control activities. In the other States--Illinois, Indiana, Iowa, Nebraska, Ohio, and West Virginia--APHIS conducted and supervised most of the control work, which involved Bt applications and mass trapping. In FY 1998, the Agency treated 49 small, isolated infestations of approximately 38,988 acres. This compares to an equal number of infestations but covering only 18,468 acres in FY 1997. In FY 1997, the fungus *Entomophaga maimaiga* and the Nucleopolyhedrosis virus significantly reduced infested acreage throughout eastern United States, thus enabling APHIS to treat more small infestations. The "Slow the Spread"--STS--pilot programs in Virginia and West Virginia have been extremely successful in reducing the spread rate.

In FY 1998, AGM activities in Washington State consisted of surveys, trapping, and genetic testing in Seattle and Tacoma involving over 700 acres. One AGM was trapped in each city during FY 1997. In response to these finds, the program conducted surveys over a 20-mile-radius in FY 1998 consisting of 2,148 traps. Also, APHIS conducted port and waterway detection surveys for AGM as part of its Agricultural Quarantine Inspection program. These detection surveys consisted of 4,251 traps in Washington and 1,653 traps in Oregon. With 8,052 traps set, not a single AGM was trapped. This is a good result since AGM populations in the Russian Far East are rising and international trade and commerce activities have increased the opportunity for new introductions in the United States. As an added measure, the program treated 640 acres in Tacoma with three aerial applications of Bt and 60 acres in Seattle with three ground applications of Bt.

Karnal Bunt--KB

During FY 1998, APHIS and cooperators continued to conduct KB sampling surveys throughout the regulated areas. In August 1998, positive fields were unexpectedly found within a regulated area; this led to an additional level of sampling and certification. Nevertheless, work is continuing with foreign trading partners, the research community, industry and State officials to change their perception of KB from a quarantine issue to a grade and quality issue. In addition, the efforts of the ongoing national monitoring system to demonstrate to trading partners that KB is not widely distributed throughout the United States will continue. During FY 1998, $16.3 million of CCC funds were obligated on the program. Of this total, $14.5 million was used to pay compensation claims. The balance of $1.8 million funded operating costs such as surveys, testing, regulatory, and laboratory work.

Since the program's inception in March 1996, APHIS has worked diligently to keep export markets open, remove as many restrictions as possible, and compensate those producers and others most affected by KB restrictions. These actions have helped secure continued access to foreign markets for U.S. wheat. In addition, over $33 million has been provided to mitigate producer and handler losses since the program began. For the upcoming 1999 harvest season, the Agency is proposing to greatly reduce the size of the existing regulated areas. In addition, APHIS expects to deregulate any areas with 3 years of negative surveys. Also in FY 1999, the KB program's transition from an emergency program to a routine domestic program will begin.

Mediterranean Fruit Fly--Medfly

In May, 1998, APHIS completed the emergency program in Tampa, Florida which was implemented the previous fiscal year. In addition, APHIS and state cooperators detected several new Medfly outbreaks in Florida and California during FY 1998, and $11.6 million of CCC funds were made available for the outbreaks.

Four new outbreaks occurred in Florida: the Miami Springs area of Dade County; the Umatilla area of Lake County; the Palmetto/Bradenton area of Manatee County; and the Sebring area of Highlands County. Two new outbreaks were detected in California: the Lake Forest/Mission Viejo area of Orange County and the La Jolla area of San Diego County, each of which occurred outside the Medfly Preventive Release Program--PRP--boundaries in the Los Angeles Basin. APHIS worked with the Florida Department of Agriculture and the CDFA to implement quarantine regulations on the intrastate movement of fruit to limit the artificial spread of Medflies beyond the affected areas. In addition, eradication activities including increased trapping, aerial and limited ground applications of Malathion, and sterile fly releases were conducted. These emergency programs are expected to be completed in FY 1999. This action kept Florida's $8 billion agricultural market open.

Pink Hibiscus Mealybug--PHM

In FY 1998, APHIS released $74,744 in contingency funds to help control the pink hibiscus mealybug--PHM--in the Caribbean. The PHM is a dangerous pest that infects over 200 host plants, many of economic importance to the Caribbean. APHIS provided the funds to the U.S. Virgin Islands--USVI--Department of Agriculture through a cooperative agreement. The agreement funded the operation of the PHM insectary on St. Thomas, which also served Culebra and Vieques of Puerto Rico. This facility produced the pest's natural enemies from China, India, and Hawaii at a rate of 3,000 per week. Also, the insectary provided inoculative releases of exotic PHM parasites to infested neighboring islands upon request. Through this project, APHIS promoted the production of beneficial parasites to be released in the USVI and Puerto Rico through close cooperation with the USVI Department of Agriculture. This approach is compatible with sensitive Caribbean ecosystems. These activities supplemented a $266,000 APHIS biological control effort in the Caribbean, which is funded from appropriated dollars. Currently, 21 parasites and 41 predators are known to attack the hibiscus mealybug worldwide.

Mexican Fruit Fly--MFF--/Oriental Fruit Fly--OFF

Due to several detections in Los Angeles County, California, APHIS conducted two small-scale eradication programs in FY 1998, releasing contingency funds in the amount of $418,500 for MFF and $236,500 for OFF. Adult and larval detections of MFFs in the Boyle

Heights area of Los Angeles County required ground applications of Malathion; fruit stripping and diazinon soil drenches at each larval site; and the release of sterile flies over a 10-square mile area. The MFF eradication zone/quarantine area included 62 square miles. Detections of adult OFF and larval sites occurred in the Covina and Hawthorne/Westchester areas of Los Angeles County. These finds involved male annihilation treatments over 10 square miles in Covina and 27 square miles in the Hawthorne/Westchester area, and fruit stripping and diazinon soil drenches at larval sites. Both programs operated under a cost sharing arrangement with the CDFA. The eradication of these exotic pests enabled California agricultural products to maintain unrestricted trade status.

Tuberculosis--TB-- in Cervidae

In FY 1998, APHIS released funds to indemnify owners of tuberculosis-infected Cervidae. Contingency funds were requested because no funds were included for this activity in the FY 1998 tuberculosis program. In FY 1996, $697,500 in contingency funds was released for tuberculosis in cervidae. In FY 1997, $400,000 was carried over and used to indemnify owners of TB infected and/or exposed cervidae. A total of $250,054 was carried forward into FY 1998. Of this amount, approximately $95,000 was obligated in FY 1998. Funds were used to support a surveillance project in Michigan (focusing on wildlife) and for indemnity/depopulation activities in Michigan and Wisconsin. Of the $95,000, approximately $38,000 was used to indemnify owners of exposed and/or reactor animals.

Vesicular Stomatitis Virus--VSV

VSV is a viral disease that primarily affects cattle, swine, and horses. The disease occasionally affects sheep, goats, deer, and raccoons. Humans may also be affected. A total of $134,455 was obligated in FY 1996 with the remaining $152,000 being carried forward into FY 1997. These funds were not needed in FY 1997. These funds were, however, reallocated in FY 1998 in response to two VSV outbreaks. The first outbreak began in May 1997 and ended in February 1998. Program funds were used from May to September 1997. Contingency funds were used from October 1997 to February 1998. In all, APHIS investigated 703 premises during this outbreak with 380 premises testing positive for the virus. Investigations were conducted in 41 States with the positive cases being in Arizona, Colorado, New Mexico, and Utah. The second outbreak began in May 1998, and is ongoing as of November 1998. A total of $137,101 was obligated in FY 1998 with $14,899 being carried forward to FY 1999. As of November 27, 1998, APHIS has investigated 226 premises. Of the 226 premises, 131 have tested positive for the virus. All the positive cases to date have been of the equine species, except for one bovine case in Adams County, Colorado.

Wolf Damage Control

In FY 1998, APHIS released $134,674 from contingency funds for wolf damage management activities. The funds allowed APHIS WS personnel to appropriately respond to all requests for investigation of suspected wolf depredation in FY 1998. Populations of reintroduced wolves in Yellowstone National Park and central Idaho as well as naturally occurring populations from Canada are increasing annually. The Minnesota wolf population is increasing at an annual rate of 3 to 5 percent and expanding its range considerably, which in turn is causing an increase in the demand for APHIS to investigate suspected cases of wolf

depredation. This resulted in a funding shortage of more than $103,000 for wolf program work in Idaho, Minnesota, Montana, and Wyoming in FY 1998. In addition, the location of some wolf populations in remote and inaccessible areas requires that approximately 50 percent of wolf damage management must be accomplished through an aerial operations program. To continue essential wolf damage management activities, an external safety review of WS aerial operations program was conducted at a cost of $30,000.

EMERGENCY AUTHORITY

Mr. Skeen: How was your emergency authority used in fiscal year 1997? How much did you use for each incidence and was it all transferred from CCC?

Response: The Secretary used his emergency transfer authority in all cases transferring funds from the CCC in FY 1997 for the following programs:

EMERGENCY TRANSFERS
(Dollars in thousands)

	FY 1996 Carryover	Approved for CCC release in FY 1997	FY 1997 CCC "Cash" Transfer	FY 1997 Obligations	Unused Authority
Karnal Bunt	$616	$40,816	$25,399	$22,878*	$18,555
Medfly	800	12,591	3,912**	7,656	5,542
Total	$1,416	$53,407	$29,311	$30,534	$24,097

* This was the amount we reported at the end of FY 1997 for Karnal Bunt obligations. Since then, however, we have determined that the Farm Service Agency did not obligate approximately $5.9 million of the amount we had transferred to them to pay compensation claims.
** This amount was supplemented by the $3.1 million overage from the Karnal Bunt transfer.

Mr Skeen: How did you use your emergency authority in 1998?

Response: The Secretary used his emergency transfer authority in all cases transferring funds from the CCC in FY 1998 for the following programs:

EMERGENCY TRANSFERS
(Dollars in thousands)

	FY 1997 Carryover	Approved for CCC release in FY 1998	FY 1998 CCC "Cash" Transfer	FY 1998 Obligations	Unused Authority
Karnal Bunt	$638	$18,555	$19,193	$16,273*	$0
Medfly	193	12,437	12,630	11,166	0
Total	$831	$30,992	$31,823	$27,439	$0

* This was the amount we reported at the end of FY 1998 for KB obligations. Since then, however, we have determined that the Farm Service Agency did not obligate approximately $5 million of the amount we had transferred to them to pay compensation claims.

Mr. Skeen: Update the table that appears on pages 92 through 95 of last year's hearing record showing a breakout of the number of emergencies that occurred, as well as the amount of both agency and CCC funds that were used to combat the emergency to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

Animal and Plant Health Inspection Service
Emergency Program Funding
(dollars in thousands)

Fiscal Year	Emergency	Agency Funds	CCC Funds
1987	Africanized honeybee	$1,750	--
	Avian influenza	740	--
	Black parlatoria scale	300	--
	Citrus canker	1,800	--
	Gypsy moth	145	--
	Exotic newcastle	605	--
	Medfly	2,070	--
1988	Africanized honeybee	$1,550	--
	Medfly	868	--
	Melon fly	313	--
	Peach fruit fly	567	--
	Salmonella enteritidis	520	--
	Varroa mite	1,162	--
1989	Boll weevil	--	$6,200
	Exotic newcastle	$405	--
	Exotic ticks (ostrich)	275	--
	Medfly	3,045	--
	Tuberculosis	410	--
1990	Africanized honeybee	$397	--
	Agricultural quarantine inspection	270	--
	Gypsy moth	541	--
	Medfly	--	$29,842
	Salmonella enteritidis	--	2,880
	Scrapie	505	--
	Tuberculosis	1,208	--

Fiscal Year	Emergency	Agency Funds	CCC Funds
1991	United Kingdom Cattle Monitoring	$487	--
	Chrysanthemum white rust	170	--
	Gypsy moth	572	--
	Exotic newcastle	189	--
	Potato virus Y	516	--
	Medfly	--	$5,901
	Salmonella enteritidis	--	3,538
	Tuberculosis	1,202	--
1992	Asian Gypsy Moth	--	$8,880
	Gypsy moth	$580	--
	Medfly	--	8,750
	Potato virus Y	1,311	--
	Salmonella enteritidis	2,460	297
	Screwworm	825	--
	Sweetpotato whitefly	298	--
1993	Avian influenza	$780	--
	Chrysanthemum white rust	402	--
	Gypsy moth	729	--
	Medfly	--	$16,094
	Potato virus Y	752	--
	Pine Shoot Beetle	635	--
	Salmonella enteritidis	166	117
	Scrapie	1,920	--
	Screwworm	1,575	--
	Tuberculosis	602	--
1994	Asian Gypsy Moth	--	$3,439
	Canine rabies	$474	--
	Chrysanthemum white rust	282	--
	E. coli O157:H7	697	--
	Gypsy Moth	506	--
	Medfly	--	15,966
	Pine Shoot Beetle	449	--
	Tropical bont tick	350	--
1995	Asian Gypsy Moth	$3,000	$1,841
	Canine rabies	1,319	--
	Gypsy Moth	986	--
	Medfly	3,000*	10,711
	Pine Shoot Beetle	892	--
	Tuberculosis	30	--
	Vesicular Stomatitis	720	--

Fiscal Year	Emergency	Agency Funds	CCC Funds
1996	Asian Gypsy Moth/Gypsy Moth	$2,045	--
	United Kingdom Cattle Monitoring	151	--
	Citrus Canker	1,616	--
	Karnal bunt	--	$24,322
	Medfly	--	8,723
	Mexican fruit fly	761	--
	Pine Shoot Beetle	269	--
	1996 Summer Olympics	429	--
	Tuberculosis in Cervidae	54	--
	Vesicular stomatitis	134	--
1997	Asian Gypsy Moth/Gypsy Moth	$1,247	--
	Asian long-horned beetle	849	--
	United Kingdom Cattle Monitoring	11	--
	Citrus Canker	2,983	--
	Karnal bunt	--	$22,878
	Medfly	--	7,656
	Pine shoot beetle	239	--
	Tuberculosis in Cervidae	150	--
1998	Asian gypsy moth	$432	--
	Asian long-horned beetle	1,630	--
	United Kingdom Cattle Monitoring	90	--
	Citrus Canker	760	--
	Gypsy Moth	679	--
	Karnal bunt	--	$18,668
	Medfly	--	5,622
	Mexican fruit fly/Oriental fruit fly	655	--
	Pink Hibiscus Mealybug	75	--
	Tuberculosis in Cervidae	250	--
	Vesicular Stomatitis	152	--
	Wolf Damage Control	133	--
1999 est.	Asian long-horned beetle	--	$6,910
	Belgian Sheep	$1,008	--
	Bovine Tuberculosis in Free-Ranging Deer	967	--
	Cervidae Tuberculosis	155	--
	Citrus Canker	--	25,000
	Classical Swine Fever	--	5,295
	Disposal of Animals Displaying Neurological Disease at Slaughter	80	--
	Fruit Fly	--	22,576
	Medfly	--	3,159
	Pseudorabies	--	80,000
	Vesicular Stomatitis	15	--

* Of this amount, $2 million was released from Contingency Fund and $1 million was transferred from the Buildings and Facilities account.

TROPICAL BONT TICK

Mr. Skeen: Please provide the Committee with an updated status report of the joint project with the Food and Agriculture Organization, the Inter-American Institute for Cooperation on Agriculture, and the Caribbean Community to eradicate the tropical bont tick from the Caribbean Islands.

Response: The Caribbean Amblyomma Program--CAP--focuses on a regional approach to eradicating the tropical bont tick--TBT--and preventing the introduction of heartwater into the livestock industry and wildlife populations of the United States from infested Caribbean islands. Eradication activities started in Anguilla in June 1995, St. Kitts/Nevis in October 1995, and Montserrat in February 1996. Bi-weekly treatments with acaricides are applied to 100 percent of the animals on St. Kitts, and 76 percent of the animals on Nevis. The reduction in the percent treated on Nevis is due to a 30 percent increase in the livestock population made possible by the success of the program on this island. Eradication phases in each country should continue for approximately 30 months.

In FY 1998, APHIS provided technical expertise, program input, and funding through the FAO. As a result, the tick was declared low risk in St. Kitts and Nevis due to the successful eradication efforts on these two islands. Eradication activities continue in Antigua which is infested with both the disease heartwater and a severe infestation of TBT. The FAO also contributed an additional $1.9 million to the CAP program to support the purchase of acaricides and other critical needs.

Treatments have been suspended on Montserrat due to volcanic activity forcing the program to shift from an eradication mode to a surveillance mode. Volcanic dust has had a negative effect on the tick population; no ticks have been found on the animal remaining on the island since the eruption began.

Mr. Skeen: Also, update the table that appears on page 95 and 96 of last year's hearing record showing the funding levels provided to the project by organization.

Response: Total costs for the 6-year cooperative program have increased by $1 million to approximately $30.5 million due to increasing livestock populations made possible by decreasing TBT populations.

Organization	Amount
U.S. Department of Agriculture/APHIS	$2,500,000
Food and Agriculture Organization--FAO	2,860,000
Inter-American Institute for Cooperation on Agriculture--IICA	275,000

Organization	Amount
Caribbean Community (Caricom)	4,600,000
European Union/CAP	900,000
European Union/France *	17,000,000
Total Pledged	28,135,000
Program Estimate	30,500,000
Current Shortfall	2,365,000

* Although France received money from the European Union to eradicate the TBT on their islands in the Caribbean, France insists on operating independently of the Regional Amblyomma Eradication Program.

OVERSEAS LOCATIONS

Mr. Skeen: Through your international program, APHIS maintains a presence in countries that are significant agricultural trading partners. For the record, please provide a list of all countries where APHIS has personnel, the number of employees in that country, and a brief description of the work conducted in that country.

[The information follows:]

FOREIGN PROGRAM LOCATIONS, PERSONNEL, AND ACTIVITIES AS OF MARCH 1, 1999

Country	U.S. Personnel	Programs
Argentina	1	Preclearance, Sanitary/Phytosanitary Management
Brazil	2	Sanitary/Phytosanitary Management, Foot-and-Mouth Disease/Foreign Animal Diseases, Preclearance, Pest Surveillance and Detection
Chile	2	Regional office, Preclearance, Sanitary/Phytosanitary Management.
Colombia*	0	Foot-and-Mouth Disease/Foreign Animal Diseases, Sanitary/Phytosanitary Management
Peru	1	Preclearance, Sanitary/Phytosanitary Management, Foot-and-Mouth Disease/Foreign Animal Diseases
Australia	1	Sanitary/Phytosanitary Management

Country	U.S. Personnel	Programs
China	1	Sanitary/Phytosanitary Management, emphasis on plant trade issues
Japan	2	Sanitary/Phytosanitary Management, emphasis on trade dispute resolution and harmonization of phytosanitary requirements.
Korea	1	Sanitary/Phytosanitary Management, emphasis on plant trade issues
Austria	2	Sanitary/Phytosanitary Management
Belgium	2	Regional office, Sanitary/Phytosanitary Management, emphasis on European Union trade issues.
Germany	1	Military Preclearance
Italy	1	Sanitary/Phytosanitary Management, emphasis on sanitary and phytosanitary requirements
Netherlands	2	Bulb preclearance
South Africa**	0	Sanitary/Phytosanitary Management, Preclearance
Costa Rica	3	Sanitary/Phytosanitary Management, Screwworm, preclearance
Guatemala	4	Regional office, Medfly rearing facility, Fruit Fly Exclusion and Detection, Sanitary/Phytosanitary Management, FMD, technical cooperation, trade dispute resolution, preclearance.
Mexico	18	Regional office, Screwworm rearing facility, Sanitary/Phytosanitary Management, Fruit Fly Exclusion and Detection, Boll Weevil, FMD diagnostic laboratory, preclearance, Agricultural Quarantine Inspection, Emerging Plant pests, Technical cooperation
Nicaragua	1	Screwworm, Sanitary/Phytosanitary Management
Panama	6	Screwworm, FMD commission, Sanitary/Phytosanitary Management
Dominican Republic	1	Sanitary/Phytosanitary Management, Tropical Bont Tick, Pest Surveillance and Detection

Country	U.S. Personnel	Programs
Haiti	1	Preclearance
Jamaica	1	Preclearance
Bahamas	2	Passenger preclearance
Bermuda	1	Passenger preclearance

* The Foreign Service position in Colombia is scheduled to be filled during the third quarter of FY 1999.

** The Foreign Service position in South Africa is scheduled to be filled during the third quarter of FY 1999.

FEDERAL/NON-FEDERAL DOLLARS

Mr. Skeen: Update the table that appears on pages 98 and 99 showing a breakout of all Federal and non-Federal dollars for all APHIS programs to include fiscal year 1998.

[The information follows:]

APHIS Budget
(Dollars in Thousands)

Line-item	FY 1998 Federal	FY 1998 Non-Federal	FY 1999 Federal	FY 1999 Non-Federal
PEST & DISEASE EXCLUSION:				
AQI: Appropriated	$27,080	$208	$30,648	$208
User fees	140,095	--	143,514	--
Cattle ticks	4,832	1,704	4,627	1,704
Foot-and-mouth disease	3,942	3,755	3,803	3,894
Fruit fly exclusion and detection	21,179	15,226	22,970	0
Import-Export: Appropriated	6,610	--	6,815	--
Sanitary/phytosanitary management	7,708	--	7,539	--
Screwworm	29,684	7,244	30,301	6,730
Tropical bont tick	456	--	407	--
Subtotal, Pest and Disease Exclusion	241,586	28,137	250,624	28,822
PLANT ANIMAL HEALTH MONITORING:				
Animal health monitoring & surveillance	60,449	72,318	63,389	72,318

Line-item	FY 1998		FY 1999	
	Federal	Non-Federal	Federal	Non-Federal
Animal & plant reg. enforcement	5,934	--	5,855	--
Pest detection	6,119	15,145	6,426	15,145
Subtotal, Plant and Animal Health Monitoring	72,502	87,463	75,670	87,463
PEST & DISEASE MANAGEMENT:				
Aquaculture	563	494	567	494
Biocontrol	8,167	3,307	8,160	3,307
Boll weevil	16,181	99,835	16,209	99,835
Brucellosis eradication	19,427	71,155	11,864	71,155
Emerging plant pests	2,584	14,758	1,410	14,758
Golden nematode	441	97	435	97
Gypsy moth	4,422	3,967	4,366	3,967
Imported fire ant	1,009	1,140	1,000	1,140
Noxious weeds	411	4,742	424	4,742
Pink bollworm	1,017	6,531	1,048	6,531
Pseudorabies	4,369	10,508	4,567	10,508
Scrapie	2,777	413	2,991	413
Tuberculosis	4,749	7,986	4,920	7,986
Wildlife Services - Operations	28,989	29,089	29,997	29,089
Witchweed	1,662	239	1,506	239
Subtotal, Pest & Disease Management	96,766	254,261	89,464	254,261
ANIMAL CARE:				
Animal welfare	9,455	--	9,175	--
Horse protection	358	--	361	--
Subtotal, Animal Care	9,813	--	9,536	--
SCIENTIFIC & TECHNICAL SERVICES				
Biotechnology/environ. protection	8,119	111	7,393	111
Integrated systems acquisition project	7,429	--	3,500	--
Plant methods development labs	5,057	--	4,693	--
Veterinary biologics	10,168	--	10,345	--
Veterinary diagnostics	15,666	--	15,622	--
Wildlife Services methods devel.	10,121	1,316	10,365	1,316
Subtotal, Scientific and Technical Services	56,560	1,427	51,918	1,427
Contingency Funds	3,675	--	4,105	--

Line-item	FY 1998		FY 1999	
	Federal	Non-Federal	Federal	Non-Federal
CCC transfers	30,359	6,884	95,364	6,884
Advances and Reimbursements:				
Federal	8,100	--	4,995	--
Non-Federal	--	49,753	--	50,005
Trust Funds	12,233	--	7,100	--
Total, Available or Estimate	531,594	427,925	588,776	428,862

PINK BOLLWORM

Mr. Skeen: What were the final results of the pink bollworm demonstration project in the Imperial/Coachella Valley?

Response: In FY 1998, we followed up on a control technique that proved successful in the 3-year PBW demonstration project in the Imperial/Coachella Valley, which concluded in FY 1997. This technique involved the use of genetically-engineered cotton-otherwise known as Bt cotton--which contains a toxin that kills PBW and other moth pests when they feed on cotton. We are using these findings to improve program operations and to plan for a proposed area-wide suppression and eradication effort for western Arizona and southern California. Timeliness is critical in this effort because Bt cotton as a major program component is subject to pest resistance over time.

Mr. Skeen: Please update the table that appears on pages 99 and 100 of last year's hearing record, showing the amount of funds provided by cotton producers to operate the pink bollworm facility, to include fiscal year 1998.

[The information follows:]

PRODUCER CONTRIBUTIONS TO OPERATE THE PINK BOLLWORM REARING FACILITY (Dollars in thousands)

FISCAL YEAR	CONTRIBUTIONS
1994	$1,980
1995	$2,150
1996	$2,300

FISCAL YEAR	CONTRIBUTIONS
1997	$1,855
1998	$2,287

Mr. Skeen: What is the status of the risk assessment being conducted in cooperation with Cotton, Inc. to determine if the pink bollworm reached its economic range?

Response: The cooperative agreement with the University of Minnesota will be completed by late FY 1999. This agreement involves conducting a risk assessment to determine whether or not the PBW has reached its economic and biological range. Work in FY 1999 will determine the severity of potential infestations and whether the damage done by this pest would exceed economic thresholds. The preliminary report indicates that the PBW could survive throughout most of the mid-South and southeastern United States, and recommends regular monitoring to detect any new infestations.

CONTINGENCY FUNDS

Mr. Skeen: What is the current status of the APHIS Contingency Fund?
[The information follows:]

1998 Carryover	$2,503,823
1999 Appropriation	4,105,000
Total Available	$6,608,823
FY 1999 Releases:	
Bovine tuberculosis in free-ranging deer populations	$967,000
Disposal of cattle condemned at slaughter for neurological disease	80,221
Purchase and disposal of sheep imported from Belgium	1,008,000
Tuberculosis in Cervidae	154,923
Vesicular Stomatitis	14,899
Balance Available	$4,383,780

Mr. Skeen: Please update the table that appears on page 100 of last year's hearing record, listing all funding expenditures from the Contingency Fund, to include fiscal year 1998 actuals and fiscal year 1999 estimates.
[The information follows:]

CONTINGENCY FUND (In thousands of dollars)		
Program	FY 1998 actual obligations	FY 1999 estimated obligations
Asian Long-horned beetle	$1,327	--
Bovine tuberculosis in free-ranging deer populations	--	$967
Citrus canker	663	--
Disposal of cattle condemned at slaughter for neurological diseases	10	80
European gypsy moth / Asian gypsy moth	763	--
Mexican fruit fly	301	--
Oriental fruit fly	169	--
Pink hibiscus mealybug	75	--
Purchase and disposal of sheep imported from Belgium	--	1,008
Tuberculosis in Cervidae	95	155
Vesicular stomatitis	137	15
Wolf damage control	135	--
Total	3,675	2225

ANIMAL IMPORT CENTERS

Mr. Skeen: Please update the table that appears on page 101 of last year's hearing volume which shows the number of days occupied and the operating costs and revenues collected for each of the Animal Import Centers to include fiscal year 1998.

[The information follows:]

NUMBER OF DAYS OCCUPIED FY 1994-98					
AIC	1994	1995	1996	1997	1998
Newburg	365	365	365	365	365
Miami	365	365	365	365	365
Hawaii *	365	365	365	272	0
H S Truman **	120	240	120	240	120

* Hawaii Animal Import Center (AIC) closed in June 1997.
** H S Truman AIC will be closing at the end of FY 1999.

Annual operating costs and the revenue over the last five years for each AIC are shown in the following table:

AIC OPERATING COSTS & REVENUE FY 1995-98 ($000)								
	FY 1995		FY 1996		FY 1997		FY 1998	
Facility	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue
Newburg	$1,608	1,601	$1,502	1,768	$1,863	2,169	$1,802	2,260
Miami	962	578	1,113	716	980	818	1,008	883
Hawaii	283	159	247	20	148	14	0	0
Truman	1,826	1,582	1,361	1,229	1,818	1,826	1,532	1,534
TOTAL	4,679	3,920	4,223	3,733	4,809	4,827	4,342	4,677

SILVERLEAF WHITEFLY

Mr. Skeen: What sweet potato whitefly activities are you conducting during fiscal year 1999?

Response: Our response to the silverleaf whitefly--SLW--, formerly known as the sweetpotato whitefly, is guided by a 5-year National Research, Action, and Technology Transfer Plan. FY 1999 marks the third year of this plan, which defines the continuing need for a highly coordinated and cooperative program. Also, it establishes new research needs and goals, and provides for technology transfer to industry, the public, and the scientific community.

In FY 1999, we will continue testing natural enemies of SLW; working to implement biocontrol demonstration projects; establishing field insectaries; releasing and distributing natural enemies; developing pest control demonstrations; and collecting evaluation data to control SLW. Also, we will continue supporting a biocontrol-based integrated pest management effort by emphasizing the mass production of beneficial insects to reduce the SLW's economic impact. This strategy resulted in a net savings for agricultural producers of several applications of late season pyrethroids in spring melons and cotton during FY 1998. Growers are beginning to implement this strategy because of reduced input costs and because of realized long-term benefits of releasing parasitoids. In addition, we plan to continue introductions and evaluations of exotic parasitoids of whitefly as they are made available by foreign exploration and large-scale releases made in demonstration projects.

Mr. Skeen: What is the status of turning the strategy of releasing sweet potato whitefly natural enemies in the greenhouse over to the public sector?

Response: In FY 1998, we continued releasing SLW natural enemies in greenhouses in northeastern States. This project has demonstrated the effectiveness of using biocontrol against SLW in greenhouses. We have had particular success using the Nile Delta strain of *Encarsia formosa* as a SLW parasitoid on tomatoes and poinsettias in New Hampshire and Connecticut. To transfer this effective strategy to industry, we are negotiating with several companies that supply biological agents to growers. Once we transfer technology and material, the companies can produce natural enemies and make them available to their greenhouse customers.

IMPORT/EXPORT/VETERINARY DIAGNOSTIC USER FEES

Mr. Skeen: Provide a five year table that shows the projected revenue for import/export user fees and the projected revenue for veterinary diagnostic user fees including fiscal year 1999 estimates.

[The information follows:]

ESTIMATED USER FEE REVENUE
(Dollars in thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Import/Export User Fees (includes AIC's in Newburg and Miami)	$13,174	$13,174	$13,174	$13,174	$13,174
Veterinary Diagnostic User Fees	$1,809	$1,809	$1,809	$1,809	$1,809

IMPORT/EXPORT APPROPRIATED ACTIVITIES AND EXPENSES

Mr. Skeen: Please update the tables that appear on pages 103 and 104 of last year's hearing record showing both the appropriated and reimbursed activities and expenses of the import/export inspection program to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

IMPORT-EXPORT APPROPRIATED ACTIVITIES & EXPENSES (Dollars in Thousands)		
APPROPRIATED ACTIVITY	FY 1998 Expenses (act.)	FY 1999 Expenses (est.)
Inspection of military installations	$140	$140
International Trade Support	650	775
Non-regulatory, Agency-initiated inspections	550	550
Smuggled bird disease status & quarantine determinations	135	135
Monitoring disease status of foreign countries	200	225
Education on scientific advances related to animal health	135	135
Stray Animal Retrieval	130	130
State and regional support	855	855
National Center for Import & Export--NCIE1/	3,000	3,000
Risk Assessments	500	555
Commercial Bird Activities	210	210
Maintain Truman Animal Import Center during downtime	105	105
TOTAL, APPROPRIATED	6,610	6,815

1/ NCIE operations consists primarily of providing information, advising, and consulting with industry groups, and other governments; certifying export products; and developing and implementing standards, regulations, and policies. This work prevents animal disease introduction from imported animals or animal products and ensures that animals offered by the United States for export meet the criteria of the importing country.

IMPORT/EXPORT ACTIVITIES EXPENSES & REVENUES (Dollars in Thousands)				
USER FUNDED CATEGORY	FY 1998 ACTUAL		FY 1999 ESTIMATED	
	EXPENSES	REVENUES	EXPENSES	REVENUES
HARRY S TRUMAN ANIMAL IMPORT CENTER	$1,532	$1,534	$105	0
OTHER ANIMAL IMPORT CENTERS	2,811	3,143	3,517	$3,166
EXPORT USER FEES	4,360	4,816	4,572	4,827
IMPORT INSPECTION, IMPORT PET BIRDS, ETC.	5,143	4,956	5,283	5,182
TOTAL, USER FUNDED	13,846	14,449	13,477	13,175

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SYSTEM

Mr. Skeen: Also update the table that appears on page 104 of last year's hearing record, showing the expenses related to the program, to include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The Information follows:]

Foreign Affairs Administrative Support Services/ International Cooperative Administrative Support System	
FISCAL YEAR	AMOUNT
1991.....	$ 675,179
1992.....	802,080
1993.....	1,031,600
1994.....	1,079,446
1995.....	1,086,617
1996.....	970,376
1997.....	1,146,118
1998*.....	1,879,411
1999 (est).....	2,020,367

* In Fiscal Year 1998, the Department of State began full implementation of the new International Cooperative Administrative Support System--ICASS. This replaces the outdated Foreign Affairs Administrative Support Services--FAAS. To offset the increase in ICASS costs,

APHIS received an additional $909,000 to support the increase in administrative support expenses pursuant to P.L. 105-119 Sec. 404 (b) (10) (A), Departments of Commerce, Justice, and State, The Judiciary, and Related Agencies Appropriations Act, 1998. In FY 1999, APHIS received $909,000 for additional costs related to the International Cooperative Administrative Support System pursuant to P.L. 105-277, Omnibus Appropriation Act, 1999.

BIOTECHNOLOGY

Mr. Skeen: Please update the staffing and funding for the biotechnology table that appears on page 105 of last year's hearing record.

[The information follows:]

STAFFING AND FUNDING FOR BIOTECHNOLOGY ACTIVITIES
(in thousands of dollars)

	FY 1995 (actual)	FY 1996 (actual)	FY 1997 (actual)	FY 1998 (actual)	FY 1999 (est.)
Funding	$4,638	$4,589	$4,632	$4,703	$4,245
Staff Years	56	55	61	58	60

This table reflects funding and staffing associated with the phytosanitary and veterinary aspects of the Biotechnology and Environmental Protection line-item. It does not include funding and staffing associated with the National Monitoring and Residue Analysis Laboratory or the environmental component of the line item.

PLANT METHODS DEVELOPMENT ACTIVITIES

Mr. Skeen: Update the table that appears on pages 105 and 101 of last year's hearing record, showing the amount spent by location on plant methods development activities, to include fiscal year 1998 actuals and fiscal year 1999 estimates.

Response: The following table shows funding for all APHIS plant methods development activities, not just those funded by the Plant Methods Development Laboratories line item:

CENTERS	FY 1995 Actual	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Estimate
Gulfport, MS 1/	$573,445	$613,317	$585,512	$619,540	$624,000
Hoboken, NJ	349,555	----	----	----	----
Mission, TX	598,757	455,152	502,953	567,816	449,000
Otis Air Base, MA 2/	1,371,022	1,474,692	1,648,991	1,700,431	1,646,000

CENTERS	FY 1995 Actual	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Estimate
Oxford, NC 3/	---	942,453	894,510	955,172	690,000
Phoenix, AZ 4/	893,514	1,092,127	1,042,614	1,142,425	1,141,000
Whiteville, NC 3/	357,152	----	----	----	----
SUBSTATIONS					
Brawley, CA	232,011	176,772	162,240	112,644	---
Beltsville, MD	137,536	182,061	173,807	----	---
Dillon, SC 3/	175,885	----	----	---	---
Gainesville, FL	206,322	249,196	167,289	135,632	156,000
Guatemala City	201,015	227,576	211,827	212,138	205,000
State College, MS	61,363	126,142	120,423	120,230	125,000
Waimanalo, HI	235,606	469,944	432,344	501,494	567,000
TOTAL	$5,393,183	$6,009,432	$5,942,510	$6,067,522	$5,603,000

1/ This row includes funding from the Imported Fire Ant line item.
2/ This row includes funding from the Miscellaneous Pests and Diseases line item in FY 1997 for Japanese beetle activities.
3/ In FY 1996, the activities formerly conducted at Whiteville and Dillon were transferred to Oxford and funded from the Agricultural Quarantine Inspection - User Fees line item.
4/ This row includes funds from the grasshopper line item in FY 1995 and from the silverleaf whitefly (SLW) program. The row showing "Brawley, CA" also includes funding from the SLW program.

CENTERS OF EXCELLENCE

Mr. Skeen: Update the table that appears on pages 106 and 107 of last year's hearing record showing the funding level of each Center of Excellence for each fiscal year that funding has been provided to include fiscal year 1999.

[The information follows:]

Fiscal Year	Center of Excellence	Agency	Amount (estimated)
1994	Lincoln University	APHIS	$117,000
1995	Arkansas-Pine Bluff	APHIS	45,000
		GIPSA	4,000

Fiscal Year	Center of Excellence	Agency		Amount (estimated)
1995	Lincoln University	APHIS		117,000
		NRCS		225,000
		FS		225,000
		FSA		50,000
1996	Arkansas-Pine Bluff	APHIS		33,000
		GIPSA		10,000
1996	Lincoln University	APHIS		148,000
		NRCS		250,000
		FS		200,000
		FSA		55,000
1997	Arkansas-Pine Bluff	APHIS		114,000
		GIPSA		10,000
1997	Lincoln University	APHIS		148,000
		NRCS		250,000
		FS		130,000
		FSA		60,000
1997	Tuskeegee University	APHIS		56,000
1998	Arkansas-Pine Bluff	APHIS		117,000
		GIPSA		10,000
1998	Lincoln University	APHIS		124,000
		NRCS		250,000
		FS		115,000
		FSA		60,000
1999	Tuskeegee University	APHIS		112,000
1999	Arkansas-Pine Bluff	APHIS		121,000
		GIPSA	est.	10,000
1999	Lincoln University	APHIS		124,000
		NRCS	est.	250,000
		FS	est.	115,000
		FSA	est.	60,000
1999	Tuskeegee University	APHIS		120,000

INTERNATIONAL PROGRAMS

Mr. Skeen: Update the table that appears on page 107 of last year's hearing record showing how much you spent in foreign countries to include fiscal year 1998 actuals and 1999 estimates.

[The information follows:]

APHIS SPENDING BY COUNTRY 1997-1999

Country	1997	1998	1999 (est.)
Caribbean	$1,430,708	$1,248,973	$1,174,000
Central America	10,430,137	7,644,026	6,714,000
Chile	471,452	390,662	620,000
China [1]	380,342	560,389	711,000
Other Asia/Pacific	875,207	990,079	1,350,000
Colombia	1,845,985	1,771,327	1,361,000
Dominican Republic [2]	319,994	366,462	1,772,000
Europe/Africa	1,789,658	1,864,438	2,041,000
Guatemala [3]	4,388,769	5,078,200	9,390,000
Mexico [3]	19,563,142	20,450,661	26,986,000
Panama	2,141,721	2,179,001	5,764,000
Peru	270,167	295,660	375,000
Suriname	92,653	227,945	110,000
Other South America	162,181	71,556	388,000
Total:	**$44,162,116**	**$43,139,379**	**$58,756,000**

[1] Includes $318,000 transferred in 1999 from the Commodity Credit Corporation for activities related to eradicating of Asian Long-horned Beetle.

[2] Includes $1.4 million transferred in 1999 from the Commodity Credit Corporation for activities related to preventing Classical Swine Fever from threatening the United States.

[3] Includes anticipated transfers in 1999 from the Commodity Credit Corporation to control Mediterranean Fruit Fly outbreaks in Mexico; approximately $8.8 million for activities in Mexico and $5 million for activities in Guatemala.

HISTORY OF THE BUDGET REQUEST

Mr. Skeen: Provide a complete breakout of your budget request to the Office of the Secretary, the Secretary's request to the Office of Management and Budget (OMB), and the OMB allowance.

[The information follows:]

LINE ITEM	FY 2000 AGENCY REQUEST	FY 2000 DEPT. PASSBACK	FY 2000 OMB ALLOWANCE
Pest and Disease Exclusion:			
AQI User Fees	$100,000	$100,000	$95,000
AQI Appropriated	35,603	35,594	34,576
Cattle Ticks	5,070	5,147	4,627
Foot and Mouth Disease	4,061	3,897	3,803
Fruit Fly Exclusion and Detection	25,479	25,692	25,204
Import/Export	7,798	7,874	7,166
Sanitary/Phytosanitary Management	10,855	9,402	8,262
Screwworm	32,229	31,692	30,301
Tropical Bont Tick	420	422	407
Total, Pest & Dis. Exclusion	221,515	219,720	209,346
Plant and Animal Monitoring:			
Animal Health Mon. & Surveillance	72,865	73,419	67,989
Animal Health Regulatory Enforcement	6,572	6,542	6,116
National Animal Health Emergency Management System	13,737	2,437	1,218
Pest Detection	6,903	6,944	6,685
Total, Plant & Animal Monitoring	100,077	89,342	82,008
Pest and Disease Management:			
Aquaculture	607	612	567
Biocontrol	9,265	8,865	8,160
Boll Weevil	3,598	3,618	3,320
Brucellosis	10,385	10,474	9,527
Emerging Plant Pests	4,305	6,322	3,510
Golden Nematode	778	785	580
Gypsy Moth	4,834	4,881	4,366
Noxious Weeds	390	3,893	2,129
Pink Bollworm	1,130	1,144	1,048
Pseudorabies	4,646	4,674	4,567
Scrapie	3,255	3,275	2,991
Tuberculosis	5,097	5,127	4,920
Wildlife Services Operations	33,083	32,172	28,161
Witchweed	1,584	1,597	1,506
Total, Pest & Disease Management	82,957	87,439	75,352

LINE ITEM	FY 2000 AGENCY REQUEST	FY 2000 DEPT. PASSBACK	FY 2000 OMB ALLOWANCE
Animal Welfare	10,609	10,477	9,690
Horse Protection	418	420	384
Total, Animal Care	11,027	10,897	10,074
Scientific and Tech. Services:			
Biotechnology/Environmental Protection	9,528	9,570	9,054
ISAP	5,196	4,446	3,696
Veterinary Biologics	11,551	11,679	10,555
Veterinary Diagnostics	20,235	18,836	16,973
Wildlife Services Methods Development	11,139	10,647	9,589
Total, Scientific & Tech. Services	62,731	60,328	54,560
Contingency Fund	15,022	54,135	4,105
New User Fees	-9,077	-9,077	-9,077
Total, S&E	484,322	512,784	426,368
Buildings and Facilities	51,411	21,713	7,200
Total, APHIS	535,733	534,497	433,568
Staff Years	6,621	6,457	6,461

GAO REPORTS/OIG AUDITS

Mr. Skeen: Briefly describe the findings and recommendations and actions taken on each GAO and OIG audit listed in the explanatory notes.

[The information follows:]

GAO REPORTS

#RCED-98-109-R, 4/24/98, USDA: Status of USDA's Reorganization

Findings: (1) Status of the reorganization - program areas consolidated, staffing reduced and offices closed, "one-stop shopping" initiated, administrative consolidation for field-based agencies just beginning, some dollar savings; other measures of success not developed. (2) Issues requiring additional attention - consolidating state-level operations, eliminating duplicate administrative positions across USDA, developing measures of savings realized and efficiencies gained, reducing duplicate program areas within USDA and across the government, progress implementing USDA's integrated service center modernization.

Recommendations: No recommendations were made.

#T-AIMD-98-167, 6/3/98, Year 2000 Computing Crisis: USDA Faces Tremendous Challenges in Ensuring that Vital Public Services are not Disrupted

Findings: (1) The change of century presents difficult challenges in information technology and in ensuring the continuity of business operations, and has the potential to cause

serious disruption to the nation and the government, including USDA. (2) Risks can be mitigated and disruptions minimized with proper attention and management. (3) Much work remains at USDA and its agencies to address risks and ensure continuity of mission-critical business operations. (4) Continued congressional oversight can help ensure that attention is sustained and that appropriate actions are taken to address this crisis.

Recommendations: No recommendations were made.

#AIMD-98-11, 1/9/98, Federal User Fees, Budgetary Treatment, Status and Emerging Management Issues

Findings: (1) Agencies increasingly rely on user fees. (2) Budgetary treatment among agencies that collect user fees is inconsistent. (3) Issues for consideration in the design and management of user fees - inconsistencies between budget concepts and fee classifications are likely to increase, fee reliant agencies face unique management issues.

Recommendations: No recommendations were made.

#GGD-98-161, 8/4/98, Federal User Fees: Some Agencies do not Comply with Review Requirements

Findings: (1) The agencies subject to the Chief Financial Officers Act of 1990 reviewed most of their user fees. (2) Documentation indicated that generally both direct and indirect costs or current market value was considered. (3) Some agencies' user fee reviews did not indicate that other programs within the agency were reviewed to identify potential user fees. (4) Many agencies did not report user fee review results in CFO reports. (5) Fees authorized to cover agency expenses generally were not more likely to be reviewed than fees that were not.

Recommendations: (1) The Director of OMB should clarify the user fee reporting instructions by specifying how agencies should report the results of their user fee reviews and address the issues of compliance with the biennial review requirements.

Actions: The report did not contain recommendations for APHIS.

#GGD-98-126, 9/25/98, Federal Rulemaking: Agencies often Publish Final Actions without Proposed Rules

Findings: (1) About half of the final actions in 1997 were published without Notices of Proposed Rulemaking (NPRMs). (2) Agencies most commonly cited "good cause" as the reason for publishing final actions without NPRMs.

Recommendations: (1) The Acting Administrator of the Office of Information and Regulatory Affairs--OIRA--should notify executive departments and agencies that the statements in the rules providing the agencies' reasons for using the good cause exception should clearly explain why notice and comment was impracticable, unnecessary, or not in the public interest. (2) The Acting Administrator should notify executive departments and agencies that OIRA will, as part of its review of significant final rules, focus on whether agencies clearly explained why the good cause exception was being used.

Actions: The report did not contain recommendations for APHIS.

#GGD-98-30, 2/24/98, Unfunded Mandates: Reform Act has had Little Effect on Agencies' Rulemaking Actions

Findings: (1) Written statements were not required for most economically significant rules. (2) Unfunded Mandates Reform Act of 1995--UMRA--written statements generally met the act's requirements. (3) UMRA did not substantively change agencies' intergovernmental consultation processes. None of the rules triggered the UMRA small government plan requirement. (4) Pilot programs were not started because of UMRA.

Recommendations: No recommendations were made.

OIG REPORTS

#33099-2-FM, 5/28/98, Management/Control of Computer Software, Ft. Collins

Findings: (1) Installed software had not been legally procured and license agreements were violated. (2) Centers for Epidemiology and Animal Health--CEAH--loaded software before it was fully licensed when it loaded its standard computer image. (3) Software management and control responsibilities were not always defined and established. (4) Access to LAN software was not controlled. (5) Antivirus activities need improvement.

Recommendations: (1) Instruct NWRC, Management Information System Center--MISC--, and CEAH to remove all copies of unauthorized software from their computers or take action to obtain additional licenses to allow for their continued use. (2) Immediately develop and issue internal APHIS software management and control policies and procedures which will ensure compliance with all Federal and Departmental regulations and commercial licensing agreements. (3) Obtain proper licensing or authorities before installing software procured from the Integrated Systems Acquisition Project (ISAP) contract on additional non-contract computers. (4) Ensure that commercial software saved from a user's old computer configuration is either supported or immediately deleted if not sufficiently supported. (5) Instruct the offices to consolidate and assign software management and control responsibilities to a specific individual or group within each office. (6) Instruct the offices to acquire a sufficient number of user licenses for their LAN software needs and acquire a software tool that will control and limit software usage to the number of authorized users. (7) Develop procedures and maintain support for all commercial software in a central location under the custody of the LAN administrators. (8) Ensure that antivirus software be installed on all computers and LAN servers, and ensure that the software is maintained and kept current for each computer. (9) Direct the offices to conduct periodic spot checks to ensure prescribed antivirus protection procedures are being consistently followed.

Actions: (1) All unauthorized software was removed or licenses were obtained. (2) CEAH, NWRC, and MISC will adopt the revised management and control policies and procedures under review. (3) All user specific desktop computers at CEAH will be ISAP machines and licenses will be addressed, with non-licensed software programs removed at the time of loading the new image. (4) All CEAH user-specific desktop computers converting to the ISAP platform and the associated licenses will be addressed, and unlicensed software programs will be removed when loading the new image. (5) Within CEAH, compliance with network-based licenses will be the responsibility of the Technology Resource Management--TRM--Team. Individual PC compliance will be the responsibility of the Customer Service--CS--team. The

TRM and CS teams will coordinate their recommendations through the CEAH-Information Technology Committee. (6) CEAH will purchase and implement the recommended software tool for its hardware/LAN environment. Research is ongoing to locate the software tool. (7) Agency-wide software licenses will be maintained at APHIS Riverdale. CEAH-LAN licenses will be maintained by TRM. Individual software licenses will be held centrally in employee accountability files at CEAH. (8) The ISAP image which will be loaded on all desktop computers at CEAH will have IBM anti-virus software included. MISC computers have anti-virus software installed, and updates are acquired quarterly. (9) The automatic nature of the above mentioned anti-virus procedure should serve as periodic spot checks. APHIS guidance on anti-virus protection procedures will be provided to all APHIS offices in Fort Collins, and spot checks will be performed to ensure that automated procedures remain in place.

#33099-002-CH 7/7/98, Monitoring of Registered Animal Carriers

Findings: (1) APHIS does not ensure all sites are periodically inspected. (2) Current inspection methods result in inefficient use of resources.

Recommendations: (1) Require all airlines to submit, on a periodic basis, up-to-date listings of all airport locations from which they transport regulated animals. (2) Develop a system to track completed inspections by airport location, as a means of ensuring that all sites from which regulated animals are transported are inspected on a periodic basis. (3) Develop procedures for the continuation of the cross-utilization of staff between Animal Care and Veterinary Services.

Actions: (1) We are reviewing the recommendations made in the report. We will provide the Committee with actions taken on the OIG audit listed in the Explanatory Notes that relate specifically to APHIS when those actions are determined.

#50601-3-AT, 3/31/98, USDA Radioactive Material/Waste Management

Findings: (1) Department controls over Radioactive Material--RAM--and waste need improvement. (2) Facilities did not maintain adequate control over radioactive material and waste. (3) RAM users did not comply with program requirements.

Recommendations: (1) Require that the Radiation Safety Staff (RSS) develop and implement standard inspection instruments for use by RSS inspectors and Location Radiation Protection Officers (LRPO) tailored to specific RAM sources to include all compliance areas provided for in USDA's license application. (2) Require that RSS increase the frequency of facility inspections based on risk factors such as large quantities of unsealed sources, irradiators, or deficiencies noted by LRPO and RSS inspections and establish standards for selecting Responsible Users--RU--to review and for expanding the number of RU reviews when conditions dictate. (3) Require that RSS establish a schedule for semiannual inspections by LRPO's of all RAM burial sites, monitor completion of inspections, and follow-up on noncompliance by September 30, 1998. (4) Require that agencies survey their facilities to identify potential RAM burial sites on USDA property and report to RSS. (5) Require that RSS establish a system to track RAM waste by isotope and facility with requirements for periodic physical inventories and record reconciliations. (6) Require that RSS develop written procedures for terminating permits that include steps for accounting for all RAM sources and for ensuring proper disposition. (7) Require that RSS establish procedures for reviewing completed quarterly survey forms for accuracy including checking for RAM inventory when RU's do not perform

surveys. (8) Require that RSS establish timeliness and documentation standards for all permit actions and monitor compliance with those standards. (9) Prioritize the training of all current LRPO's (or other designated oversight official) and establish timeliness standards for training future LRPO's. (10) Require that RSS ensure that LRPO's conduct annual RU inspections, provide standard inspection instruments to LRPO's, develop a system to track inspections and deficiencies noted, and perform trend analyses of inspection results. (11) Require that RSS identify all LRPO's with RAM waste and ensure that they are properly permitted and have developed a facility RAM waste management plan that includes procedures for storing, labeling, surveying, inventorying, and timely disposing of waste. (12) Require RSS to notify all RU's of deficiencies disclosed by this audit. (13) Require that needs assessments be conducted to identify permits that should be terminated or RAM in need of disposal.

Actions: (1) The RSS will develop and implement standard inspection instruments for RSS inspectors and LRPO's. (2) The RSS will revise its inspection program to increase the inspection frequency at locations where specific factors increase the risk of non-compliance. (3) The RSS will establish a semi-annual burial site inspection schedule for LRPO's and implement a system to monitor completion of their inspections and follow-up on non-compliance. (4) The USDA Radiation Safety Committee will require agencies to identify potential radioactive waste burial sites and report these sites to RSS. (5) The RSS will establish a radioactive waste tracking system, implement an LRPO periodic inventory requirement, and reconcile RSS records with LRPO inventories. (6) The RSS will establish written procedures for terminating Radiation Source Use permits which will include accounting for radioactive material and source disposal. (7) The RSS will establish procedures for reviewing quarterly laboratory contamination survey forms to assure compliance with all program requirements. (8) The RSS will establish timeliness standards for review of permit work actions and monitor its compliance with those standards. (9) The RSS will identify LRPO's who have not attended the USDA radiation safety training course for LRPO's at Texas A&M University, schedule make-up training for LRPO's who have not attended the training, and establish a required time frame for new LRPO's to attend training. (10) The RSS will notify LRPO's that annual RU inspections are required, provide standard inspection instruments to LRPO's, develop a system to track annual LRPO inspections and follow up on inspections not conducted. The RSS will review the LRPO inspection results during RSS site visits to determine appropriate follow-up and to identify trends. (11) The RSS will identify LRPO's that possess radioactive waste, ensure that LRPO's are permitted to possess the waste, require that LRPO's develop location radioactive waste management plans for storing, labeling, surveying, inventorying, and timely disposal of the waste. (12) The RSS will notify all RU's and LRPO's of the deficiencies identified in the audit report. (13) The RSS and RSC will revise its inspection and audit programs to include reviewing with RU's, LRPO's, and location managers the need for terminating unused permits or disposing of outdated radioactive material.

#50099-11-FM, 3/6/98, Review of Controls in Payroll/Personnel and Time and Attendance Systems

Findings: (1) Supervisory review and approval of transactions was not always obtained prior to input of personal actions and leave adjustments into the Special Payroll Processing System--SPPS--, the Time Inquiry-Leave Update System--TINQ--, and the Personnel Action Processing System/Personnel Remote Entry System--PACT/PRES. (2) Documentation was not maintained to support a significant number of salary or salary-related transactions processed to

the payroll/personnel database. (3) Compensating controls were not in place at client agency offices to preclude personnel employees from updating their own records through PACT/PRES and TINQ, or to assure that updates were valid. (4) Discrepancies were found with the procedures and processes followed to adjust and correct employee leave balances. (5) SPPS Quick Service Request--QSR--payments were made in excess of employees' earnings and to employees who had separated from the government. (6) Duplicate QSR payments were made to employees when an invalid social security number was used to process the original transaction. (7) Agency managers and input personnel were not using reports available from OCFO/NFC to control and verify QSR payments. (8) Leave donations were not deducted from donors' or added to recipients' leave balances. (9) Unused donated leave was not returned or was improperly returned to donors at the end of medical emergencies. (10) Recipients received donated leave hours in excess of hours authorized by their medical certificates. (11) The Department's security system was unable to verify that only current employees are accessing ADP systems. (12) User identification numbers assigned to separated employees were being used to access OCFO/NFC systems. (13) Agencies did not conduct regular security reviews, maintain current lists of employee access authority, nor delete user identification numbers for separated employees.

Recommendations: (1) Time and attendance documentation is to be retained for 6 years in accordance with USDA's Records Management Program Manual. (2) APHIS should prepare a monthly (rather than quarterly) report of security reviews to limit the period of potential vulnerability. (3) OIG will continue to review the issue of "user ID's" which are not always timely canceled after employees separate. Findings will be shared with APHIS pending completion of Phase II of the audit. (4) APHIS should advise OIG whether "active ID's" for those separated employees identified earlier had ever been used to process "improper transactions."

Actions: (1) The requirement to retain time and attendance documentation for six years will be adopted immediately throughout the Agency. (2) The report referred to is generated by NFC on a quarterly basis and is distributed to managers upon receipt. We realize the importance of controlling access to various systems, and we will eliminate access capability by separated employees as soon as possible -- within days of their separation. (3) To the best of our knowledge and information, the eight separated employees identified by OIG did not use their "active ID's" to process any transactions.

BROWN CITRUS APHID

Mr. Skeen: What is the status of the brown citrus aphid control?

Response: In FY 1998, we continued working with the University of Florida to study the brown citrus aphid's--BCA--population dynamics, mortality factors, and alternate hosts; evaluate exotic natural enemy species; and evaluate the impact of population suppression on aphid biology and virus movement. Also, we continued cooperative surveys in Florida and Texas. In Florida, the program conducted field efficacy studies since the aphid is now infesting citrus production areas in central and northern Florida. Since the BCA is too widespread to be amenable to eradication, its spread can only be stopped or slowed by environmental limitations or biocontrol. In this regard, our studies indicate that natural enemies hold significant potential

for controlling the BCA in a sustainable manner that is economically and socially acceptable in most situations. Also, we are exploring the use of fungi as biocontrol agents. Fungi have suppressed populations of several other economically important aphids and have considerable potential for BCA management as well. In addition, we have established State guidelines for developing BCA control plans. Florida has developed a plan and Florida, California, and Texas have established BCA work groups. We are participating in these groups and have established a State-Federal-industry task force to discuss research methods, resource availability, and regulatory and control options. We are funding and collecting data for an economic evaluation of the BCA project through a cooperative agreement with Texas A&M University. This project will help us determine the feasibility of reducing the risk posed by citrus tristeza virus by developing effective BCA management strategies. Field trials using entomopathic fungi demonstrated over 90 percent mortality of BCA's after spring applications in Florida citrus groves.

TRICHINAE PILOT CERTIFICATION PROJECT

Mr. Skeen: What is the status of the trichinae pilot certification project?

Response: This industry driven and supported pilot project is near completion. The initial phase of the trichinae pilot certification project was completed in December 1996. This phase involved testing waste fed swine herds in New England and Ohio to determine if waste feeding or some other factor posed a significant risk for trichinae infection. Phase I test results indicated that rodent infestations on the farm, rather than the type of feed, contributed to trichinae infection. Phase II of the certification project was completed in 1997. This phase involved a joint effort between APHIS, ARS, FSIS, State and National Pork producer groups, and private veterinarians developing "good production practices" to use in the herd certification process. Phase III will be completed in 1999. In this phase, the on-farm audit process is being refined.

With success in the pilot project, APHIS has included funds in the FY 2000 President's budget to begin phase one of a national industry/government certification program. Initially, implementing the program will involve producers from 2 to 4 states and several major slaughter plants, and will include slaughter testing of animals participating in the program. APHIS expects that the model for the trichinae certification program will be used to set up future certification programs for other diseases.

EQUINE INFECTIOUS ANEMIA PROGRAM

Mr. Skeen: What is the status of the equine infectious anemia program?

Response: Approximately 50 percent of all states have implemented an equine infectious anemia--EIA--control program similar to the "gold-standard" prototype outlined in the Uniform Methods and Rules developed by APHIS. Other states with EIA control programs already in place--Arkansas, Louisiana, Minnesota, Texas, and Wisconsin--are re-evaluating and upgrading their existing programs.

NATIONAL RABIES MANAGEMENT PLAN

Mr. Skeen: What is the status of the national rabies management plan?

Response: The National Rabies Management Plan is a collaborative effort being led by the Centers for Disease Control and Prevention--CDC. APHIS has been involved since January 1993 when it participated in a rabies planning meeting in Atlanta, Georgia, coordinated by CDC. As a result of this meeting, APHIS was invited to participate in an interdisciplinary workshop held at CDC in Atlanta in March 1995, to discuss specific issues relevant to the plan. Following that meeting, APHIS was designated as the lead to draft a subsection for the plan, entitled "Appropriate Mechanisms to Manage Rabies in Wildlife." APHIS submitted the draft subsection by August 1995, and also provided commentary on the larger wildlife section of the plan on two additional occasions.

In February 1999, APHIS held a rabies coordination meeting which included State Health Department and other representatives from New York, Ohio, Texas, and Vermont. The meeting was conducted to maximize cooperative wildlife rabies control efforts in these States, as directed by Congress in FY 1998. CDC participated in the February meeting and advised the participants that the final National Rabies Management Plan should be available for broader comment in late FY 1998.

CDC's immediate goal is to publish the plan in 1999 in both the Journal of the American Veterinary Medical Association and the Morbidity and Mortality Report for broader review and comment. Ultimately, the plan should help facilitate coordination among agencies with varying roles and interests in rabies management.

PINE SHOOT BEETLE

Mr. Skeen: ARS scientists in France have collected a pine shoot beetle predator and have been working with APHIS and the Forest Service to import and quarantine the predator. What is the status of this initiative?

Response: We had planned to begin releasing *Thanasimus formicarius*, a major pine shoot beetle--PSB--predator in FY 1998. However, State representatives from Indiana, Michigan, New York, Ohio, and Pennsylvania supported a recommendation that we delay any further biocontrol activities for PSB management. This recommendation was based on environmental concerns, as well as the fact that the PSB was not determined to be a pest of sufficient magnitude to warrant the risk of releasing any introduced organism. This decision to support the recommendation was reached after considerable consultation with project participants, including representatives from State Departments of Agriculture, State Plant Health Directors, university scientists, and APHIS. Consequently, we have canceled all PSB biocontrol project activities, although we do continue to support our cooperators' ongoing PSB work. This will enable us to evaluate the potential for biocontrol as a management tool. From this

perspective, APHIS and its cooperators successfully assessed several complex factors to reach a consensus decision. These factors included results from an extensive pre-release survey in five States, biological evaluations of *T. formicarius*, evolution of the PSB compliance program, inputs from the quarantined and non-quarantined States, and economic and biological evaluation of the PSB.

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT

Mr. Skeen: How many animal and plant health regulatory enforcement violation cases are pending at the agency?

Response: As of mid-March 1999, 1,131 violation cases were pending.

NATIONAL MONITORING AND RESIDUE ANALYSIS LABORATORY--NMRAL

Mr. Skeen: The National Monitoring and Residue Analysis Laboratory performs tests of various food products for pesticide residues under contract with requesting agencies. Provide a list of all pesticide residue testing the Lab conducted, who the contracting agency was, and the cost of the contract for fiscal years 1997, 1998, and to date in 1999.

Response: In FY 1997, NMRAL analyzed five commodities for Benomyl, TBZ, and Vendex at a cost of approximately $455,000. Also, NMRAL contracted with AMS to analyze Commodity Certification soybeans for 5 herbicides at a cost of $8,480. The Boll Weevil Eradication Foundations paid NMRAL $121,350 to analyze environmental samples for insecticides used in our boll weevil eradication program.

In FY 1998, NMRAL analyzed five commodities for Benomyl, TBZ, and Vendex at a cost of roughly $455,000. In addition, the Boll Weevil Eradication Foundations paid NMRAL $29,360 to analyze environmental samples for insecticides used in the boll weevil eradication program. Also, NMRAL billed the Consolidated Farm Services Agency--CFSA--$145,000 for the analysis of 1,849 samples.

Fiscal Year 1999, NMRAL is analyzing four commodities of Benomyl, TBZ and Acid Herbicides. To date, we have analyzed 583 samples. NMRAL has billed the Boll Weevil Eradication Foundations $23,815 (255 samples) for the analysis of environmental samples for insecticides used in the eradication program. In addition, NMRAL has analyzed 17 Medfly wheat samples and 71 Environmental Monitoring Samples for IFA. Also, NMRAL has billed the CFSA $36,589 for the analysis of 408 samples.

INTERNATIONAL PROGRAMS

Mr. Skeen: A 1996 study estimated that the total value of U.S. agricultural trade which is constrained by technical barriers is approximately $4.9 billion. What is the definition of a technical barrier? Have these barriers been reduced with NAFTA and WTO trade agreements?

Response: Technical barriers are non-tariff restrictions to trade. Sanitary and phytosanitary--SPS--measures designed to protect animal and plant health are examples of

technical barriers. Questionable barriers can include policies that are not supported by sound science, are more trade restrictive or protectionist than necessary, or violate one of the many principles in the GATT/SPS agreement. To harmonize sanitary and phytosanitary measures to the greatest extent possible, World Trade Organization--WTO--member countries are encouraged to base their measures on international standards, guidelines, and recommendations where they exist. However, WTO members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The WTO expects that members would accept the sanitary and phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection.

Yes, the WTO legislation extends and clarifies the Agreement on Technical Barriers to Trade reached in the Tokyo Round in 1979. This agreement concerns the application of sanitary and phytosanitary measures. The agreements recognize that governments have the right to use sanitary and phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal, or plant life or health and should not arbitrarily or unjustifiably discriminate between member countries where identical or similar conditions prevail. The agreements also describe procedures and criteria for risk assessments and the determination of appropriate levels of sanitary or phytosanitary protection.

Mr. Skeen: How many training courses were provided in fiscal year 1998 to increase foreign animal disease awareness, where were they conducted, what was the number in attendance, and what did they cost?

Response: APHIS conducted four training courses in FY 1998 to increase foreign animal disease awareness.

[The information follows:]

LOCATION	NO. IN ATTENDANCE	COST
Foreign Animal Disease (FAD) seminar via satellite from Washington, DC with various down link sites around the United States	1,500	$43,000
FAD Diagnostician Training at Plum Island, New York and NVSL, Iowa (State)	33	$95,000
FAD Diagnostician Training at Plum Island, New York and NVSL, Iowa (military)	30	$87,000
FAD Diagnostician Training at Plum Island, New York and NVSL, Iowa (Federal)	33	$95,000
FAD Diagnostician Training at Plum Island, New York and NVSL, Iowa (International)	31	$62,700
Wildlife Seminar on FAD prepardness, University of Georgia, Athens, Georgia	50	$16,127

ELECTRONIC POULTRY CERTIFICATION

Mr. Skeen: What is the status of implementation of electronic poultry export certification for Canada?

Response: Electronic poultry export certification for Canada has been successfully implemented. A number of states are now using this method for certification including Arkansas, Georgia, Massachusetts, and New Hampshire. This method allows U.S. producers to rapidly and inexpensively receive endorsed certificates for export of poultry and hatching eggs to Canada using electronic forms and digital signatures.

NATIONAL POULTRY IMPROVEMENT PLAN

Mr. Skeen: The ostrich industry joined the National Poultry Improvement Plan in June 1996. What is the level of ostrich participation in the program?

Response: To date, a total of 10 ostrich breeders from 5 States including Arizona, California, Georgia, Illinois, and Texas are participating in the National Poultry Improvement Plan.

PINE SHOOT BEETLE

Mr. Skeen: When do you expect to release the pine shoot beetle predator that is being reared at the Niles, Michigan Plant Protection Center?

Response: We had planned to begin releasing *Thanasimus formicarius*, a major PSB predator in FY 1998. However, State representatives from Indiana, Michigan, New York, Ohio, and Pennsylvania supported a recommendation that we delay any further biocontrol activities for PSB management. Consequently, we have canceled all PSB biocontrol project activities, although we do continue to support our cooperators' ongoing PSB work.

GOLDEN NEMATODE

Mr. Skeen: In fiscal year 1996, a panel representing APHIS, the National Plant Board, potato growers, and ARS conducted an extensive review of the golden nematode program and made a number of recommendations. Provide a list of these recommendations and tell the Committee the status of each.

Response: In FY 1997, we established an implementation team to review the panel's report, determine which of the recommendations can be implemented, establish a timetable for implementation, and address the operational details associated with implementation. This implementation team consists of representatives from APHIS, ARS, NYS, Cornell University, NYS potato grower groups, the National Potato Council, and the American Association of Nurserymen. The recommendations and the status of each follow:

(1) that the program should explore the possibility of developing other effective control methodologies.

We continued a vigorous program of pressurewashing used farm equipment to prevent intrastate movement of golden nematode--GN. We treated 170 pieces of farm equipment were treated in FY 1998. Also, APHIS and ARS are actively pursuing field deployment of a steam heat treatment to replace methyl bromide fumigation in treating GN-contaminated farm equipment to prevent GN spread. This treatment will be program ready by the summer of 2000.

(2) that the national GN detection surveys now in progress be completed.

These surveys will continue to be one of the objectives of the crop pest surveys being conducted by other States.

(3) that the program continue to intensely manage the GN in NYS.

NYS requires and enforces the planting of GN-resistant potato varieties, but only on infested regulated land and not on exposed land, which is at risk of being infested based on its proximity to infested land. However, we continue to survey exposed land to detect the onset of new GN infestations and recommend that the State regulate that land.

(4) that the feasibility of eradication be tested in accordance with the parameters presented by the Panel, and that the USDA, the New York State Department of Agriculture --NYSDA--, and Cornell University continue to conduct a joint GN management program.

Since total eradication is not possible, some type of GN program must continue to prevent the pest from becoming more widely distributed.

(5) that the USDA or the NYSDA work with potato growers to obtain a special local needs or general registration for Basamid.

The registration of Basamid would probably require a third-party registrant. The availability of Basamid would not significantly affect program operations.

(6) that the GN management program be restructured to reduce workload.

The program could be restructured and workload reduced as long as NYS would be willing take a greater role in activities concerning the intrastate movement of farm equipment.

(7) that the federal-domestic quarantine be revised and the NYSDA evaluate the NYS parallel quarantine.

The team supported the idea that the Federal quarantine not be revised until it is determined what type of program funding would allow. Also, the team believes that the current quarantine is an effective mechanism for preventing GN spread.

(8) that ARS and Cornell University continue research and development efforts, that funds now provided to these efforts from APHIS and NYSDA be redirected to the regulatory and management program, and that federal funding for regulatory and management activities continue.

ARS and Cornell University will continue research and development efforts to develop GN-resistant potato varieties and a heat treatment technique for farm equipment since the availability of new resistant varieties is essential to the program's success. Most of the team favored ARS and/or Cornell University funding this work. Also, the team endorsed the idea that APHIS conduct a cost-benefit analysis of the GN program to justify requests for additional funding.

INTERNATIONAL COOPERATION IN ANIMAL BIOLOGICS

Mr. Skeen: The Institute for International Cooperation in Animal Biologics is a cooperative effort between APHIS, ARS, and Iowa State University. Where is this Institute located? What is its mission and accomplishments to date? Provide a table that shows how much each entity contributes to its operation.

Response: The Institute for International Cooperation in Animal Biologics--IICAB--an institute jointly funded by the USDA and Iowa State University--is an effort of the animal health institutions in Ames, Iowa, to use their knowledge and expertise to better serve animal health needs throughout the world. Since its establishment in October 1995, the Institute has worked in a spirit of cooperation with others around the world who share the goal of improving animal health and productivity through the effective use of biologics (vaccines) to control animal disease.

Veterinary Biologics Training Program - The IICAB organized and hosted the third annual Veterinary Biologics Training Program, held from June 1 - July 2, 1998. A total of 21 government officials from Argentina, Australia, Bolivia, Brazil, Canada, Colombia, Hungary, Laos, Mali, Mexico, Mongolia, Paraguay, Peru, Philippines, Romania, Switzerland, Uganda, Venezuela, and Zambia attended the Program. Eight international representatives from the veterinary biologics industry also attended the Program. Fifty-eight participants were from the United States.

In cooperation with the USDA, the IICAB organized a meeting entitled *Nucleic Acid-Mediated Vaccines in Veterinary Medicine*, held September 22, 1998, in Ames, Iowa. Over 285 individuals participated in the meeting, which focused on the use of this new technology in veterinary vaccines.

Harmonization Efforts - Since its establishment, the IICAB has been involved in organizing five meetings related to harmonization of veterinary biologics in the Americas. The most recent meeting, the *OIE 4th Seminar on Harmonization for Registration and Control of Veterinary Medicines*, was held August 3-7, 1998, Bahia, Salvador, Brazil. Approximately 220 people attended the meeting and discussed harmonization of five biologics and five pharmaceuticals. During the meeting, the IICAB organized a half day symposium on the safety and efficacy of the RB51 vaccine for control and eradication of brucellosis in cattle. Brucellosis is a significant animal and human health problem in Latin America and the half day symposium included approximately 210 attendees.

Serving as an International Resource - In 1998, IICAB focused its efforts on serving as an international resource. The IICAB was added as a component of the OIE Collaborating Centre for the Diagnosis of Animal Diseases and Vaccine Evaluation in the Americas in May 1998. This Collaborating Centre now consists of APHIS' National Veterinary Services Laboratories/Center for Veterinary Biologics - Laboratory and the IICAB. The IICAB was added with the objective of providing training on scientific principles of vaccine safety and efficacy, working with other international organizations to harmonize regulations regarding veterinary biologics in the Americas, assisting developing countries to obtain veterinary biologics for specific unmet needs and in their efforts to manufacture, import and regulate veterinary biologics and diagnostics, and serving as an international resource for information on the use of veterinary biologics.

The IICAB is involved in several international research projects:

The RB51 vaccine is being evaluated in a controlled field trial in sheep in Macedonia for its potential to control infection by *Brucella melitensis* without interfering with serologic tests for detecting animals infected with field strains of *B. melitensis*. The Ministry of Agriculture in Macedonia is cooperating on the project. Funding for the project was obtained from the USDA Foreign Agriculture Service in the US.

The IICAB is also assisting a Mali scientist to establish a research laboratory within the Central Veterinary Laboratory in Bamako Mali. The objective is to establish and equip a laboratory that has the ability to conduct research to develop thermal stable vaccines for contagious bovine pleuropneumonia. Funding for this project was obtained from the Conservation, Food and Health Foundation in the U.S.

List of Relevant Publications -

1998 Proceedings OIE/IICAB Veterinary Biologics Training Program (Two volume set, 1300 pages, available from the IICAB office).

1997 IICAB Annual Report (available from the IICAB office).

Schurig, Olson, Piontkowski, Schmellik-Sandage, and Barton. *Use of the RB51 Vaccine for Brucella abortus Control and Eradication.* 1998. (In Spanish and English, available from the IICAB office).

Roth, JA. *Distribution and Use of Veterinary Biologics in the United States* and *Harmonization of Regulations Regarding Veterinary Biologics: An Overview of Organizations, Meetings, and IICAB's Role in Harmonization.* 1998. In Proceedings from the Southern and Eastern African Veterinary Drug Regulatory Affairs Conference (SEAVDRAC) (Available from the National Department of Agriculture, South Africa).

Roth, JA. *Mechanistic bases for adverse vaccine reactions and vaccine failures.* Advances in Veterinary Science and Comparative Medicine 41:681-700, 1998.

Projects Planned for 1999 include -

Hosting the fourth annual Veterinary Biologics Training Program (with simultaneous translation in Spanish); and

Maintaining continuing involvement in efforts to harmonize regulations regarding veterinary biologics in the Americas.

Organizing and hosting the *Virulence Mechanisms of Bacterial Pathogens* meeting September 12-15, 1999.

Assisting, on an as needed basis, developing countries to obtain veterinary biologics for specific unmet needs, and in their efforts to manufacture, import and regulate veterinary biologics and diagnostics.

Funding for the Institute for International Cooperation in Animal Biologics

Source	Funding (Start-Up to 1998)	(1998-99)
Iowa State University	$300,000	$50,000 (direct funds) $50,000 (indirect funds)
APHIS	$300,000	$100,000

ARS is represented on the board of directors but does not contribute funding.

FY 1998 CARRYOVER FUNDS

Mr. Skeen: What was your carryover into fiscal year 1999?

Response: APHIS carried over $19,602,024 into FY 1999 for no-year and emergency programs. For Buildings and Facilities, we carried over $5,531,538.

The carryover balances by line-item are as follows:

Boll weevil	$615,145
Contingency fund	2,503,823
Grasshopper/Mormon cricket	235,866
Fruit fly program	341,887
ISAP	5,316,759
Karnal bunt (CCC)	2,919,386
Medfly (CCC)	1,463,498
Screwworm (10 percent)	6,205,660
Total	$19,602,024

SALTCEDAR TREE

Mr. Skeen: What is the status of the plan to release foreign insects in arid regions in an attempt to control the saltcedar tree?

Response: Saltcedar is a weed that infests habitats in several western States, including that of the endangered sub-specie southwestern willow flycatcher. In June 1998, we met with representatives from several other Federal agencies in Reno, Nevada to discuss biocontrol of saltcedar using two insects: *Trabutina mannipara* (a mealybug from Israel) and *Diorhabda elongata* (a leaf beetle from China and central Asia). The group proposed protocols and safeguards for endangered species that were included in an action plan that ARS submitted to the FWS in July 1998. This proposal recommended releases at a limited number of sites far away from where the flycatcher is nesting in saltcedar. FWS approved the proposal on December 28, 1998. As a safeguard against over-population of the insects, the first year of natural enemy releases will be in cages. The second and third years will be a continuation of ARS research into insect population growth and dispersal. The results of that research will be incorporated into a biological assessment for the implementation of biocontrol over a larger area. A saltcedar biocontrol consortium, comprised of various USDA agencies, universities, and stakeholder groups will oversee issues such as public education; funding; cooperator responsibilities; and the release and monitoring of insects, vegetation, and wildlife. This consortium will also make recommendations on implementing the action plan.

We have already published the environmental assessment--EA--for the leaf beetle in the Federal Register and are currently drafting an EA for the mealybug that will be published in the Federal Register this summer. These EA's are designed to determine if releasing these agents will have any significantly adverse environmental impacts. If we so determine, we will prepare a draft "finding of no significant impact"--FONSI. In addition, we would publish a notice in the Federal register to make the EA and the FONSI available for public comment. These comments would be included in the final EA. Based on these comments, we would make a final decision--hopefully by this summer--on whether or not to issue ARS a permit for the release of the insect agent.

IMPORTED FIRE ANT

Mr. Skeen: What is the status of the research into the South American fly that attacks fire ants?

Response: ARS is continuing experimental releases of a species complex of these Phorid flies at their quarantine facility in Gainesville, Florida. These studies, which will likely continue until 2001, are aimed at introducing the fly into the United States. Researchers at the University of Texas are also working on Phorid flies. Different species of this fly attack different size IFA workers and some species are active at different times of the day. In FY 1998, we released Phorid flies in Alabama, Arkansas, Florida, Oklahoma, and Texas. But even though ARS' research has established that these flies attack IFA, we are unsure whether or not they attack other ants that may compete with the IFA. If this research determines that these flies are an effective deterrent to IFA, our rearing facility in Mission, Texas, would likely initiate a mass rearing program and distribute them. This would represent a significant development in IFA control in the United States. IFA currently lacks natural enemies and no effective, efficient, and environmentally acceptable control agents are available for large scale application on agricultural land.

WILDLIFE SERVICES AIRCRAFT OPERATIONS

Mr. Skeen: What are you doing in regard to safety in the Wildlife Services aircraft operations?

Response: APHIS is making every effort to ensure employee safety. APHIS' WS has embarked on a multi-year process of upgrading aircraft, flight crew training, management positions, and air worthiness safety and certification to comply with the recommendations of an aerial safety review. In FY 1999, APHIS plans to hire two critical managers: an Air Worthiness Safety Inspector and a Flight Instructor/Training Officer; hire two pilot training positions for fixed-wing aircraft: one in Idaho and one in Nevada; develop a training program for flight crew; purchase personal protective equipment; obtain certification of air worthiness for all Agency-owned and leased aircraft; begin certification of all contractor aircraft as air worthy; contract for an A-76 review to focus on the need for aerial services; and, begin standardization of pilot grade and series.

DORIS DAY ANIMAL LEAGUE PETITION

Mr. Skeen: What action has USDA taken and what action does it plan to take as a result of the lawsuit by the Doris Day Animal League?

Response: In June 1998, APHIS published an advance notice of proposed rulemaking on the regulation of dog and cat dealers. This notice announced USDA's formal consideration of amending the AWA definition of retail pet store and requiring that breeders of hunting, security, and breeding dogs be licensed. USDA is considering increasing the number of breeding female dogs and cats that may be owned without obtaining a license, but regulating both at the wholesale and retail levels. The advance notice also requests input on the impact these rule changes would have on currently licensed and unlicensed dealers. Currently, there were more than 11,000 comments under review. APHIS has reviewed the comments and has recommended a course of action to the Under Secretary for review and approval.

Mr. Skeen: As a result of the lawsuit are you planning any reallocation of resources, either personnel or appropriated funds in fiscal years 1999 and 2000?

Response: In February 1998, APHIS implemented a formal risked-based inspection system. This system allows APHIS to reallocate resources to those facilities most needing inspection services. Those facilities having a good history of AWA compliance may only be inspected once every 2-3 years; those facilities with a history of noncompliance may be inspected 2 to 4 times per year or as often as needed to address AWA violations.

In addition, workload of retail dealers that may result from the Doris Day Animal League lawsuit would require a comparable decrease in workload for currently regulated wholesale dealers. APHIS would consider raising the threshold number of breeding female dogs or cats. At present, any--wholesale--dealer with more than three breeding females must be licenses under the AWA.

CONTINGENCY FUNDS

Mr. Skeen: How much was in your contingency fund at the end of fiscal year 1998 and how much was on hand on March 1, 1999?

Response: At the end of FY 1998 there was a balance of $2,503,823 in the APHIS contingency fund. A total of $4,382,306 was on hand on March 1, 1999.

AGRICULTURAL QUARANTINE INSPECTION

Mr. Skeen: Did you open the new stations on the Canadian and Mexican borders?

Response: APHIS will open two new, full scale facilities on the U.S./Mexico border in FY 1999. One new facility, located at the Veterans International Bridge at Los Tomates in Brownsville, Texas, is scheduled to open in April, 1999. The other facility, located in Eagle

Pass, Texas, is scheduled to open in July, 1999. Both facilities will conduct cargo, passenger and pedestrian inspections.

SILVERLEAF WHITEFLY

Mr. Skeen: How much do you plan to spend on the silverleaf whitefly program in FY 2000?

Response: Although the SLW program has been incorporated into the Biocontrol line item, we plan to continue SLW activities in FY 2000 at approximately the same level as in FY 1998 and 1999, which is about $1.8 million. However, this transfer could provide greater flexibility in future years in allocating resources related to biological control methods for the SLW.

BOLL WEEVIL

Mr. Skeen: Please identify the areas where boll weevil no longer exists.

Response: The boll weevil no longer exists in Arizona, Florida, Georgia, North Carolina, South Carolina, most of Alabama, middle Tennessee, and the northwestern area of Mexico. In addition, the Southern Rolling Plains zone in Texas should become weevil-free in 1999.

KUDZU

Mr. Skeen: Do you plan to spend any funds on kudzu control in FY 2000?

Response: Yes, we plan to spend $50,000, the same as in FY 1999. With these funds, we will continue cooperating with researchers at Mississippi State University to conduct an eradication demonstration of kudzu in northeastern Mississippi. The goal of State planners working with this project is to establish a cost-share program to assist landowners in eliminating kudzu from their properties.

PLUM ISLAND MODERNIZATION

Mr. Skeen: Do APHIS and ARS share the cost of the Plum Island modernization equally?

Response: No. The agencies entered into a Memorandum of Understanding in 1994 under which mutual support costs are distributed using an allocated space ratio. The ratio is 61 percent ARS and 39 percent APHIS. In FY 2000, APHIS is requesting $3.2 million compared to ARS' request of $8.2 million.

ANIMAL IMPORT CENTER CLOSURES

Mr. Skeen: What Animal Control Import Centers have been closed or are scheduled for closure in FY 1999 and 2000 and what centers will remain after FY 2000?

Response: The Hawaii Animal Import Center was closed in June 1997. The Harry S Truman Animal Import Center, located in Key West, Florida, is scheduled to close at the end of FY 1999. The remaining animal import centers are located in Newburg, New York, and Miami, Florida.

NATIONAL CENTER FOR IMPORT-EXPORT

Mr. Skeen: What is the National Center for Import-Export?

Response: NCIE is located at APHIS' headquarters in Riverdale, Maryland. NCIE operations consist primarily of providing information, advising, and consulting with industry groups, the public, and other governments; conducting risk assessments; certifying export products; and developing and implementing standards, regulations, and policies. This work prevents animal disease introduction by ensuring that imported animals or animal products are free of disease and ensures that export animals offered by the United States meet the criteria of the importing country.

PINK HIBISCUS MEALYBUG

Mr. Skeen: What domestic crops could be threatened by the pink hibiscus mealybug?

Response: PHM is a dangerous pest of many plants, trees, and shrubs. Although it most commonly infects hibiscus and soursop, it also infects over 200 host plants, including bean, citrus, coconut, coffee, cotton, grape, and peanut. As it feeds, it injects a toxic saliva into the plant that results in malformed leaf and shoot growth, stunting, and occasional death.

BRUCELLOSIS QUARANTINE FACILITY

Mr. Skeen: Where do you plan to locate the brucellosis quarantine facility for Yellowstone?

Response: Discussions have taken place between the State of Montana and APHIS regarding the location of the brucellosis quarantine facility for Yellowstone. A final decision is pending the outcome of the EIS on brucellosis in Yellowstone. A final decision on the EIS is not expected before April 1999.

SCRAPIE

Mr. Skeen: What percentage of the total population are the 223 flocks enrolled in the Voluntary Scrapie Flock Certification Program?

Response: As of February 26, 1999, there are 388 flocks participating in the Voluntary Scrapie Flock Certification Program--VSFCP--of which 20 are certified, 360 are complete monitored (progressing towards certification), and 8 are selective monitored flocks (observed for scrapie but not progressing towards certification). As of the same date, there are 62 infected flocks and 6 source flocks for a total of 68 flocks. Participation in the VSFCP represents less than 1 percent of the total U.S. flocks. Approximately 2 percent of seed stock producers are participating.

PREDATOR CONTROL PROGRAM

Mr. Skeen: The Predator Project has issued a report saying predator control programs funded by USDA have killed more than 8,100 animals in Wyoming in one year. The Project further states that redator/livestock "conflicts" are as high as ever and, therefore, the programs are not working. Please comment on both the number of animals killed in Wyoming and the contention that the programs are not working.

Response: The U.S. General Accounting Office--GAO--documented in a 1990 report to Congress, the number of coyotes killed annually by WS is only a fraction of the total number killed every year by private hunters and fur trappers. Between 1979 and 1988, WS personnel removed an average of 5,532 coyotes while private hunters and trappers removed an average of 8,030 coyotes annually in Wyoming. The evidence that lethal predator control efforts are effective is well documented in the scientific literature. This evidence has been referenced in WS' EIS and the many EA's that have been prepared. A comparison of the number of coyotes taken by WS can be made with the percent of lambs lost to coyote predation in Wyoming between FY 1995 and FY 1997. This comparison indicates lamb losses have decreased as the number of coyotes removed has increased and implies that coyote control is effective in reducing losses to coyotes. The 1990 GAO report also acknowledged that "according to available research, localized lethal controls have served their purpose in reducing predator damage." GAO based this conclusion on a review of the available science. While some critics have suggested that we should do away with predator control because we still have predator problems in spite of trying to deal with the problem for years, the same logic would suggest that we do away with our police force because our crime rate is so high.

Available estimates indicate the value of "avoided" livestock losses greatly exceeds the cost of WS' predator control efforts. A number of studies conducted by the Government and Universities have suggested that predator losses in the absence of a control program would be 2 to 3 times as high as they are with an effective control program in place. Cost-benefit analyses conducted on predator control operations have conservatively estimated that for every dollar spent on predator control, as much as $2 to $7 worth of livestock are saved.

Mr. Skeen: What is APHIS doing to increase the use of nonlethal methods of animal control?

Response: APHIS personnel use an integrated wildlife damage management approach that emphasizes both lethal and nonlethal methods. Field personnel direct control activities at individual animals or local population of animals causing damage. Regrettably, nonlethal methods do not always work and lethal control must sometimes be used to resolve wildlife conflicts.

Where appropriate, APHIS personnel implement and recommend many nonlethal methods to resolve human-wildlife conflicts, including fencing and other physical barriers, guarding animals, habitat management, scare devices, changes in livestock husbandry practices, and repellent chemicals to farmers, ranchers, and property owners. The WS/NWRC devotes at least 75 percent of its research effort to development of non lethal wildlife damage management methods. The WS web site provides wildlife professionals and the public direct access to NWRC technical publications resulting from this research, as well as WS Fact Sheets on wildlife damage problems and solutions. Also, NWRC holds training seminars and scientific symposia on the latest nonlethal technologies in wildlife management. Two symposia held in recent years were on the use of contraception in wildlife management and repellents for wildlife management.

Nonlethal approaches are also being used in attempt to control wildlife rabies. In Texas and the Northeast, APHIS personnel are cooperating with local health departments, Centers for Disease Control and Prevention, Universities, and others to control wildlife rabies through the implementation of oral rabies vaccination programs and the use of a genetically engineered vaccine. The goal is prevent the spread of rabies to humans, livestock, and pets through immunization.

APHIS field personnel are using tranquilizers and immobilizing agents to humanely capture and control wildlife causing damage. With FDA approval, field personnel are using propiopromazine hydrochloride in Tranquilizer Trap Devices attached to traps and snares set to immobilize the animals captured animals in traps and snares, thereby helping reduce stress and trap-related injuries. In FY 1999 and FY 2000, WS will continue to train and certify individuals for their use. APHIS is also using Alpha-Chloralose--AC--, a tranquilizer, for immobilizing and removing waterfowl such as Canada geese when they are causing damage to economic resources. In FY 1999, APHIS trained six AC applicators and 13 trainer/applicators. In FY 2000, APHIS will continue to train personnel in the use of AC.

TRAP TESTING

Mr. Skeen: How much does APHIS plan to spend on trap testing in fiscal years 1999 and 2000 and how much of this is on nonlethal methods of trap testing?

Response: To comply with the Agreed Minute between the United States and the European Union, APHIS is providing $450,000 to the International Association of Fish and Wildlife Agencies--IAFWA--and cooperating universities through cooperative agreements to maintain the National Trap Testing program.

In FY 1999, the program is evaluating the performance of 28 different trap types, including cage-like traps, for nine species of furbearers in 17 States (Alaska, Arkansas, Georgia, Iowa, Louisiana, Maine, Missouri, New York, North Carolina, Pennsylvania, Ohio, Oregon, Nebraska, South Dakota, Vermont, Washington, and Wisconsin). All traps being tested are nonlethal restraint-type devices.

Due to increasing constraints on existing methods for managing livestock predation by carnivores, APHIS is placing a major emphasis on developing new capture and control methods for use in carnivore predation management as resources become available. All such methods will be non lethal, compatible with existing state laws restricting the use of traps, and will not entail materials requiring regulatory data for pesticides or drugs. Currently, APHIS research scientists are testing two prototype, nonlethal snare devices that show promise as alternative capture devices. At the FY 1999 funding level, additional activities of this type would necessarily be phased in slowly as new research facilities become available. However, at the proposed FY 2000 funding level, this research could not be conducted.

SCREWWORM

Mr. Skeen: The Committee has been told that the APHIS employees assigned to Panama for the screwworm project in the past two years have either retired or been reassigned. Has the Department decided not to relocate the Tuxtla Gutierrez facility to Panama and, if so, what are the current plans for screwworm eradication in Central America?

Response: Yes, some APHIS employees assigned to Panama have either retired or been reassigned; however, those people have been replaced with other employees. The positions in Panama are part of the Foreign Services Officer Corps and are, therefore, subject to periodic reassignment. APHIS still has six Foreign Service Officers assigned to the Screwworm Eradication Program in Panama, which is the maximum authorized by the U.S. Embassy at this time. We still intend to move the sterile screwworm facility from Tuxtla Gutierrez, Mexico, to Panama by FY 2003.

Mr. Skeen: Is the money donated under the Food for Peace Program still available for construction of a facility in Panama?

Response: Yes, approximately $6 million of the money donated by the Government of Panama is available for construction of a facility in Panama. Panama also contributed the land for the facility valued at $10 to $12 million.

Mr. Skeen: Of the original $10 million that was available, what amount is currently on deposit?

Response: The Government of Panama currently has available approximately $6 million of the original $10 million to meet, in part, their obligations under the Panama/U.S. Screwworm Commission. The remaining $4 million was used in fiscal years 1997 and 1998 to pay for most of the costs of initiating an eradication program plus its contribution to the U.S./Panama Screwworm Commission. In addition, the Panamanian Ministry of Agriculture and Livestock Development has requested its Government to provide an additional $1 million per year for the next ten years for the new screwworm production plant.

Mr. Skeen: Does the Department plan to open a backup screwworm facility in the United States?

Response: The Department does not plan to open a backup screwworm facility in the United States at this time. The proposed new facility in Panama would produce a sufficient number of flies to maintain the sterile fly barrier in Panama. In addition, the new plant should also provide sufficient capacity to be able to respond to reinfestations of screwworm-free countries, if such outbreaks are detected quickly and control and eradication measures are started immediately.

AGRICULTURAL QUARANTINE INSPECTION

Mr. Skeen: How much overtime was paid in the Agricultural Quarantine Inspection Program in fiscal year 1998?

[The information follows:]

FY 1998 AQI OVERTIME COSTS

PROGRAM	NIGHT DIFFERENTIAL	REGULAR OVERTIME	SUNDAY OVERTIME	HOLIDAY	TOTAL
AQI User Fee	$614,610	$10,585,634	$7,821,531	$730,898	$19,752,673
AQI Appropriated	169,057	476,219	1,833,731	239,905	2,718,912
TOTAL	$783,667	$11,061,853	$9,655,262	$970,803	$22,471,585

TRANSPORTATION OF ANIMALS THROUGH AIRPORTS

Mr. Skeen: The Inspector General has recommended that APHIS require airlines to submit information regarding the transportation of animals through airports and that APHIS develop a system to identify where inspections have taken place? Does APHIS agree with these recommendations and, if so, when will they be implemented?

Response: The AWA regulations do not require airlines, as USDA registered carriers, to routinely submit information to APHIS regarding the animals they transport. However, if an incident occurs where an animal is covered under the AWA and has not received appropriate care during transportation, APHIS investigate to determine if the airline violated any transportation regulations. APHIS would then proceed with enforcement activities if necessary. APHIS has already entered the multiple locations of airports in the United States into the central database, and based on the risk-based system, will conduct inspections at these locations. The current LARIS database is able to track which airports and/or airlines have been inspected.

PSUEDORABIES

Mr. Skeen: When will the program for voluntary reduction of swine herds with pseudorabies begin, how long will it last and what is the total estimated cost?

Response: The Accelerated National Pseudorabies Eradication Program began on January 14, 1999, and will continue until July 14, 1999, or until funding for the program is expended. Total funding for the program would not exceed $80 million.

Mr. Skeen: Will this program totally eliminate pseudorabies in the United States?

Response: The Accelerated National Pseudorabies Eradication Program will not totally eliminate pseudorabies in the United States. The Agency expects approximately 30 percent of swine producers with infected herds will participate. Pseudorabies will be eradicated by December 2000, because of the combined results of the accelerated program and the industry, State, and Federal cooperative program initiated in 1989. The accelerated program reduces the number of known infected herds which otherwise might have increased because depressed swine market prices caused many producers to stop vaccinating their herds to lower costs.

OBJECT CLASS DATA

Mr. Skeen: What is the reason for the reduction in Object Class 25.2, Other services, for fiscal year 2000?

Response: The main reason for the decrease is the proposed $12.9 million reduction in the boll weevil program. This program is mainly funded through cooperative agreements, which fall under object class 25.2. A second, smaller contributing factor is the proposed $2 million decrease in the brucellosis program. Partially offsetting these factors are proposed increases for fruit fly exclusion and detection, animal health monitoring and surveillance, a new National Animal Emergency Management System line item, emerging plant pests, and noxious weeds, all of which would involve additional or expanded agreements with cooperators.

SHARED ADMINISTRATIVE COSTS

Mr. Skeen: How much does APHIS expect to reimburse the Department of State for shared administrative costs in fiscal year 2000?

Response: APHIS expects to reimburse the Department of State approximately $2,172,000 for shared administrative expenses.

FRUIT FLY EXCLUSION AND DETECTION

Mr. Skeen: Of the $2,234,000 increase requested in fruit fly exclusion and detection, how will the increase be divided between Florida and California?

Response: The majority of the proposed increase--approximately $1.9 million--would be used to hire additional trapping personnel in Florida. Approximately $334,000 would be used to enhance the cooperative trapping program in California.

IMPORT/EXPORT

Mr. Skeen: Page 14-19 notes the increase requested in the import/export program as well as the program's importance. Given the increase requested and the importance of the program, why are you reducing staff years by three?

Response: APHIS is not reducing the staff years by three for this program. In fact, APHIS is proposing to increase this program's staff years by three. There is a misprint on the project statement on page 14- 16. The staff year number for this program for FY 2000 should read 149.

SANITARY/PHYTOSANITARY MANAGEMENT

Mr. Skeen: What is the cause of the higher operating costs of the APHIS South Africa office (14-20)?

Response: APHIS moved its representation in Africa from Nairobi, Kenya, to Pretoria, South Africa, following the terrorist bombing which destroyed that embassy. Another $90,000 is needed for the higher operating expenses in our South African office which include increased rents for office space, travel, and salaries for foreign service nationals. South Africa conducts more agricultural trade with the United States than any other country in sub-Saharan Africa and shows the greatest potential for growth, particularly of high-value products. This office facilitates the negotiation of import protocols with many African countries importing U.S. grains, provides technical assistance to African exporters to ensure U.S. safety from pest and disease threats, and builds working relationships with animal and plant health officials throughout the region.

Mr. Skeen: For what international meetings does APHIS need the increase requested on 14-20?

Response: Since 1998, APHIS has seen an increase in the number of international meetings were APHIS representation is critical. For example, with the establishment of two Consultative Committees on Agriculture--CCA--with Chile and Argentina, APHIS must represent USDA's technical and sanitary/phytosanitary issues at the annual bilateral fora. An additional CCA is being contemplated for Brazil. APHIS must also engage in bilateral preparatory and follow-up meetings with these countries others with whom the United States trades in various agricultural commodities including cereals, horticultural products, as well as animals and animal products.

The increase requested for Sanitary/Phytosanitary Management would provide $130,000 to allow APHIS to participate in international meetings which are crucial for developing and maintaining the Agency's relationships with foreign government counterparts--relationships which are critical for resolving SPS trade barrier issues in a timely fashion. As SPS issues replace tariff and quota issues as barriers to free trade, APHIS is called increasingly upon to

resolve market access issues. Resources to respond quickly make the difference between accessing a market in a timely manner through direct person-to-person dialogue versus other forms of communication.

JOHNE'S DISEASE

Mr. Skeen: What is Johnes disease?

Response: Johne's Disease is a contagious bacterial disease of the intestinal tract. Johne's disease occurs in a wide variety of animals, but most often in ruminants. Most commonly, the disease occurs in dairy cattle. Animals infected with this disease usually develop diarrhea, rapid weight loss, and a loss in milk production. The bacterium that causes Johne's disease is named *Mycobacterium paratuberculosis*. In northern dairy states like Minnesota, Michigan, New York, Ohio, Pennsylvania, and Wisconsin it is estimated that 30 percent of dairy cattle herds are infected with this disease.

Mr. Skeen: How much of the requested $4.6 million increase would be devoted to Johnes disease?

Response: Of the $4.6 million increase requested for the animal health monitoring and surveillance program, $1.5 would be devoted to Johne's disease.

Mr. Skeen: Is any private money being used in this program?

Response: Private industry funds are used primarily for producing and distributing educational materials on Johne's disease to producers, dairy farmers, and private practitioners. APHIS estimates that the industry spends several hundred thousand dollars each year on education.

Mr. Skeen: Where are the estimated 100 herds you expect to enroll?

Response: APHIS expects to enroll these herds from dairy operations throughout the Northeastern United States.

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT

Mr. Skeen: At which ports have you found the main increases in violation cases involving false phytosanitary certificates (14-21)?

Response: We have found the most serious problem at major international airports such as New York--JFK--, Miami, Los Angeles, San Francisco, El Paso, McAllen, Nogales, Seattle, Memphis, Atlanta, and Chicago. However, most of our new, more serious problems involve increased smuggling.

ANIMAL HEALTH EMERGENCY MANAGEMENT

Mr. Skeen: What role do the Centers for Disease Control and Prevention play in animal health emergency management?

Response: APHIS collaborates with the Centers for Disease Control and Prevention--CDCP--on mutual agency concerns involving diseases which can be transmitted from animals to humans. Examples of such zoonotic diseases include bovine spongiform encephalopathy, rift valley fever, Venezuelan encephalomyelitis, and tuberculosis. To strengthen this relationship, APHIS has stationed a veterinarian at the CDCP to act as a liaison. In the event of an animal health emergency, CDCP and other public health agencies would get involved only if there was a threat to public health.

ASIAN LONGHORNED BEETLE

Mr. Skeen: In what areas of the United States have you found infestations of Asian long horned beetles?

Response: We have found three infestations of Asian longhorned beetle in New York State: in the Greenpoint area of Brooklyn, in Amityville on Long Island, and in the Bayside area of Queens. Also, we have found three infestations in the Chicago area of Illinois: in Ravenswood, 10 miles north of downtown Chicago; in DuPage County, 20 miles west of Chicago; and in suburban Summit (Cook County), 20 miles southwest of the Ravenswood site. All six infestation sites are included in a cooperative control effort. This effort is designed to prevent future ALB introductions without jeopardizing the $80 billion trade market between the U.S. and China. Thus far, our swift action on this pest has enabled the program to protect forest products, nursery, tourist, and maple syrup industries, which generate combined revenues of $47 billion annually in the northeastern U.S. alone.

Mr. Skeen: Has APHIS participated in talks with the Chinese Government regarding Asian long horned beetles in packing materials used in exporting Chinese products?

Response: Yes, we have discussed and continue to discuss this critical issue with the Chinese Government on a regular basis. In May 1998, we met with Chinese Animal and Plant Health Inspection Department officials to discuss our concerns about wood-boring pests in solid wood packing materials from China. In early September 1998, the Under Secretary for Marketing and Regulatory Programs' and other APHIS officials traveled to China to discuss the potential impacts of our decision to issue an interim rule to ban the importation of untreated solid wood packing materials from China. During October, we met with a Chinese delegation in Washington, DC, to discuss the rule and USDA's commitment to implementing it on schedule. On November 10, 1998, an APHIS official traveled to China to serve as a contact point for both the U.S. and China during the transition of the interim rule. Also in November, the Deputy Under Secretary for Marketing and Regulatory Programs traveled to Hong Kong and China to

discuss the interim rule and its implementation. And on several occasions since then, we have met with Chinese officials in Washington, DC, to discuss the interim rule and its implementation.

BOLL WEEVIL

Mr. Skeen: In what new areas will you expand the boll weevil program (14-24)?

Response: In FY 2000, the Agency will contribute toward program expansion into new areas after addressing the financial needs of all active eradication zones. These new areas will include the entire North Delta area in Mississippi, east Louisiana, south Arkansas, and several additional zones in Texas based on referenda results in the next few weeks.

BRUCELLOSIS

Mr. Skeen: What is the incidence of transmission of brucellosis from bison to cattle?

Response: The incidence of transmission of brucellosis from bison to cattle in the wild is unknown. The risk of transmission is determined by the number of abortions occurring in the bison, the presence and survival of *B. abortus* in aborted tissues, and the exposure to susceptible hosts. It is difficult to document these abortions and exposures in the wild. In the past two decades, two abortions in Yellowstone National Park have been documented. Cattle, bison, and elk are all susceptible to the same strain of the bacterium and transmission between the species has been demonstrated experimentally. In addition, epidemiological evidence, particularly that from the Grand Teton National Park and the National Elk Refuge, points to transmission between free-roaming bison and elk and cattle as well.

DORIS DAY ANIMAL LEAGUE LAWSUIT

Mr. Skeen: Why is the impact of the Doris Day Animal League lawsuit (14-27) still unknown?

Response: Much more is known today regarding the potential impact of the Doris Day Animal League lawsuit regarding a change to the definition of "retail pet store." During the latest comment period, some of the commentors provided substantive information regarding potential numbers of additional retail dealers. This information will be used in making the Agency's final decision on how to proceed with this lawsuit/petition.

The petition also requests that APHIS begin licensing and regulating dealers of dogs intended for hunting, breeding, and security purposes. In the past, APHIS has not regulated such dealers and there is little information regarding the potential number or locations of such dealers. It is felt that the impact could be minimal if regulatory oversight only included wholesale dealers of hunting, breeding, and security dogs.

HORSE PROTECTION

Mr. Skeen: Please quantify the increased activity (14-27) made possible by the $23,000 proposed increase in horse protection.

Response: Essentially, APHIS will be able to fund salary increases and maintain current level of oversight. There may be a slight increase to provide additional training in detection of sore horses.

BIOTECHNOLOGY USER FEES

Mr. Skeen: Assuming the proposed authorization for biotechnology user fees becomes law, when could collection of the fees begins?

Response: Fee collection could begin from 6-12 months from the time the proposal becomes law.

GENETICALLY ENGINEERED PRODUCTS

Mr. Skeen: Please provide estimates on the percentage of U.S. exports in fiscal years 1996 through 1997, which consisted of or was produced from genetically engineered seeds?

Response: In FY 1996, approximately three percent of U.S. exports consisted of or was produced from genetically engineered seeds. In FY 1997, that percentage rose to approximately 14 percent.

Mr. Skeen: What are the Department's forecasts for the growth of genetically engineered products?

Response: Corn, soybeans, and cotton are the three main crops that are being genetically engineered. By FY 2000, we project that 48 percent of corn will be genetically engineered--compared to 35 percent currently. Also, we project that 60 percent of soybeans will be genetically engineered--compared to 45 percent currently. In addition, we project that 85 percent of cotton will be genetically engineered--compared to 70 percent currently.

Mr. Skeen: How many regulatory decisions on genetically engineered crops were made in fiscal year 1998?

Response: In FY 1998, we made 1,799 regulatory decisions on genetically engineered crops. Included are 1,073 release notifications and permits that we issued at over 5,000 sites nationwide. This represents over 25 percent of all field releases ever made.

BIOTECHNOLOGY

Mr. Skeen: What part of APHIS funds and FTE's are dedicated to international harmonization on biotechnology issues?

Response: In the early 1990's, we were able to estimate that approximately 25-35 percent of APHIS funds and FTE's under the biotechnology and environmental protection line item were dedicated to international harmonization on biotechnology issues. Since then, however, we have re-structured our biotechnology functions in the interest of streamlining Agency activities and improving cost-efficiency. Unfortunately, this re-structuring has made it extremely difficult to distinguish biotechnology harmonization efforts from other international efforts.

METHODS DEVELOPMENT

Mr. Skeen: You associate a reduction of 14 staff years with the decrease in the request for Wildlife Services Methods Developments. Where will the staff decreases come from?

Response: The funding decrease would result in a portion of the NWRC's laboratory functions in its new Wildlife Science Building in Fort Collins, Colorado, being minimally utilized and a portion of the scientific and support staff separated from service. WS methods development activities would be reduced in areas of new taste and smell repellents, wildlife contraceptives, new non-injurious wildlife capture systems, and data collections and delivery for approval of new chemicals through the Environmental Protection Agency and the Food and Drug Administration.

The research and supporting functions of the NWRC laboratories in Fort Collins are integral to current methods development program at several NWRC field laboratories in the U.S. Specific impacts of the staff reduction would delay development of new methods in Hilo, Hawaii, where NWRC is solving rat problems in Hawaiian agricultural crops; in Bismarck, North Dakota, where methods are being developed for preventing blackbird damage to sunflowers and to rice production in Louisiana and Texas; at Logan, Utah, where methods are developed to reduce predator damage to livestock throughout the U.S.; and at Starkville, Mississippi, where studies are underway to prevent cormorant predation on catfish farms in the Mississippi Delta region and in other catfish productions states.

AQI USER FEES

Mr. Skeen: Where does the revenue from AQI user fees go?

Response: All AQI revenue is deposited into a special account in Treasury. The initial $100 million in collections each year is subject to Congressional Appropriation. Any funds that we collect in excess of $100 million in a given fiscal year are available to recover the costs of providing AQI services in that year. If we do not spend all of the fees collected in excess of $100 million in that year, they remain in the AQI user fee reserve account for future AQI expenditures.

DETECTOR DOG TRAINING

Mr. Skeen: Are the costs of detector dog training in other countries (14g-2) being reimbursed to APHIS?

Response: Yes, APHIS is paid for all personnel and travel costs prior to conducting detector dog training in other countries.

AGRICULTURAL QUARANTINE INSPECTION

Mr. Skeen: How are items of "agricultural significance" defined?

Response: Items of agricultural significance are defined as agricultural products, which upon inspection, are found to be infested with a pest or disease that could cause a negative economic impact on the U.S. agricultural market if the pest or disease were to become established in the United States.

Mr. Skeen: Please list the trust fund agreements you have with major exporting groups (14g-3)?

[The information follows:]

Country	Agreements	Commodities
Mexico, C. America, & Caribbean		
Mexico	Michoacan Avocado Assn, EMEX, AMECAC, Comite Estatal de Sanidad Vegetal de Sonora	Mangoes, Citrus, Apples, Citrus, Peaches, Avocados
Costa Rica	Organismo International Regional de Sanidad Agropecuaria (OIRSA)	Mangoes
Guatemala	GEXPRONT	Mangoes
Nicaragua	OIRSA	Mangoes
Jamaica	Jamaica Exporters Assn	31 Fruit & Vegetable Commodities
Haiti	LEOCO, S.A.	Mangoes
South America		
Argentina	COPEXEU	Apples, Pears
Brazil	Fruitfort Agricola Export; PRILUMO; Timbaurba Agricola SA; Mandacaru Comercial Ltda	Mangoes
Chile	Asociacion de Export de Chile	Stonefruit, Grapes, Cut Flowers, 91 other Commodities
Ecuador	Programa Nacional del Banano; APTH; Espiagro	Melon, Mangoes
Peru	Don Diego Agric. (DIAGRO); Norfruit, S.A.; Peiser (Romero Trading); Agromar Industrial SA; Sunshine Export SA	Mangoes

Country	Agreements	Commodities
Pacific Rim & Asia		
Australia	Profood USA; Cargill Commodities	Cottonseed
New Zealand	New Zealand Apple & Pear	Apples, Pears, Nashi Pears
Japan	Plant Quarantine Association	Sand Pears, Unshu Oranges, Fuji Apples
Korea	Nat. Agricultural Cooperative Federation (NACF)	Sand Pears, Mandarin Oranges
Africa		
South Africa	Outspan International, Ltd.; UNIFRUCO Ltd.	Apples, Pears, Grapes, Plums, Oranges
Europe		
Spain	Ibetrade Commercial Corp.	Clementines, Lemons, Oranges
Netherlands	Bond voor de Groothandel in Bloembollen en Boomkwekerijproducten	Flower Bulbs
Belgium	Office National des Bouches	Flower Bulbs
Israel	Flowers Bulbs & Ornamental Plants (Agrexco)	Flower Bulbs
United Kingdom	Lingarden Ltd	Flower Bulbs

Mr. Skeen: Can you estimate how much of the contraband fruit from Mexico you are able to intercept in a year (14g-4)?

Response: The contraband fruit seized at Tijuana International Airport in Mexico is confiscated from domestic movement of travelers within Mexico, not from cross-border traffic. We report this information due to the proximity of the airport to production areas in the U.S. There is currently no monitoring system in place to measure the rate of compliance for passengers at the airport in Tijuana, Mexico.

ARGENTINE CITRUS

Mr. Skeen: What is the status of the agreement on importation of Argentine citrus?

Response: On August 12, 1998, APHIS published a proposed rule in the *Federal Register* to amend citrus fruit regulations by recognizing a citrus-growing area within Argentina as being free from citrus canker. Since 1992, surveys conducted by Argentine plant health authorities show that four states in Argentina are free from citrus canker, and Argentine authorities are enforcing restrictions designed to protect these states from the introduction of that disease. We are also proposing to amend the regulations to allow the importation of grapefruit, lemons, and oranges from this area under conditions designed to prevent the introduction into the United States of citrus canker, two other citrus diseases, sweet orange scab and citrus black spot. The Mediterranean and Anastrepha species of fruit flies are also present in Argentina. This initial rule stated that the comment period would end on October 13, 1998.

On October 16, 1998, APHIS published a notice advising the public that it was extending the comment period for the proposed rule on the importation of grapefruit, lemons and oranges

from Argentina by 120 days until February 11, 1999. On January 13, 1999, APHIS published another proposed rule to notify the public of additional hearings. Those hearings took place on February 5 in Orlando, Florida, and February 8 in Thousand Oaks, California, and provided interested persons an opportunity for oral presentation of data, views, and arguments regarding the proposed rule.

We received over 300 written and oral comments during the comment period. All the comments received, particularly those made by the U.S. Citrus Science Council--USCSC--will be thoroughly analyzed by APHIS experts. Completion of this rulemaking proceeding is a top priority for APHIS.

HARRY S TRUMAN ANIMAL IMPORT CENTER

Mr. Skeen: With the proposed closure of the Harry S Truman Animal Import Center, what other centers will remain open?

Response: Both the Newburgh Animal Import Center in New York and the Miami Animal Import Center in Florida will remain open after the closure of the Harry S Truman Animal Import Center.

INFESTATION

Mr. Skeen: What constitutes an "infestation (14g-20)?"

Response: An infestation is considered to be any situation in which a pest has become established in a particular location.

SWIM WITH THE DOLPHINS

Mr. Skeen: What is the status of your regulations on "Swim with Dolphins" and "Wade with Dolphins programs?

Response: As a result of the continuing concerns expressed by several regulated parties over multiple components of the final rule to regulate human dolphin interactive programs, including wading programs, the Agency has initiated the process to suspend enforcement of the rule and solicit additional public comment prior to moving ahead with any new rulemaking for these programs.

SALTCEDAR ACTION PLAN

Mr. Skeen: When do you expect the Fish and Wildlife Service to act on your saltcedar action plan (14g-24)?

Response: The FWS approved the plan on December 28, 1998.

WILDLIFE SERVICES

Mr. Skeen: Your testimony mentions the fire bombing of two Wildlife Services facilities in Washington State. What is APHIS doing to protect its employees and property?

Response: The Agency has an active APHIS National Security Program--NSP--for all agency owned and leased space since 1995 when it lost seven employees in the Oklahoma City bombing. Security is a serious matter for APHIS considering this incident plus several others including fire bombings in Washington State, office take-overs and break-ins in New Mexico and Arizona. In accordance with the Department of Justice's report, Vulnerability Assessment of Federal Facilities, NSP is surveying all APHIS offices to ascertain vulnerability risks to determine appropriate security measures for each existing location as well as future ones. To date, over 250 APHIS field offices responded to the self assessment survey provided by the NSP.

APHIS' NSP is currently involved with providing assistance in the development of an emergency management preparedness plan; an emergency management operations center; a workplace violence prevention program; an agency appointed bio-terrorism coordinator; and an agency-wide continuity of operations plan.

QUARANTINE FUMIGATIONS

Mr. Skeen: Quarantine fumigations in the U.S. must be conducted under the direct Supervision of a USDA/APHIS inspector, using methods and procedures outlined in the APHIS Treatment Manual. In comparison to fumigations conducted in the U.S., how does APHIS plan to monitor fumigations conducted in China? How many inspectors will be sent to China? Will specific methods and procedures be required to ensure that 100% of pests are destroyed?

Response: Chinese agricultural officials are monitoring fumigation procedures in that country and APHIS expects China to ensure these fumigations meet USDA requirements. The Agency utilized the services of an APHIS employee already stationed in Beijing, China, as well as the temporary services of a special envoy to educate Chinese agricultural officials and fumigators on USDA fumigation standards. We plan to monitor China's compliance with our standards through the agricultural inspection process when ships arrive at U.S. ports.

Mr. Skeen: Many fumigators have been asked to treat cargo fumigated in China and accompanied by a Chinese fumigation certificate because the cargo contains live insects upon arrival in the U.S. Is all cargo from China subject to APHIS inspection? If not, what steps is USDA taking to prevent infested cargo with Chinese fumigation certificates from entering the country?

Response: We are carefully monitoring all shipments from China and are conducting intensive cargo inspections of these shipments based on the pest risks associated with the cargo onboard. For example, we check all shipments from China carrying high-risk commodities such as furniture and other large, heavy commodities because such cargo is usually packed in wooden pallets or crating. We conduct inspections on a smaller percentage of shipments carrying

low-risk commodities, such as clothing, which are normally packed in synthetic or highly processed wood containers.

If a shipment containing solid wood packing materials--SWPM--from China is found to contain plant pests, or the SWPM has not been heat treated, fumigated, or treated with preservatives, or there is no accompanying certificate documenting such treatment, an APHIS inspector may deny entry to the entire lot or shipment--cargo and SWPM. The inspector may allow the importer to separate the cargo from the SWPM, at a location and within a time period specified by the inspector, and destroy or re-export the SWPM, if the inspector determines that this can be done without risk of spreading plant pests. This may only be done in cases where there is a secure facility for separation of the cargo, available means to destroy the SWPM --incineration, or chipping and incineration, are the authorized methods--, and available APHIS inspectors to supervise the process. The importer is responsible for all expenses associated with this process. Because this is a very expensive and time consuming procedure for the importer, it enhances the probability that proper fumigation certification is obtained.

Mr. Skeen: Fumigations in the U.S. require that all lethal gas be removed from cargo after fumigation. Gas levels are routinely measured and monitored throughout the fumigation procedure. Does APHIS require that Chinese fumigators measure the levels of gas in cargo during treatment and prior to shipment? What steps is USDA taking to protect American workers at U.S. ports from being exposed to dangerous levels of gas remaining in cargo from China?

Response: Many fumigated containers arriving from China have warning labels affixed to the tailgate indicating that toxic gas may be present inside the containers. We are working with Chinese officials to encourage the use of these warning labels on all fumigated containers. In addition, APHIS has taken measures to ensure the safety of APHIS inspectors by requiring them to use dreager tubes to measure residue levels of methyl bromide gas when conducting inspections of fumigated cargo.

Mr. Skeen: The Chinese government has said that it cannot effectively treat all cargo leaving China because the country lacks the infrastructure and skilled fumigators. Has USDA taken any steps to educate Chinese fumigators about the strict methods and procedures that must be followed to ensure that 100% of all pests are eliminated?

Response: APHIS has utilized the services of an employee stationed in Beijing, China and the temporary services of a special envoy to China to educate Chinese agricultural officials and fumigators on USDA fumigation standards. These APHIS officials are providing guidance on acceptable fumigation procedures and working with these Chinese officials to solve any problems they may encounter. Our initial findings indicate a high rate of compliance among Chinese fumigators.

WS BUDGET

Mr. Skeen: What would be the anticipated impacts of the Administration's proposed FY 2000 budget reduction on the ability of the APHIS Wildlife Services program to

provide assistance to farmers and ranchers experiencing wolf predation on livestock in Minnesota, Montana, Idaho and Wyoming?

Response: The FY 2000 proposed budget would limit wolf control activities in Montana, Idaho, Wyoming, and Minnesota to technical assistance unless more cost-sharing funds are obtained in other areas. APHIS personal would not be able to provide direct control assistance to livestock producers experiencing wolf damage problems.

Mr. Skeen: What would be the anticipated impact of the Administration's proposal to redirect $1.2 million from other program areas of the APHIS Wildlife Services FY 2000 budget toward airport safety work? Specifically, what impact would this have on Wildlife Services ability to provide assistance to livestock producers experiencing problems with predation on their stock?

Response: APHIS would have to rely more on cost-sharing funds from livestock owners in order to conduct airport safety work to comply with the President's budget in the amount of $1.2 million. This would also cause an increasing need for cooperator funds for these activities. The area most impacted without increasing cooperator funding would be livestock protection activities where personnel would have to be redirected or separated and new staff hired to assist with the airport safety directive.

Mr. Skeen: Does the Administration's proposed FY 2000 budget for APHIS Wildlife Services include adequate funding to carry out the recommendations that have been made regarding needed safety improvements to the program's aviation operations in the Western Region?

Response: APHIS has begun to implement the recommendations outlined in the July 1998 Safety Review, Evaluation, and Recommendations Concerning the USDA, APHIS, Wildlife Services Program report, which has been provided to Congress. The most pressing issues from the recommendations were identified and actions have been taken to alleviate safety concerns using the $1.2 million appropriated in FY 1999. For FY 2000, APHIS has identified $657,000 in recurring costs associated with corrective measures undertaken in FY 1999. These items include costs associated with retention of aviation safety and training officer positions, permanent flight crew members, and pilot trainee positions; implementation of safety regulations; continue upgrading of personal protective equipment for all crews; maintaining turbine helicopter conversions; and training costs for pilots, flight crews, and instructors.

To continue implementing the recommendations of the Aviation Safety Review Board, which was made up of representatives from Fish and Wildlife Service, Border patrol, Federal Aviation Administration, Buearu of Land Management, and Wildlife Services employees, additional funds will be required above the recurring costs. The major items include continuation of conversion from piston engine helicopters to turbine engine aircraft (including replacement of 2 helicopters); modification of agency owned aircraft; training; standardization of pilot grades and series; additional pilot positions and permanent flight crew members; aircraft communication equipment; and acquisition of additional leased aircraft. These items total $1.8 million.

APHIS is fully committed to ensuring that its aircraft are fully safe to operate. The President's budget provides for $1.2 million, the same level as FY 1999. To address the next level of recommendations, an additional $1.257 million would be needed to continue implementation of the recommendations of the Aviation Safety Review Board in FY 2000.

RESIDENTIAL BREEDERS OF CATS AND DOGS

Mr. Skeen: Is APHIS pursuing a regulatory change regarding residential breeders of cats and dogs?

Response: APHIS considering a regulatory change that would impact a large number of retail dog and cat breeders under our regulatory authority. In response to the Doris Day Animal League lawsuit, in June 1998, APHIS published an advance notice of proposed rulemaking requesting information on the potential impact such a change could have on APHIS as well as the regulated commitment. Those comments have been reviewed and a recommended course of action has been presented to the Under Secretary.

Mr. Skeen: How would APHIS' proposed changes in regulatory policy affect hobby and show breeders of dogs and cats, and breeders of hunting, breeding and security dogs, who breed and raise puppies and kittens in their own residential property and sell them only at retail?

Response: If APHIS begins to regulate retail breeders and breeders of dogs intended for hunting, breeding, and security, a large number of these breeders would have to be licensed and comply with the standards in the regulations. The exact number regulated would depend on the regulatory threshold established by APHIS.

Mr. Skeen: What would be the additional cost of APHIS' proposed expansion in regulatory authority and is the agency requesting any funding for this purpose in the fiscal year 2000 budget request? Specifically, what portion, if any, of the $515,000 increase requested in the APHIS budget justification for Animal Welfare Act/Animal Care would be used for expanded activities? Do you anticipate future requests for appropriated dollars for related regulatory changes?

Response: The additional cost would depend on the impact the additional licensees would have on the program, such as how many new dealers would have to be licensed and inspected. If the minimum cutoff number is high--50 adult breeding females from the current 3--the impact may be minimal. If the minimum number is low, thus bringing a large number of formal unregulated entities under our regulatory authority, the impact will be significant.

In FY 2000, APHIS did not request additional funding to expand existing activities. Of the $515,000 increase, $386,000 will go towards covering pay costs. The balance will provide training and replace old vehicles.

The Agency will consider requesting additional funding for these related regulated changes at a later time.

Mr. Skeen: Who in the pet industry precisely would be the target of new or additional licensing and regulation under the proposed changes, and what would be the justification for such a change?

Response: If the Agency begins to regulate retail as well as wholesale dealers of dogs and cats, efforts will be concentrated on large, commercial breeders. There are frequent reports of large retail breeders housing dogs in substandard facilities. APHIS feels there could be some benefit in regulating large commercial dealers while exempting small hobby breeders.

Mr. Skeen: Would any entities currently regulated under the Animal Welfare Act, such as commercial breeders who sell their stock at wholesale, be deregulated or treated differently if the proposed regulations are adopted?

Response: If APHIS begins regulating both wholesale and retail dealers of dogs and cats, we will likely increase the minimum number of animals a dealer could maintain on a regulated premises and be exempt from regulation. Under this approach, some currently regulated wholesale dealers would no longer be regulated under the AWA.

Mr. Skeen: Among retail breeders of dogs and cats, what number and percentage are hobby and show breeders who maintain and breed their animals on residential premises?

Response: About one-third of the hobby and show breeders maintain and breed their animals on residential premises. The American Kennel Club, which represents the majority of show and hobby breeders, estimates that the remaining two-thirds of the breeders maintain and sell their animals from commercial facilities such as traditional retail pet stores.

Mr. Skeen: If the agency's proposed rule were to be adopted, what would be the total regulated population in the dog and cat industries, and what would be the attendant increases in licenses and registrants, as well as APHIS inspection sites annually?

Response: The total regulated population would depend on the threshold of breeding females on a premises. By adjusting this threshold, APHIS would attempt to keep the total number of licenses dealers at current level.

Mr. Skeen: What is the current status of, and the timetable for, the rulemaking process on this issue?

Response: The Agency plans to make a final decision in the next few weeks. If this decision requires a rule change, a proposed rule should be published by summer 1999.

Questions submitted by Mr. Bonilla

AERIAL SAFETY

Mr. Bonilla: I understand Wildlife Services has conducted a safety review of its aerial hunting operations. What progress has been made in meeting the recommendations of the review?

Response: APHIS is making every effort to ensure employee safety. APHIS' Wildlife Services has embarked on a multi-year process of upgrading aircraft, flight crew training, management positions, and air worthiness safety and certification to comply with the recommendations of an aerial safety review. In FY 1999, we plan to hire two critical managers: an Air Worthiness Safety Inspector and a Flight Instructor/Training Officer; hire two pilot training positions for fixed-wing aircraft: one in Idaho and one in Nevada; develop a training program for flight crew; purchase personal protective equipment; begin converting piston engine helicopters to turbine aircraft; obtain certification of air worthiness for all Agency-owned and leased aircraft; certify that all contractor aircraft is air worthy; contract for an A76 review to focus on the need for aerial services; and, begin standardization of pilot grade and series.

WILDLIFE SERVICES POSITIONS IN TEXAS

Mr. Bonilla: I understand that Wildlife Services is facing a critical shortage of adequately trained supervisors to fill the projected future vacancies due to retirements. I also realize that Texas has in the past provided a training ground for Wildlife Services. Is there funding available to fill the three vacant supervisory training positions in Texas, which would greatly assist Wildlife Services in meeting its supervisory needs?

Response: District Supervisors and State Directors are the most critical supervisory positions in the WS program. These two positions supervise the day-to-day operations of the program, insuring that customers receive satisfactory services. These two positions also manage local and federal funds allocated for customer services, oversee the administrative processes, and in most cases, are the primary contact for media interactions. Without an adequate pool of trained supervisory personnel to draw from, the WS program is at risk when key decisions are made by inexperienced supervisors.

WS has lost 11 Assistant District Supervisory positions and four Assistant State Director positions because of level funding and increased operating costs. The Texas program has not been able to fill three Assistant District Supervisor positions and one Assistant State Director position. Wildlife Services cannot fill these vacant positions without decreasing the field services provided to its customers.

TEXAS ORAL RABIES VACCINATION PROGRAM

Mr. Bonilla: Texas is fighting canine rabies and a gray fox rabies through a cooperative Oral Rabies Vaccination Program in which Wildlife Services pays a vital role. The State of Texas provides $4 million and the USDA provides $400,000. The President's budget calls for a $1.8 million decrease in Wildlife Services budget for FY 2000. What effect does this reduction have on funding and the present level of assistance provided to the Texas Oral Rabies Vaccination Program?

Response: To meet the priorities of the Presidents budget, an overall decrease of $1,836,000 is proposed in FY 2000. All direct assistance for oral rabies vaccination programs--ORVP--in Ohio, Vermont, New York, and Texas would be terminated unless we are able to obtain increased cost share funding elsewhere. In Texas, WS would provide only technical assistance to the oral rabies vaccination project and would not be able to assist in the distribution of over 2.5 million vaccine bait units each year nor in surveillance activities. It is the opinion of the director of the ORVP in Texas that the collection of animal specimens for testing of vaccine efficacy and bait distribution could not be accomplished without the involvement of the Texas WS program personnel.

Questions submitted by Mr. Latham

ACCELERATED PSEUDORABIES ERADICATION PROGRAM

Mr. Latham: How have the Department's slaughtering efforts been implemented?

Response: All herds known to be infected with pseudorabies virus may participate in the Accelerated Pseudorabies Eradication Program. Newly infected herds must apply for eligibility with the State Pseudorabies Advisory Committee. After USDA informs producers of program guidelines and eligibility requirements, producers interested in participating notify USDA. USDA personnel then conduct an on-site visit to count the pigs, assign them weights and classes, and provide the producers with an estimate of the indemnity. The producer must accept or reject program participation within 7 working days of the date of estimate.

For each State, APHIS worked with the official State Pseudorabies epidemiologist, the State Veterinarian, and the State Pseudorabies Advisory Committee to develop plans to euthanize and remove animals from premises. Pseudorabies infected herds are concentrated in some areas, with multiple farms and many hogs infected. In other locations, the herds are dispersed over a wide area. Due to this dichotomy, separate plans for euthanasia and disposal were considered because of the different needs and resources available.

In areas with less than 100 infected small herds, the young and adult hogs are euthanized on the farm using cost effective, humane methods such as a penetrating captive bolt gun followed by pithing. Carbon dioxide is used for very small pigs and chemical euthanasia for piglets. The euthanized hogs are then loaded into rendering trucks on the farm in most cases. Burial in some circumstances is considered.

In areas where a large number of pigs from a large area are infected, a centrally located facility is organized for humane euthanasia. In general, the site allows for easy access for several loading options, has limited access for safety and biosecurity reasons, is secluded because of the sensitivity of the activity, and has an office area with customary equipment. The site is near a rendering plant and the pseudorabies infected premises. In some areas, packing facilities are being used to humanely euthanize the pigs. After the animals are humanely euthanized, they are transported to a rendering facility.

USDA pays the agreed indemnity and all associated costs such as transportation, euthanasia, disposal, equipment, travel, and temporary employees. After depopulation is completed, the indemnity claim is processed and the payee receives a check within two weeks (the current average is less than 6 days). The payment can also be wire transferred to the payee's bank account.

Mr. Latham: Have there been obstacles in completing the eradication campaign?

Response: Some rendering firms have changed their position on payment for rendering the carcasses. As they have processed carcasses, the prices of their products have declined and they now wish to charge USDA for the service. APHIS has considered incinerating or burying the carcasses in some cases rather than pay for this. Hog prices have also risen since the original crisis, reducing the economic incentive for producers to participate in the voluntary program. Some producers are reluctant to participate because they are required to keep their facility inactive for a period of 30 days following cleanup and disinfection. Some packing facilities used for euthanization and certain rendering firms are operating at full capacity.

Services connected with the accelerated program at these firms are being performed during off-hours, at additional cost. Despite these obstacles, the accelerated program continues to reduce the number of known pseudorabies infected herds.

ASIAN LONG-HORNED BEETLE

Mr. Latham: Are we fumigating container ships when they arrive in U.S. ports? If not, can we be certain foreign countries are fumigating their ships prior to shipping product to America?

Response: We fumigate container ships if, upon inspection by an APHIS inspector, plant quarantine pests are found on the ship and if the owner consents to having fumigation conducted in the United States. If the owner does not give consent, we require that a fumigation certificate be provided which meets USDA fumigation standards.

BIOTERRORISM

Mr. Latham: How is APHIS working with FDA on the issue? How are the two agencies coordinating on this effort to minimize risk?

Response: APHIS is aware of the risk to the livestock industry from biological terrorism attacks. This risk is due to the ease in obtaining and deploying viruses and bacteria. APHIS has requested $1.2 million in the FY 2000 President's budget to develop and implement a national emergency management system to deal with biological terrorism and other significant animal health events. In addition, APHIS will develop and implement a National Animal Disease Reporting System--NADRS--and a Geographical Information System--GIS. The NADRS is essential in improving our surveillance to detect incursions of exotic diseases and pests. The GIS will allow use to quickly pinpoint the location of the incursion and to track the movement of the disease or pest.

APHIS will coordinate these efforts with various other federal agencies including but not limited to the Department of Defense, the Federal Bureau of Investigation (FBI), the Federal Emergency Management Agency--FEMA--, the Centers for Disease Control and Prevention--CDCP--, and the Food and Drug Administration--FDA. The roles and responsibilities of each of the agencies as it applies to the effects of biological terrorism on animals and plants are still being determined. It is believed that APHIS will be responsible for the preparation of and the quick response to these attacks; FEMA and CDCP will be responsible for responding to the human health aspect of the attacks; FDA will be responsible for approving drugs which will be used to treat the exposed animals; and the Department of Defense and the FBI will be responsible for investigating the events and minimizing the occurrence of these events.

Questions submitted by Mr. Pastor

KARNAL BUNT

Mr. Pastor: The 1997-98 compensation package was finally published on December 17, 1998 long after the wheat harvest had been completed last spring. Why did it take so long to publish this package?

Response: We realize that compensation rules have been delayed each crop year, and we are trying to improve our timeframes. This is in part because we have been issuing a new compensation package each year that requires notice and comment rulemaking, which is a time-consuming process. We had prepared a work plan for the 1997-98 compensation package by April 1998. However, we chose to delay it until the 1996-97 package became final in June because we wanted to ensure that any revisions to our 1996-97 package were also considered in our 1997-98 package. Also during this time, we were analyzing the benefits of developing a longer-term proposal concurrent to our 1997-98 package that would provide growers with the information they need well in advance of when they must make planting and contracting decisions. In July, we decided to table the longer-term proposal for future consideration and propose the 1997-98 package by itself.

Mr. Pastor: Could you explain the difference in the compensation for growers at 60 cents per bushel and $1.80 per bushel for handlers?

Response: Growers and handlers with wheat from the same regulated areas are given equivalent compensation rates. The difference in compensation rates reflects the fact that affected entities in areas under the first regulated crop season would not have known that their area was to become regulated for Karnal Bunt (KB) when they made planting and contracting decisions. Therefore, they would not have been prepared for the loss in value of their wheat due to KB. Conversely, growers and handlers in previously regulated areas knew they were in a regulated area when they made planting and contracting decisions for the 1997-98 crop season. With this knowledge, growers and handlers could have chosen to alter planting or contract decisions to avoid experiencing potential losses due to KB.

Mr. Pastor: Your proposed rule makes the following statement: "Given the restrictions, growers and handlers could have chosen to alter planting or contract decisions to avoid experiencing potential losses due to Karnal bunt." Please explain this statement in the face of the fact that your Department failed to publish the planting rules for the 1998 crop in time for growers to alter their planting or contract decisions.

Response: Growers and handlers were aware of the regulatory boundaries from the rules we published in FY 1996 for the 1995-96 crop season. Therefore, they were aware of the risks they may encounter. In addition, our compensation package for the 1997-98 crop season did not increase the regulated area, so growers and handlers were not faced with any additional risk.

Mr. Pastor: Is it your position that growers in Arizona should not grow durum wheat until you indicate it is appropriate?

Response: No, it is not. Through our regulatory process, we are merely informing these growers about the potential risks in growing wheat in certain areas.

Mr. Pastor: In the report of the Omnibus Budget Act last year, the Congress directed the Department to "...work with the Arizona wheat industry and Arizona regulatory agencies to develop a plan for de-regulation of Karnal bunt in Arizona, to be submitted to the Committee of Appropriations no later than November 15, 1998...". Did the Department meet with the representatives of the Arizona wheat industry and Arizona regulatory agencies to develop such a plan?

Response: Yes, we have met on several occasions with representatives of the Arizona wheat industry and Arizona regulatory agencies to develop a de-regulation plan. We will meet with them again this spring. For the 1999 harvest season, we have published a proposal in the *Federal Register* in which we would greatly reduce the size of the existing regulated areas with three years of negative survey and allow the planting of wheat in plowdown, traceback, and bunted kernel fields. We intend for the proposed rules to be published in time to provide relief for the crop that will be harvested in May, June, and July.

If so, when and where did you meet? Who attended?

Response: We discussed the issue of de-regulation informally with representatives from these groups almost daily and at formal meetings held by these groups whenever we are invited to attend. These meetings have been held in Arizona and in Washington, D.C.

Did you deliver this joint plan to the Committee? If so, when?

Response: We delivered our initial plan to the Committee on November 15, 1998.

Mr. Pastor: When do Arizona wheat growers plant their crop?

Response: Arizona wheat growers plant their crop from November until mid-February.

Mr. Pastor: When will you issue your 1999 planting rules or, when did you publish the 1999 planting rules?

Response: We published a proposed rule on our plan on March 9, 1999, and we expect the plan to take effect in late April or May.

Mr. Pastor: Why were they so late?

Response: We recognize the importance of finalizing KB regulations in a timely fashion so that affected producers can make informed planting decisions. In August 1998, however, we unexpectedly found positive fields within a regulated area. This led to an additional level of sampling and certification. These fields fell within an area in central Arizona which was

being considered for deregulation. The process was further delayed by the detection of an infected seed sample from an area previously believed to be free of KB.

Mr. Pastor: Will you agree to publish the planting rules for 2000 by no later than December 1, 1999?

Response: We will strive to meet that deadline.

Questions submitted by Mr. Kingston

QUARANTINE FUMIGATIONS

Mr. Kingston: Quarantine fumigations in the U.S. must be conducted under the direct Supervision of a USDA/APHIS inspector, using methods and procedures outlined in the APHIS Treatment Manual. In comparison to fumigations conducted in the U.S., how does APHIS plan to monitor fumigations conducted in China? How many inspectors will be sent to China? Will specific methods and procedures be required to ensure that 100% of pests are destroyed?

Response: Chinese agricultural officials are monitoring fumigation procedures in that country and APHIS expects China to ensure these fumigations meet USDA requirements. The Agency utilized the services of an APHIS employee already stationed in Beijing, China, as well as the temporary services of a special envoy to educate Chinese agricultural officials and fumigators on USDA fumigation standards. We plan to monitor China's compliance with our standards through the agricultural inspection process when ships arrive at U.S. ports.

Mr. Kingston: Many fumigators have been asked to treat cargo fumigated in China and accompanied by a Chinese fumigation certificate because the cargo contains live insects upon arrival in the U.S. Is all cargo from China subject to APHIS inspection? If not, what steps is USDA taking to prevent infested cargo with Chinese fumigation certificates from entering the country?

Response: We are carefully monitoring all shipments from China and are conducting intensive cargo inspections of these shipments based on the pest risks associated with the cargo onboard. For example, we check all shipments from China carrying high-risk commodities such as furniture and other large, heavy commodities because such cargo is usually packed in wooden pallets or crating. We conduct inspections on a smaller percentage of shipments carrying

low-risk commodities, such as clothing, which are normally packed in synthetic or highly processed wood containers.

If a shipment containing solid wood packing materials--SWPM--from China is found to contain plant pests, or the SWPM has not been heat treated, fumigated, or treated with preservatives, or there is no accompanying certificate documenting such treatment, an APHIS inspector may deny entry to the entire lot or shipment--cargo and SWPM. The inspector may allow the importer to separate the cargo from the SWPM, at a location and within a time period specified by the inspector, and destroy or re-export the SWPM, if the inspector determines that this can be done without risk of spreading plant pests. This may only be done in cases where there is a secure facility for separation of the cargo, available means to destroy the SWPM --incineration, or chipping and incineration, are the authorized methods--, and available APHIS inspectors to supervise the process. The importer is responsible for all expenses associated with this process. Because this is a very expensive and time consuming procedure for the importer, it enhances the probability that proper fumigation certification is obtained.

Mr. Kingston: Fumigations in the U.S. require that all lethal gas be removed from cargo after fumigation. Gas levels are routinely measured and monitored throughout the fumigation procedure. Does APHIS require that Chinese fumigators measure the levels of gas in cargo during treatment and prior to shipment? What steps is USDA taking to protect American workers at U.S. ports from being exposed to dangerous levels of gas remaining in cargo from China?

Response: Many fumigated containers arriving from China have warning labels affixed to the tailgate indicating that toxic gas may be present inside the containers. We are working with Chinese officials to encourage the use of these warning labels on all fumigated containers. In addition, APHIS has taken measures to ensure the safety of APHIS inspectors by requiring them to use dreager tubes to measure residue levels of methyl bromide gas when conducting inspections of fumigated cargo.

Mr. Kingston: The Chinese government has said that it cannot effectively treat all cargo leaving China because the country lacks the infrastructure and skilled fumigators. Has USDA taken any steps to educate Chinese fumigators about the strict methods and procedures that must be followed to ensure that 100% of all pests are eliminated?

Response: APHIS has utilized the services of an employee stationed in Beijing, China and the temporary services of a special envoy to China to educate Chinese agricultural officials and fumigators on USDA fumigation standards. These APHIS officials are providing guidance on acceptable fumigation procedures and working with these Chinese officials to solve any problems they may encounter. Our initial findings indicate a high rate of compliance among Chinese fumigators.

Agricultural Marketing Service
Questions submitted by Mr. Skeen

ORGANIC CERTIFICATION PROGRAM

Mr. Skeen: Nine years and 3.2 million dollars later there is still no final rule. According to the budget, you are planning to spend $923,000 this fiscal year and another $1.7 million in fiscal year 2000, bringing the total to $5.8 million. What are the reasons for the latest delay in getting the final rule published?

Response: We agree that developing a final rule for organic certification has been a long process. Initially, the problem was funding. Despite passage of authorizing legislation in 1990, there was no funding appropriated to the National Organic Program (NOP) until 1994. Then and in all subsequent years through 1998, the funding that was appropriated was approximately half of what had been requested to implement the program. In 1998, it became necessary to reprogram funds from other areas to accelerate implementation activities. The fiscal year 1999 appropriation only increased funding for the NOP to $923,000, approximately 85 percent of current estimates for full funding.

Despite the lack of full funding, USDA is committed to developing a rule that is good for producers and consumers of organic food. We are committed to resolving stakeholder concerns and restoring the trust of the organic community. Over the past year, AMS staff has spent countless hours communicating with organic industry leaders and environmental and consumer groups regarding the scope, direction, and intent of the re-proposed rule. AMS has worked very hard with the National Organic Standards Board to develop a rule that is fair and acceptable to both producers and consumers of organic food.

MARKET NEWS PROGRAM

Mr. Skeen: According to your budget request, you are seeking a $500,000 increase to expand reporting of livestock and poultry markets. How much of the increase is devoted to expanded livestock reporting? How much of the increase is devoted to expanded poultry reporting?

Response: AMS is requesting a $500,000 increase to expand the reporting of livestock and poultry markets. Of this increase, $450,000 would be devoted to livestock and $50,000 would be devoted to poultry.

Mr. Skeen: In your budget justification, you mention eight ways that you would improve market coverage and provide more detailed information to producers and packers. Please describe in further detail how these 8 items would impact on more fair competition.

[The information follows:]

(1) Increased reporting on the terms of contract sales, or captive supply transactions.

While AMS has been able to report captive supply volumes, reporting of contract terms and transactions has been more difficult. This

information will assist the livestock industry as they move toward a value-based marketing system.

(2) Expanded reporting that includes value-based pricing indicators.

A matrix report for value-based marketing has been requested by the cattle industry. The report will provide the economic indicators to help guide producers in supplying products to meet consumer demand and in determining the market price for their cattle.

(3) Reporting share of slaughter by grade and yield.

This report will provide industry with the consist of supply and distribution of cattle that serves as a barometer of available supplies that meet certain criteria for the trade.

(4) Reporting daily live cattle and hog crossings from Canada and Mexico.

These reports provide the industry with information on volume and prices of animals being exported and imported at U.S. borders. Knowledge of movements and price levels provides industry a more level trading platform to develop and assess their marketing plans.

(5) Increasing the reported volumes of forward sales of boxed beef.

Increased volumes and broader coverage of prices provide market information that is important to the industry in negotiating forward sales of products, and enhances competition.

(6) Reporting packer premiums and discounts for beef carcass value differences.

Information on packer premiums and discounts will assist industry in improving their products to meet stated premiums, and therefore move more efficiently to meet consumer demands.

(7) Expanding producer-reported hog marketing information.

This will provide vital cross checks in the marketing of hogs. The recent changes that have occurred in the marketing of hogs, primarily value-based marketing of a carcass, have created the need for more producer input of data to confirm prices reported by buyers and to collect price and volume information that might not otherwise be available.

(8) Reporting regional and national marketing of the direct feeder pig trade.

There currently is no market report in place to assist producers in determining the fair market value of segregated early-weaned and other-weaned pigs. These reports will assist in this area.

MICROBIOLOGICAL DATA PROGRAM

Mr. Skeen: Please provide for the record the specifics of initiating a scientifically-sound microbiological surveillance program for foodborne pathogens and spoilage microflora on domestic and imported fruits and vegetables. How many staff years would be devoted to this initiative? How would this program be developed? How much of the funding would go to ARS, FDA, CDC and the states? How would the work of the food safety initiative be coordinated between all the agencies involved.

Response: The Microbiological Data Program, or MDP, will use the Pesticide Data Program's, or PDP, infrastructure to facilitate and achieve cost efficiencies of program operations. The same personnel who take samples for the PDP program will be taught how to take the samples for MDP. Many of the same States participating in PDP that are analyzing for pesticides will be analyzing for microbes. The PDP computer program for receiving and analyzing sample results will be used as the model for the MDP computer program. Some personnel with appropriate expertise will be cross utilized on both programs. It is expected that eight staff years will be devoted to this initiative.

Testing for microbes is different than testing for pesticides and a wide variety of technical elements must be considered. The first thing that must be done is to ascertain the most appropriate methodology for recovering microorganisms from the produce. To this end, a survey has been sent to a variety of Federal, State, academic, and industry food microbiologists, requesting input on developing a method for recovery of microorganisms from fruits and vegetables. The survey also contained questions concerning recommendations for the most useful organisms to test for, as well as a variety of other technical considerations. The responses to this survey will be used to develop a laboratory protocol and initiate method development testing that will determine the appropriate analytical technique. The information will be reviewed, and with the aid of colleagues from the Food and Drug Administration, or FDA, Agricultural Research Service, or ARS, and the Economic Research Service, a program will be developed that will provide the most useful information. In fiscal year 1999, a small pilot program will be performed to determine where there will be areas of special concern. The statistical requirements of the program will be determined by the National Agricultural Statistics Service, a quality assurance program will be initiated, and agreements will be made with the States involved.

There will be no funding provided to ARS, FDA, or the Centers for Disease Control. The participating States will receive most of the funds. These funds will cover their sampling and analytical costs. Two AMS laboratories will analyze samples for the three States that do not have laboratory capabilities to assist with the program. As with the PDP program, the results of the analyses will be published yearly so that all those concerned with food safety will have the information available for their own use. Contact has been made with FDA concerning this project, and a coordinator has been designated in that agency to provide advice and recommendations to AMS on the development of this program. Coordination between AMS and the States will be specified in Cooperative Agreements.

ORGANIC CERTIFICATION PROGRAM

Mr. Skeen: Please update the table that appears on pages 163 and 164 of last year's hearing record showing how much has been spent each year along with a brief description of what the funding was used for to include fiscal year 1999.

[The information follows:]

Activity	Year	Amount Spent
Developed a charter for the National Organic Standards Board, or NOSB, and initiated a process to receive nominations in the event Federal Advisory Committee funds became available for the NOSB.	1991	None
The Department allocated $120,000 to NOSB from the Department's advisory committee account. We arranged three NOSB meetings and 11 meetings of committees of the NOSB following Federal Advisory Committee Act, or FACA, procedures. We continued to provide communication to the organic community and encouraged them to work together with the NOSB to assist the program.	1992	$120,000
The Department allocated $45,646 to NOSB from the Department's advisory committee account. We provided support for three NOSB meetings and served as liaison with other agencies and the organic community.	1993	$45,646
Provided $500,000 from AMS' Marketing Services account to arrange meetings, prepare public notices of the meetings, prepare minutes, copy documents, cover handling expenses, negotiate with the European Union, and help the private certifiers develop and submit technical dossiers. We arranged and conducted four livestock hearings across the country, issued contracts to technical advisers to coordinate the materials review process, participated in international standards development at Codex, and coordinated with other agencies and Departments on program activities related to their missions. The Department allocated $57,571 to NOSB from the Department's advisory committee account, and two meetings were held.	1994	$557,571

Activity	Year	Amount Spent
Provided $500,000 from AMS' Marketing Services account to draft regulations, communicate with the organic community on issues and concerns, provide mailings on USDA recommendations, and participate in development of international guidelines development under Codex. We also coordinated and implemented the required Technical Advisory Panel reviews of substances under consideration for the national list. The Department allocated $40,000 to NOSB from the Department's advisory committee account, and two meetings were held.	1995	$540,000
Provided $500,000 from AMS' Marketing Services account for drafting regulations subsequent to NOSB recommendations for the program. We participated in a Codex meeting to develop international guidelines for organic production and processing, continued to provide support for the NOSB, and discussed the proposed organic rule with other agencies that may be affected, such as the Environmental Protection Agency and the Food and Drug Administration. The Department allocated $33,000 to NOSB from the Department's advisory committee account, and one meeting was held..	1996	$533,000
Provided $500,000 from AMS' Marketing Services account. We continued drafting the proposed rule for publication and public comment. No additional funds were available from the Department's advisory committee account for fiscal year 1997..	1997	$490,000
Provided $833,000 from AMS' Marketing Services account. The proposed rule was published December 16, 1997. The public comment period was extended to close April 30, 1998. We supported a meeting of the NOSB in March of 1998 to review the proposed rule..	1998	$880,645
Provided $923,000 from AMS' Marketing Services account. Over 275,000 public comments were received on the initial publication of the proposed rule, mostly in opposition. A second public comment period was opened for 45 days to receive input on three issue papers concerning animal confinement, animal medications, and termination of certification. We will again participate in the Codex Committee on Food Labeling and provide support for two meetings of the NOSB.	1999	$923,000

Mr. Skeen: Provide a detailed breakout of the $770,000 requested increase to continue implementation of the Organic Certification program.

[The information follows:]

Organic Certification Program
FY 2000 Budget Request
($ in Thousands)

Spending Category	Amount
Salaries and Benefits	$ 131
Travel and Transportation	102
Rent, Communications, and Utilities	0
Printing	0
Contractual Services	519
Supplies	0
Equipment	18
Total	$770

Mr. Skeen: Provide a table showing the resources, both dollars and staff, that have been expended on this program since its inception, including fiscal year 2000 estimates.

[The information follows:]

Total Resources Expended on the National Organic Program Since Inception					
Fiscal Year	1991	1992	1993	1994	1995
Staff Years	Negligible	2	2	5	11
Total Cost	$0	$120,000	$45,646	$557,571	$540,000
Fiscal Year	1996	1997	1998	1999	2000
Staff Years	11	7	14	14	15
Total Cost	$533,000	$490,000	$880,645	$923,000	$1,693,000

STANDARDIZATION PROGRAM

Mr. Skeen: Please update the table on page 167 of last year's hearing record showing standardization program costs by commodity for fiscal year 1998.

[The information follows:]

Standardization Program Cost--Fiscal Year 1998
($ in Thousands)

Commodity Graded	Standards Program
Cotton Classing	$1,070
Dairy Grading	421
F&V Fresh	608
F&V Processed	240
Meat Grading	510

Poultry Grading	220
Domestic Tobacco	125
Imported Tobacco	55
Total	$3,249

Mr. Skeen: What standards are currently being worked on by AMS?

Response: AMS is reviewing and revising the following U.S. Standards: dry whole milk and dry whey, grades of cheddar cheese, unripened cheese including fresh cheese, cream, fermented milk, dairy spreads, process cheese, individual cheese varieties, mozzarella cheese, apples; California and Arizona grapefruit, table grapes, and lemons; California and Arizona oranges, pistachio nuts in the shell, shelled pistachio nuts, and tangerines. For processed fruits and vegetables, the standards being revised are for canned apples, canned mushrooms, frozen okra, frozen onions, frozen celery, canned whole kernel corn, canned refried beans, frozen black-eye peas, frozen potatoes, and dried figs, shell eggs, poultry class definitions, and flue-cured tobacco.

AMS is currently developing new standards that describe available poultry products, including relevant packaging and production options for each, to facilitate domestic and international trading.

In addition, a set of slaughter cow grading guidelines is being field tested for market news reporting purposes. Upon completion of that test we will decide whether to propose a revision of the grade standards for slaughter cows and cow carcasses. We are developing a proposed revision of the feeder cattle grade standards based on information supplied by a Federal-State Marketing Improvement Program funded project in Colorado. The revised standards will be field tested for market news reporting purposes before publishing them.

TOBACCO FUNDING

Mr. Skeen: Please update the table that appears on page 168 of last year's hearing record showing all the funds, both appropriated and user fees, spent on work related to tobacco. Include fiscal year 1998 actuals and fiscal year 1999 estimates.

[The information follows:]

Tobacco Programs
Appropriated and User Fee Table
($ in Thousands)

Appropriated	FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
Market News	$757	$760	$760

User Fee	FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
Domestic Tobacco Grading	$13,880	$13,982	$14,502
Imported Tobacco Grading	2,427	2,427	2,427
Standards	167	175	175
Market News (printed reports)	4	6	6

GRADING ACTIVITY EMPLOYEE TOTALS

Mr. Skeen: Update the table that appears on pages 168-169 that shows the total number of grading employees broken down by Federal employees and Federally-supervised state employees for the past five fiscal years to include fiscal year 1998.

[The information follows:]

Agricultural Marketing Service

Grading Activities Performed By Federal Employees and Federally-Supervised State Employees

Fiscal Years	1998	1997	1996	1995	1994
Number of Federal Employees*	2,207	2,381	2,333	2,541	2,610
Number of Federally-Supervised State Employees**	5,928	6,006	6,031	6,069	6,062
Cross-licensed Employees of other Programs or USDA Agencies	24	22	34	39	17
TOTAL	8,159	8,409	8,398	8,649	8,689

* Includes seasonal employees.
** Total service provided by all Federally-supervised State employees is less than 1 FTE each.

GRADING FEES

Mr. Skeen: Did any grading fees increase or decrease during fiscal year 1998? What was the amount of the increase or decrease and why?

Response: During 1998, four of AMS' programs adjusted their user fees. The cotton grading fee was raised by 5 cents. The fresh fruit and vegetable grading fees were raised by approximately 10 percent. Fees for meat grading and certification were raised by an average of 8.5 percent. Poultry and egg grading fees were raised by approximately 5 percent. Fees for the cottonseed

licensing program were raised by $566 for chemist licencing and by 6 percent for renewals. User fees were adjusted to account for increased program operating costs resulting from government wide salary increases, inflation of nonsalary operating costs, and accumulated increases in travel per diem rates.

Mr. Skeen: Are you proposing any grading fee increases for fiscal year 1999?

Response: AMS is proposing a grading fee increase in fiscal year 1999 for one of its programs. Livestock and Seed programs proposes to increase the user-fees charged for grading and certification services by $4.20 per hour for each category of service to offset increased operating costs. We anticipate that the revised user fees will be implemented in August 1999.

Mr. Skeen: Did any other fees increase or decrease? By how much?

Response: AMS has not had an increase or decrease in any other fees.

MARKET NEWS PROGRAM

Mr. Skeen: Do you have any plans to eliminate or consolidate any market news reports in fiscal year 1999?

Response: In fiscal year 1999, AMS eliminated the Eastern, Central, and Western region wholebody turkey reports and Eastern, Central, and Western region turkey parts reports. Reports were eliminated for livestock traded at the Sioux City, Iowa, and Omaha, Nebraska, stockyards due to a decline in the volume of receipts at the Sioux City Stockyards and the closure of the Omaha Stockyards in December 1999. In February 1999, AMS also eliminated the collection of data on the amount of fresh fruit and vegetable produce moving into nineteen wholesale terminal markets throughout the country.

AMS continually consolidates report information in response to industry changes or requests. In fiscal year 1999, AMS consolidated six poultry regional reports into two national reports and plans to consolidate The *California Ornamental Crops Report*, the *Import Cut Flowers and Fern Report*, and Colorado shipping point price information into the *National Ornamental Shipping Point Report*.

BUSINESS PROCESS REENGINEERING

Mr. Skeen: Please provide an update on the business process reengineering (BPR) effort that has been underway since October 1995.

Response: AMS' business process reengineering effort is still underway in various AMS programs. The primary output of AMS' Fruit and Vegetable Market News Service's BPR was the creation of the Customer Service Center in Fresno, California. The Center became fully operational in February 1998 for the purpose of providing one-stop shopping for produce industry members searching for market news reports. Regional reports have been eliminated, and new services, such as E-mail report delivery, specialized commodity-specific reports and reports in Portable Document Format on the Internet will be available. The final component of the Center, a Special Request Section that

will have the primary role of meeting customer data needs beyond individual daily reports currently available, will be put in place during FY 1999.

In May 1997, AMS' Marketing Order Administration Branch, MOAB, headquarters offices were reorganized by process rather than program. The reorganization was a key recommendation of MOAB's BPR project that redesigned MOAB work processes to improve operations and expand services. This reorganization features five field offices, an office of the Chief, and four headquarters teams: (1) rulemaking, (2) program services, (3) compliance and (4) administrative support unit. The BPR created savings and improved service to customers by streamlining virtually all MOAB work processes and eliminating unnecessary levels of review, redefining employee responsibilities to ensure that services are delivered when needed, improving internal and external customer satisfaction, and streamlining the processes for marketing order administrative committee budget approvals, compliance plans and eleven other processes.

The Fruit and Vegetable Commodity Procurement Branch's, BPR resulted in increased public awareness of AMS food purchasing services by expanding availability of information on the Internet, developing brochures and conducting outreach efforts.

As a result of the BPR, the Perishable Agricultural Commodities Act Branch (1) began sending information to Farm Service Agency offices in major production states to be distributed to the county offices in hopes of increasing the availability of PACA information to small farmers, (2) reduced backlog of formal complaints awaiting decision in the Office of the General Counsel, (3) reviewed current responsibilities for all job positions in the regional offices and revised performance elements to better evaluate their performance, (4) published a new small business compliance guide in March 1998 - *PACA Basics for the Produce Industry* - which outlines PACA services available to the industry, and (5) began issuing PACA licenses to the produce industry from the Branch's regional offices rather than from headquarters in Washington, D.C.

AMS' Meat Grading and Certification, or MGC, Branch's BPR will update and streamline its automated information management system. After completion of the design phase, a contract was awarded in July 1998 to develop a new information system. The first phase of the system is expected to come on-line in April 1999 with implementation of the second and final phase scheduled for July 1999. The MGC Branch is performing final testing on program components of the first phase. As part of the system development, all functions and aspects of the new system will be in compliance with Year 2000 requirements.

When fully operational, the new system will generate savings of approximately $600,000 per year. These savings can be passed on to users of meat grading and certification services in the form of reduced costs for service or as an offset to cost increases in the future. In addition, the new system will provide a larger volume of information in a more timely and cost-effective manner for applicants and other interested parties that rely on data generated by the MGC Branch.

NATIONAL LABORATORY ACCREDITATION PROGRAM

Mr. Skeen: Have the USDA and FDA published proposed rules for National Laboratory Accreditation Program standards? Bring the Committee up to date on the status of the rule.

Response: The proposed rules for the National Laboratory Accreditation Program are presently under final review by the Office of the General Counsel for each of the respective agencies. USDA and FDA are cooperating to publish their respective proposed rules concurrently.

WHOLESALE MARKET DEVELOPMENT

Mr. Skeen: For the record, please provide the Committee with a listing and status of all wholesale market development projects underway in fiscal year 1998 and to date in fiscal year 1999.

[The information follows:]

Project/Activity	Status
1998 Farmers' Market Directory	Published - FY 1998
Facility design and business plan development for Fort Worth Public Market	Underway
Little Rock River Market	Completed
1998 Public Market Conference in Seattle	Completed
Reading Terminal Farmers' Market, Philadelphia, PA	Completed
California Farmers' Market Web Site Development	Completed
Exporting U.S. Poultry to Poland and the Ukraine	Published - FY 1998
Linking Rural Farmers to School Lunch Programs in Florida and Georgia	Draft Report Completed
U.S. - Mexico Marketing Research on Horticultural Products	Underway
San Francisco Bay Regional Wholesale Market	Underway
Changing Distribution Patterns in the U.S. Fresh Fruit and Vegetable Marketing System	Underway
Fruit and Vegetable Producer Marketing Practices Marketing Initiative	Underway
Facility design and business plan development for the St. Paul Farmers' Market	Underway

Project/Activity	Status
Assessment of market relocation potential and facility design alternatives for Sycamore Street Farmers' Market, Waterloo, IA.	Underway
State Farmers' Market/Agricultural Industrial Park, northwestern region of Florida	Underway
Cooperative marketing strategies for Vermont small-scale agricultural producers	Underway
Impact of chain store expansion on Mexican fresh fruit and vegetable distribution practices	Underway
Soulard Farmers' Market, St. Louis, MO	Underway
Fort Worth Public Market	Underway
Santa Fe Area Farmers' Market, Inc.	Underway
Farmer direct marketing regional focus group meetings	Planning Phase
Develop professional curriculum and models for certification of market managers	Underway

Mr. Skeen: Do you have any proposals to do additional wholesale market development projects in fiscal years 1999 and 2000?

Response: No new projects have yet been approved for fiscal year 1999. We will review project proposals for fiscal year 2000 for consideration in next year's planning cycle as they are received.

Mr. Skeen: Provide a list of all ongoing and planned wholesale market development projects and the total cost of each.

[The information follows:]

Cooperator	Title or Description	Amount
California Department of Food and Agriculture	Study the wholesale marketing of fruits and vegetable products in the greater San Francisco Bay Area, and determine the feasibility of developing a regional wholesale market facility to service Oakland and San Francisco, and /or make recommendations for alternative marketing facilities	FY 1997 $40,000
Cornell University	Changing Distribution Patterns in the U.S. Fresh Fruit and Vegetable Marketing System	FY 1997 $37,900

Cooperator	Title or Description	Amount
University of California, Davis	Identify and describe current producer marketing practices, strategies, and channels for fresh fruits and vegetables in the United States	FY 1997 $36,000
St. Paul Growers' Association	Facility design and business plan development for the St. Paul Farmers' Market	FY 1998 $22,000
Silos & Smokestacks, Inc.	Assess market relocation potential and facility design alternatives for Sycamore Street Farmers' Market, Waterloo, IA	FY 1998 $25,000
Florida Dept of Ag. and Consumer Services	Conduct feasibility study for a State Farmers' Market/Agricultural Industrial Park for fruits and vegetables in the northwestern region of Florida and/or recommend alternative facilities	FY 1998 $30,000
Burlington Community Land Trust	Cooperative marketing strategies for Vermont small-scale agricultural producers	FY 1998 $20,000
Texas Agricultural Experiment Station	Impact of chain store expansion on Mexican fresh fruit and vegetable distribution practices	FY 1998 $24,046
City of St. Louis	Design plans for redevelopment of the Soulard Farmers' Market, St. Louis, MO	FY 1998 $25,000
Downtown Fort Worth, Inc.	Facility design and business plan development for Fort Worth Public Market	FY 1998 $25,000
City of Santa Fe	Permanent farmers' market facility design and business plan development for the Friends of the Farmers' Market, Inc. and the Santa Fe Area Farmers' Market, Inc.	FY 1998 $25,000
Cornell University	Farmer direct marketing regional focus group meetings	FY 1998 $60,559
Regents of the University of California	Assess educational and training needs for farmers' market managers, identify components of a professional curriculum, develop format and implementation methods, and develop two prototype training models for certification of market managers	FY 1998 $50,000

RESEARCH AND PROMOTION

Mr. Skeen: Please update the table that appears on page 176 of last year's hearing record showing payments by research and promotion boards for OGC services to include fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

Research and Promotion
OGC Legal Services

	FY 1997 Actual	FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
National Dairy Board	$ 8,419	$ 5,243	$ 8,543	$ 9,154
Egg Board	3,037	2,120	3,455	3,702
National Pork Board	3,507	1,388	2,261	2,422
National Cattleman's Board	6,365	6,453	10,514	11,265
Honey Board	5,452	6,714	10,939	11,722
Cotton Board	4,640	1,683	2,742	2,938
Potato Board	2,489	1,058	1,723	1,847
Watermelon Board	1,335	992	1,617	1,732
Soybean Board	1,968	1,745	2,843	3,046
Mushroom Board	4,643	2,872	4,680	5,015
Fluid Milk	4,873	5,991	9,761	10,459
Fresh Cut Flowers	6,154	2,471	4,026	4,314
Peanuts	--	--	12,692	13,250
Olive Oil	--	--	6,346	6,625
Blueberries	--	--	6,346	6,625
Total	$ 52,882	$ 38,730	$ 88,488	$ 94,116

Mr. Skeen: Provide a list of all research and promotion programs that receive funding from FAS, including how much each receives, for fiscal year 1998 and estimates for fiscal year 1999 and 2000.

[The information follows:]

Funding Received from FAS for Research and Promotion Programs
($ in Thousands)

Programs	FY 1998	FY 1999 Est.	FY 2000 Est.
U.S. Dairy Export Council	$2,549	$2,370	$2,490
Potatoes	1,291	1,575	1,575
Popcorn	480	450	450
Honey	97	142	142
Watermelon	0	115	115
Total	$4,417	$4,652	$4,772

Mr. Skeen: Are there any referendums scheduled for 1999? If so, give the committee a status on each one for the record.

[The information follows:]

Fiscal Year 1999 Research & Promotion Referendums

May 1999	Implementation of **peanut** research and promotion program; currently in rulemaking.
June 1999	Implementation of **kiwifruit** research and promotion program; USDA awaiting bond from industry.
August 1999	Implementation of **blueberry** research and promotion program; currently in rulemaking.
September 1999	Implementation of **olive oil** research and promotion program; awaiting information from industry before beginning rulemaking.
October 1999	Amendment of **honey** research and promotion program; currently in rulemaking.

FEDERAL SEED ACT

Mr. Skeen: Update the table that appears on pages 177 of last year's hearing record showing the number of new complaints and the amount of penalties assessed under the Federal Seed Act to include fiscal year 1998.

[The information follows:]

Fiscal Years

	1994	1995	1996	1997	1998
Complaints	527	543	532	459	506
Penalties	$28,400	$56,300	$42,500	$27,450	$44,775
Cases Pending	743	583	559	509	528
Resolved Administratively	71	157	112	77	62

FREE TRADE WITH MEXICO

Mr. Skeen: Please provide the Committee with the current status of the work you are doing with monitoring constraints that are restricting free trade of agricultural products to and from Mexico.

Response: The NAFTA Advisory Committee on Commercial Dispute Resolution Regarding Agricultural Goods is using AMS' Perishable Agricultural Commodities Act as a model in the creation of a dispute resolution system to resolve trade disputes between the United States, Canada and Mexico. The Canadian Horticultural Council has hired a consultant to develop a model of the

proposed enforcing organization, and it will be up to industries in each nation to implement the tri-national dispute resolution organization. The NAFTA Advisory Committee recommended that the system's central organization be supported by private industry. The central organization would maintain a list of member firms which trade across national borders within the free trade area. These firms would voluntarily adhere to the common set of trade practices and would be de-listed if they refuse to comply with arbitration results.

In Addition AMS continues to monitor U.S. meat and livestock trade with Mexico, as this is a key market for the United States. We analyze monthly U.S. trade flows of livestock and meat to and from Mexico. We are closely monitoring anti-dumping investigations against U.S. beef, slaughter cattle, hogs, and variety meats. The Mexican government officially announced on October 21, 1998, that it would pursue an anti-dumping investigation filed by Mexican cattlemen and several slaughterhouses against imports of U.S. slaughter cattle, beef, and variety meats. This investigation continues and a decision is expected by the end of March or early April 1999.

On February 1, 1999 Mexico's Trade Ministry announced a compensatory duty for imports of slaughter hogs in addition to the already existing 8 percent import tariff. The compensatory duty is deemed exorbitant as it lowers the price U.S. producers receive well below the break-even point. This compensatory duty will remain in effect until a final decision in the anti-dumping case is made. We continue to work closely with U.S. livestock and meat industry groups to provide U.S. embassy assistance as well as trade and production information to resolve these issues.

AMS currently has projects underway to identify the implications of U.S. agricultural shippers due to the privatization of railroads in Mexico, and to describe and document the border process by which U.S. agricultural products are exported to Mexico. We likely will combine the output of both projects into one technical assistance document designed to help U. S. Export markets to which agricultural products can be transported via railroad, truck and maritime modes of transportation.

PAYMENTS TO STATES AND POSSESSIONS PROGRAM

Mr. Skeen: Please provide for the record a list of the projects that were approved for your Payments to States and Possessions program during fiscal year 1998. Also provide a brief description of each project.

[The information follows:]

FEDERAL-STATE MARKET IMPROVEMENT PROGRAM
FISCAL YEAR 1998 GRANTS

STATE	DESCRIPTION	AWARDED
Arkansas	International Market Development for Small- and Medium-Sized Producers of Value-Added Agricultural Specialty Products--Phase 3	$36,000

FEDERAL-STATE MARKET IMPROVEMENT PROGRAM
FISCAL YEAR 1998 GRANTS

STATE	DESCRIPTION	AWARDED
California	Food Quality Assurance and the World's Consumers: A Consumer Education Survey Project	$69,300
California	Improving the Level of Accuracy Reported in State-by-State Agricultural Export Statistics	$41,000
Colorado	Standardization of State Trade Directory Software	$60,000
Iowa	Sycamore Street Market Enterprises Center: A Shared-Used Commercial Kitchen	$25,000
Maryland	Mid-Atlantic Agribusiness Incubator and Local Food Processing Centers Feasibility Study (Stage II)	$53,000
Massachusetts	Cooperative Opportunities for Wholesale Horticultural Products	$23,200
Minnesota	Assisting Small Farmers Through Direct Marketing	$45,000
Montana	Farm to Market Project: Local Food Processing Centers and Business Incubator Pilot Project	$28,000
Montana	Market Potential of Indian Ricegrass: A Gluten-Free Perennial Grain Crop	$90,000
Nebraska	Port and Border Crossing Marketing Issues	$28,000
Nebraska	Developing Value-Added Agricultural Opportunities for Small Farmers, Entrepreneurs, and Small Food and Meat Companies	$80,000
New Jersey	Marketing of Organic Produce in the Northeastern U.S. and Implications for Small Farms	$85,300
North Dakota	Marketplace of Ideas - A Network for Farm and Rural Diversification	$60,000
North Dakota	Internet Marketing Mall	$25,000
North Dakota	Potential for Locating Intermodal Facilities on Short Line Railroads	$25,000
Oregon	Expanding U.S. Agricultural Products Global Markets by Optimizing Refrigerated Ship Capacity	$27,000
Pennsylvania	Assessing the Viability of a Model of Community-Based Distribution and Marketing of Locally-Grown Fruits and Vegetables	$40,000
Rhode Island	Strategic Marketing Through New Farmers' Markets	$60,000

FEDERAL-STATE MARKET IMPROVEMENT PROGRAM
FISCAL YEAR 1998 GRANTS

STATE	DESCRIPTION	AWARDED
Tennessee	An Analysis of Marketing Assistance Needs and Market Development Strategies to Enhance Tennessee Agribusiness	$54,685
Texas	Enhancing the Market for Smoked and Processed Meat Products in Texas	$68,160
Texas	Small-Farm Rabbit Meat Production, Distribution, and Consumer Demand in South Texas	$34,000
Washington	Changes in the Food Supply Chain: Implications for Small- and Medium-Sized Firms	$72,000
Wisconsin	Alternative Red Meat Livestock Meat Improvement	$70,340

PAYMENTS TO STATES AND POSSESSIONS

Mr. Skeen: Update the table that appears on pages 181-183 of last year's hearing record showing obligations by geographic area to include fiscal year 1998.

[The information follows:]

PAYMENTS TO STATES AND POSSESSIONS OBLIGATIONS BY GEOGRAPHIC AREA

State	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Arizona	$45,000	$30,000	$50,000	$55,000	$36,000
Arkansas	50,000	12,966	--	--	--
California	25,000	--	62,000	20,390	110,300
Colorado	114,630	96,000	--	50,180	60,000
Connecticut	30,000	30,000	--	13,000	--
Delaware	--	--	29,640	33,140	--
Florida	35,208	--	--	35,000	--
Georgia	--	--	--	69,140	--
Hawaii	45,000	--	69,166	--	--
Idaho	--	40,000	84,450	--	--
Illinois	--	--	98,000	125,802	--
Iowa	--	8,936	--	--	25,000
Kansas	--	--	--	52,800	--
Kentucky	--	--	60,000	--	--

State	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Louisiana	--	112,305	--	55,000	--
Maine	--	--	--	--	23,200
Maryland	61,797	84,031	--	67,000	53,000
Massachusetts	40,680	37,000	26,270	--	--
Michigan	50,000	--	57,650	43,188	--
Minnesota	--	--	45,000	89,000	45,000
Missouri	30,020	30,000	70,000	--	--
Montana	--	--	--	--	118,000
Nebraska	16,140	55,000	70,000	--	108,000
New Jersey	22,000	45,000	98,324	55,000	85,300
New Mexico	118,593	124,497	--	40,000	--
New York	28,942	25,000	--	64,214	--
North Carolina	--	30,000	50,000	--	--
North Dakota	--	--	75,000	--	110,000
Ohio	60,000	60,000	--	--	--
Oklahoma	--	110,200	38,000	--	--
Oregon	60,000	28,693	--	25,000	27,000
Pennsylvania	--	--	--	--	40,000
Puerto Rico	35,000	32,000	--	--	--
Rhode Island	--	--	--	--	60,000
South Carolina	40,000	--	71,500	30,000	--
South Dakota	--	28,500	--	--	--
Tennessee	45,000	--	--	44,014	54,685
Texas	224,000	84,872	90,000	--	102,160
Vermont	--	50,000	55,000	19,858	--
Virginia	78,890	--	--	--	--
Washington	--	45,000	--	--	72,000
Wisconsin	44,100	--	--	73,274	70,340
Wyoming	--	--	--	140,000	--

State	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Total	$1,300,000	$1,200,000	$1,200,000	$1,200,000	$1,199,985

EMERGENCY SURPLUS REMOVAL

Mr. Skeen: Also, update the tables that appear showing the amounts expended for Emergency Surplus Removal and Disaster Relief to include fiscal year 1998.

[The information follows:]

Emergency Surplus Removal
($ in Thousands)

Fiscal Year	Amount
1985	$58,111
1986	44,122
1987	12,054
1988	98,325
1989	7,359
1990	26,474
1991	54,284
1992	102,928
1993	63,399
1994	78,452
1995	96,679
1996	56,172
1997	100,947
1998	194,774

Disaster Relief
($ in Thousands)

Fiscal Year	Amount
1985	0
1986	0
1987	0
1988	$3,253
1989	0
1990	1,743
1991	5,642
1992	11,175
1993	4,636
1994	3,463

1995	530
1996	1,168
1997	2,150
1998	15,200

EXPORT PURCHASES

Mr. Skeen: Update the table that appears on pages 184 and 185 of last year's hearing record showing export purchases to include fiscal years 1998 actuals.

[The information follows:]

Export Purchases
($ in Thousands)

Fiscal Year	*Amount*
1986	$0
1987	0
1988-1989	8,149
1989-1990	3,788
1990-1991	15,366
1991	0
1992	23,971
1993	31,878
1994	24,024
1995	0
1996	0
1997	0
1998	0

Fiscal Year	Commodities	Countries Received
1988-1989	Sunflowerseed Oil	Egypt
1989-1990	Sunflowerseed Oil	Algeria
1990-1991	Cottonseed Oil	Egypt, Turkey, Venezuela
1992	Sunflowerseed Oil Cottonseed Oil	Algeria, Egypt, Mexico, Former Soviet Union Dominican Republic, Egypt, El Salvador, Turkey, Venezuela

1993	Sunflowerseed Oil	Algeria, Guatemala, Mexico, Venezuela
	Cottonseed Oil	El Salvador, Guatemala, Mexico, Nicaragua, Turkey, Venezuela
1994	Sunflowerseed Oil	Algeria, Guatemala, Mexico, Turkey, Venezuela
	Cottonseed Oil	Egypt, El Salvador, Guatemala, Mexico

SECTION 32

Mr. Skeen: Provide an updated table of section 32 commodity purchases showing fiscal year 1994 through 1998.

[The information follows:]

SECTION 32 COMMODITY PURCHASES
($ in Thousands)

	1994 Actual		1995 Actual		1996 Actual		1997 Actual		1998 Actual	
Item	Pounds	Obligations	Pounds	Obligations	Pounds	Obligations	Pounds	Obligations	Pounds	Obligations
Apple Juice			120	30					15,156	3,659
Apple Slices, Canned	14,029	5,758	812,010	4,835	10,934	4,308	13,242	4,343	28,585	10,830
Apples, Fresh	14,492	3,319	12,413	3,110	4,730	1,513	5,294	2,534	6,969	1,933
Applesauce	24,724	6,592	26,925	7,178	23,666	6,321	23,676	7,118	59,162	15,962
Apricots, Canned			12,939	5,401			6,751	3,565	6,004	3,611
Asparagus, Canned			1,586	1,309						
Beans, Canned	20,701	5,368	34,366	8,635	12,544	2,776	735	183	17,535	4,197
Beans, Dry	1,120	351	1,280	298	2,213	591			20,107	5,080
Beans, Green, Canned							5,788	1,291	3,880	1,013
Beans, Green, Frozen			3,307	1,289			1,290	440	1,973	579
Beans, Refried, Canned			5,906	1,460	4,933	1,504				
Beans, Vegetarian, Canned	12,042	2,260	12,539	2,743	14,151	2,923	8,950	1,858	11,479	2,295
Beef, Canned			720	918	504	567	8,140	8,889		
Beef, Frozen Ground	93,783	113,762	110,024	112,034	120,269	112,696	135,962	133,776	110,540	106,558
Beef Patties	47,364	62,473	27,462	38,704	27,079	26,759	29,484	28,478	16,975	17,038
Beef Roast	14,040	28,271	7,840	13,525	3680	6,404	6,628	9,607	12,746	26,375
Bison									356	1,299
Blackberries, Frozen									427	326
Blueberries, Frozen	15,484	9,756	3621	2,294	13,029	10,087			7,286	4,962
Carrots, Canned					826	226			3,005	915
Carrots, Fresh	475	341								
Carrots, Frozen					1,940	398			4,618	1,162
Cheese							3,282	5,000		
Cherries, Canned			4,153	3,237	1,127	479	8,807	4,254	8,454	4,029
Cherries, Frozen			26,990	9,166			16,029	7,261	7,181	3,521
Chicken, Chilled	23,186	12,960	33,149	17,518	37,440	21,266	41,688	23,028		
Chicken, Cooked			650	748					48,086	27,827
Chicken, Canned Boned			4,276	8,154	2,436	4,600	2,401	4,399	1,374	2,467
Chicken, Diced	6,366	14,121	9,964	20,079	5,457	11,688	3,322	8,464	6,336	12,941
Chicken, Frozen, Cut-Up	39,023	23,742	25,562	15,062	38,827	25,898	34,097	21,429	12,430	7,531
Chicken, Nuggets	760	1,172	583	917	1,600	2,440			306	460
Chicken, Patties	331	508	571	877					556	852
Corn, Canned			29,527	9,579	11,494	4,602			22,764	7,190
Corn, Fresh	461	482								
Corn, Frozen			12,235	5,386	5,607	2,367	12,469	5,248	6,240	1,915
Currants			290	161						
Date Pieces			3,816	2,457	3,376	1,880	3,348	1,577		
Eggs, Dried Mix	1,000	1,552	2,063	3,088	2,600	4,746	1,200	2,846	582	997
Eggs, Whole, Frozen	17,788	8,782	9,903	4,854	13,272	7,623	7,110	3,815	7,063	3,931
Dried Figs					3,312	2,363	1,888	2,551	3,168	2,521
Fig Nuggets					515	422	2,336	1,315	380	268
Fig Puree									160	132
Grape Juice, Canned	10,274	2,922	7,995	2,734						
Grapefruit, Canned							385	102		
Grapefruit, Fresh	1,419	208	552	80	867	149	907	154	4,809	765
Grapefruit Juice			8,071	1,859			11,307	2,295	12,289	2,444
Ham, Cooked, Frozen	16,050	25,565	20,392	29,104	13,210	20,671	10,136	17,558		
Ham Roast			5,480	10,975			2,987	4,172	33,370	62,431
Luncheon Meat, Canned					36	50			36	52
Mixed Fruit, Canned	9,286	4,307			6,123	2,818	7,317	3,352	7,236	3,336
Oranges, Fresh	4,730	945	5,122	926	6,224	1,245	4,678	1,026	9,435	1,984
Orange Juice, Canned					26,155	11,331	15,722	4,340	857	752
Orange Juice, Frozen							6,419	2,930	5,003	2,524
Peaches, Canned	2,161	1,112	9,679	4,460	3,418	1,566	13,357	6,643	35,731	15,009
Peaches, Frozen	8,342	6,162	2,356	1,517	756	660	4,310	3,410	12,426	8,785
Pears, Canned	28,274	11,183	29,277	10,553	23,579	9,361			4,391	2,057
Pears, Fresh	7208	1,601	7,327	2,460	4,253	1,275			8,189	2,500
Peas, Canned	2,774	952	8,286	2,635	6,122	2,796	2,942	836		
Peas, Frozen	3,228	1,048	12,182	4,224	6,549	2,133	4,508	1,473	3,999	1,232
Pineapple, Canned	12,349	5,716	14,985	7,463			10,797	5,714		
Plums, Canned			2,098	713	344	117	453	169		
Pork, Canned	1,324	1,515	612	664	468	544			15,272	14,341
Pork, Frozen, Ground	19,403	19,514	26,798	23,348	22,273	22,412	17,927	19,047	27,540	21,413
Pork, Rib Patty	277	291	712	699	356	301	119	135	475	431
Pork Roast									7,067	10,392
Pork, Sausage			4,495	5,308	6,649	8,555	1,789	2,344	9,650	10,095
Potato Rounds, Frozen	24,081	7,494	20,559	5,741	16,014	4,406	29,866	10,108	11,000	3,810
Potato Wedges, Frozen	2,098	620	3,066	899	8,672	2,574	28,936	7,884	10,239	3,396
Potatoes, Canned							12,295	3,982		
Potatoes, Dehydrated							16,547	11,740		
Potatoes, Fresh	10,900	1,998	6,320	959	8,000	1,528	3,440	412	3,518	487
Potatoes, Oven Fries	26,510	7,869	18,459	5,006	7,983	2,339	15,324	4,326	8,765	3,157
Potatoes, Round White							1,120	110	200	23
Prune Puree					1,857	1,571			1,913	1,514
Prunes, Dried					7,660	6,376			14,459	10,690

Poultry, Canned Boned	1,083	2,102								
Raisins	18,465	9,667	19,199	11,081					12,097	6,919
Raspberry Puree.....									466	352
Salsa, Canned	3,295	1,460	3,552	1,643			8,940	3,788	4,513	1,774
Salmon, Canned			7,954	9,632	10,284	9,861	786	1,306	9,180	11,068
Salmon, Nuggets			266	293	1,976	2,347			266	477
Salmon, Pouched.....									262	478
Spaghetti Sauce			5,367	1,805			7,573	2,059	1,667	923
Strawberries, Frozen	2,693	2,049	3,387	1,039			9,358	4,625		
Sweet Potatoes, Canned	12,730	5,427	6,701	2,965	5,113	2,293	6,913	2,797		
Tomato Sauce, Canned	1,621	480	3,429	675	2,356	554	8,334	1,982	2,106	511
Tomatoes, Diced	2,779	980	4,384	1,531			7,126	1,833	3,719	1,261
Tomatoes, Fresh	2,480	962								
Tomatoes, Paste	3,907	1,478	3,000	1,308			5,055	1,826	2,542	1,130
Tomatoes, Whole	2,110	698	1,321	420					1,081	347
Tuna, Canned.....	3,699	4,977								
Turkey, Burgers, Frozen	1,008	886	1,488	1,308	684	648	360	343	108	105
Turkey, Deli Style							2,960	5,036	11,720	18,576
Turkey, Canned Boned.....									1,462	3,073
Turkey, Chilled	25,746	17,031	15,660	9,327	19,080	12,278	16,308	9,172	37,292	29,469
Turkey, Frozen, Ground	11,038	6,826	12,904	7,474	19,080	10,957	16,023	8,791	6,413	3,195
Turkey, Ham			5,589	5,063	12,808	12,871	11,103	11,245	11,781	12,893
Turkey, Roast	12,608	17,273	12,409	16,735	14,250	21,055	20,453	29,215	29,920	41,150
Turkey, Sausage	2,264	2,028	1,123	811	585	402	507	331		
Turkey, Whole, Frozen			4,348	2,397	9,272	6,378	10,733	6,968	7,975	5,363
Walnuts			1,861	3,057					2,504	4,870
Undistributed		237		138		1,296		1,133		348
Total	$645,623	$478,165	$763,563	$496,555	$639,717	$455,256	$741,717	$500,896	$850,626	$594,774

Mr. Skeen: Please update the section 32 table that appears on page 116 of last year's record.

[The information follows:]

SECTION 32
($ in Thousands)

Item	1998 Actual	1999 Estimate	2000 Estimate
Appropriation or estimate	$5,730,107,608	$5,701,865,817	$5,735,557,955
Unobligated balance available, start of year	233,868,235	131,966,602	113,488,209
Recovery of prior year obligations	11,455,285	--	--
Total Available	5,975,431,128	5,833,832,419	5,849,046,164
Less transfers to: Food and Nutrition Service, Child Nutrition Programs	(5,151,391,000)	(5,048,150,000)	(4,946,593,000)
Department of Commerce	(65,734,190)	(66,426,288)	(66,426,164)
Total Transfers	(5,217,125,190)	(5,114,576,288)	(5,013,019,164)
Total available after transfers	758,305,938	719,256,131	836,027,000
Less total obligations	(626,339,336)	(605,767,922)	(536,027,000)
Unobligated balance available, end of year	$131,966,602	$113,488,209	$300,000,000

Section 32 provides for the financing of the school lunch and other domestic feeding programs through a permanent appropriation to USDA amounting to 30 percent of Customs' receipts collected from the duties on both agricultural and non-agricultural production each calendar year.

SURPLUS REMOVAL

Mr. Skeen: The Secretary has the authority to use section 32 funds to remove surplus commodities from the market and bolster producers prices. Provide a list of each time the Secretary used this authority and the amount used for fiscal year 1998. Has the Secretary used this authority yet this fiscal year?

[The information follows:]

Fiscal Year 1998	
Item	Dollars in Millions
Apple juice, canned	$3.7
Apple slices, canned	6.4
Applesauce, canned	10.0
Apricots, frozen	3.6

Item	Dollars in Millions
Beans, navy	$4.7
Beef	25.5
Bison	1.3
Blackberry puree	0.3
Blueberries	$5.0
Cherries, canned	4.0
Cherries, frozen	2.7
Fig nuggets	0.3
Fig puree	0.1
Figs, dried	2.5
Grapefruit	0.6
Grapefruit juice	2.5
Oranges	0.7
Peaches, frozen	5.8
Pears	1.0
Pork	29.8
Prune puree	1.5
Prunes, dried	10.7
Raisins	6.9
Raspberry puree	0.3
Salmon	12.0
Turkey breasts	18.6
Turkey breasts, deli style	15.2
Turkey roasts	11.2
Turkey, canned	3.1
Walnuts, shelled	4.8
	$194.8

Fiscal Year 1999 thru 3/5/99	
Item	Dollars in Millions
Apricots, canned	$3.8
Beef	20.0
Bison	1.2
Grapefruit	1.4
Grapefruit juice	2.2
Lamb	8.0
Peaches, frozen	7.3
Pork	77.0
Salmon	5.1
Tuna	4.0
Walnuts, shelled	3.9
	$133.9

PERISHABLE AGRICULTURAL COMMODITIES ACT

Mr. Skeen: Update the table that appears on page 190 of last year's hearing record showing the user fees and obligations for the Perishable

Agricultural Commodities Act to include fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

PERISHABLE AGRICULTURAL COMMODITIES ACT PROGRAM
($ in Thousands)

Fiscal Year	Revenue	Obligations
2000 est.	$6,894	$8,718
1999 est.	6,783	8,607
1998	8,199	8,289
1997	9,344	7,907
1996	9,690	6,735
1995	7,371	7,371
1994	7,464	7,338
1993	7,378	6,921
1992	7,875	6,731

Mr. Skeen: Update the table that appears on page 190 of last year's hearing record showing the reparations ordered related to the Perishable Agricultural Commodities Act to include fiscal year 1998.

[The information follows:]

Reparation Fiscal Year	Orders	Dollar Value in Millions
1998	669	$12.0
1997	768	12.7
1996	663	12.2
1995	825	11.9
1994	1,180	17.9
1993	1,112	16.6
1992	1,217	16.1
1991	1,171	14.7
1990	1,130	12.6
1989	1,144	9.5

Mr. Skeen: Including fiscal year 1998, how many notices filed by unpaid sellers were there for the Perishable Agricultural Commodities Act?

[The information follows:]

Fiscal Year	Notices Filed by Unpaid Sellers
1999 est.	400
1998	688

Mr. Skeen: Under PACA, traders who have been found to have committed unfair trade practices face license suspensions or revocations. During fiscal year 1998, how many traders were found guilty of unfair trade practices and how many had their licenses suspended?

Response: Forty traders were found guilty of unfair trade practices; five traders' licenses were suspended.

ADMINISTRATIVE EXPENSE LIMITATION

Mr. Skeen: Update the table that appears on page 119 of last year's hearing record showing the details of the administrative expenses account to include fiscal year 1997.

[The information follows:]

Fiscal Year	Receipts	Expenditures	Carryover
1990	$39,525	$34,816	$14,996
1991	44,186	42,129	17,053
1992	48,774	47,091	18,736
1993	51,866	46,830	23,772
1994	49,127	46,652	26,248
1995	57,448	49,529	34,166
1996	51,547	46,887	38,827
1997	47,510	51,713	34,624
1998	54,796	46,948	42,473

Mr. Skeen: Also update the following table showing the object class breakout for the limitation on administrative expenses account to include fiscal year 1998 actuals and fiscal years 1999 and 2000 estimates.

[The information follows:]

OBJECT CLASSIFICATION
($ in Thousands)

		FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
11.1	Full-time Permanent	$13,912	$16,232	$16,232
11.3	Other than full-time permanent	7,806	9,089	9,089

		FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
11.5	Other personnel compensation	1,515	2,077	2,077
11.9	*Total Personnel Compensation*	*$23,233*	*$27,398*	*$27,398*
12.1	Personnel Benefits: Civilian	$4,587	$5,448	$5,448
13.0	Benefits for Former Personnel	1,802	1,994	1,994
21.0	Travel & Transportation of Persons	3,163	2,950	2,950
22.0	Transportation of Things	1,655	1,754	1,754
23.1	Rental payments to GSA	282	171	171
23.2	Rental payments to Others	2,919	3,089	3,089
23.3	Communications, Utilities, & Misc. Charges	4,229	4,807	4,807
24.0	Printing and Reproduction	79	68	68
25.2	Other Services	879	1,510	1,510
25.3	Purch. of Goods & Services from Gov. Accts.	1,676	2,000	2,000
25.7	Operation and Maintenance of Equipment	1,118	1,300	1,300
25.8	Subsistence & Support of Persons	2	2	2
26.0	Supplies & Materials	770	918	918
31.0	Equipment	549	7,321	7,321
42.0	Insurance Claims & Indemnities	4	0	0
43.0	Interest & Dividends	1	0	0
99.0	*Total Obligations*	*$46,948*	*$60,730*	*$60,730*

PESTICIDE DATA PROGRAM

Mr. Skeen: Were any agricultural used pesticides re-registered using data gathered by the pesticide data program in fiscal year 1998? Which ones?

Response: During fiscal year 1998, the EPA used Pesticide Data Program, or PDP data for the reregistration of iprodione, thiodicarb and methomyl. EPA reassessed approximately 160 separate tolerances, of which, about 60 were tolerances for minor crop uses. In addition, EPA is using all available PDP data for the reregistration of organophosphate pesticides. For example, EPA is preparing preliminary risk assessments for azinphos methyl, methidathion, chlorpyrifos, malathion, diazinon, dichlorvos, acephate, dimethoate, disulfoton, ethion, fenamiphos, fonofos, methamidophos, oxydemeton methyl, parathion, parathion methyl, phorate, phosalone, phosphamidon, and tetrachlorvinphos using PDP data. There are approximately 179 food uses covered by this data.

Mr. Skeen: Provide a detailed breakout of the $19,414,000 requested for PDP.

[The information follows:]

PROGRAM	FY 1999 Base Funding	FY 2000 Increase	TOTAL
Pesticide Data Program			
Current Program			
AMS	$2,018	$0	$2,018
Other USDA	315	0	315
State	8,386	0	8,386
PDP Rapid Response Capability			
AMS	$0	$93	$93
Other USDA	0	80	80
State	0	1,314	1,314
Meat, Poultry, Eggs, & Drinking Water			
AMS	$0	$851	$851
Other USDA	0	60	60
State	0	0	0
Pesticide Data Program Total	$10,719	$2,398	$13,117
Microbiological Data Program			
AMS	$100	$1,636	$1,736
Other USDA	2	35	37
State	10	4,514	4,524
Microbiological Data Program Total	$112	$6,185	$6,297

TRANSPORTATION SERVICES

Mr. Skeen: How many transportation regulatory actions did AMS participate in during fiscal year 1998?

Response: AMS filed written or delivered oral comments to the Surface Transportation Board, STB, on the nine occasions listed below in fiscal year 1998 and early fiscal year 1999. I will submit the details for the record.

[The information follows:]

On October 21, 1997, the USDA filed comments on the proposed acquisition of Conrail by the NS and CSX railroads (STB Finance Docket No. 33388).

On October 23, 1997, the USDA filed comments in Ex Parte 573 Rail Service in the Western United States, which was an STB proceeding to provide interested persons the opportunity to comment on the status of rail service in the Western United States and to review proposals for solving the prevailing railroad service problems. USDA delivered oral comments in this proceeding on October 27, 1997.

On December 3, 1997, the USDA delivered oral remarks in a second STB hearing in Ex Parte 573. Under Secretary Dunn testified that there has been no measurable improvement in service to agricultural shippers since the first oral hearing and that agricultural shippers were bearing the brunt of railroad service recovery in the Western United States.

On February 20, 1998, the USDA filed a second set of comments in Ex Parte 573. USDA said in its statement that: (1) although service provided by BNF and UP/SP to grain shippers had improved since the December public hearing, the STB should extend its service order for another 90 days, (2) the UP/SP congestion problem has to be addressed before early summer or grain will again be on the ground, and (3) the UP/SP oversight hearings should be reopened so that competitive problems in Texas can be reexamined.

On March 26, 1998, the USDA submitted comments on access and competition issues in the U.S. rail industry in a statement filed in the STB Ex Parte 575 proceedings. In these comments, the Department specifically noted the consolidations that had occurred in the rail industry and the economic impact of these mergers through reduced railroad competition. Nine recommendations that would help the Board rebuild public confidence and restore a competitive environment for agricultural shippers, producers, and railroads were also submitted by the Department. The USDA delivered oral comments in this proceeding on April 3, 1998.

On May 29, 1998, the USDA filed comments in the STB proceeding Ex Parte 627 Market Dominance Determinations -- Product and Geographic Competition. In its filing, the Department requested the STB: (1) reduce its charges for filing rate reasonableness cases, (2) remove product and geographic competition from market dominance test, and (3) support legislative efforts to simplify the remaining procedures to determine market dominance or support the removal of the need to prove market dominance in rate reasonableness cases.

On July 15, 1998, the USDA filed comments on behalf of the Department in STB Ex Parte 628 -- Expedited Relief for Service Inadequacies. In this filing, the Department supported changes proposed by the STB to existing law that would institute expedited procedures for shippers to obtain alternative service from another rail carrier when the incumbent carrier could not provide service.

On September 18, 1998, the USDA filed comments on behalf of the Department in STB Finance Docket No. 32760 (Sub. No. 26) on Houston/Gulf Coast Oversight. The USDA made a number of proposals in its comments to improve rail operations in the Houston, Texas, area and to improve access of agricultural shippers to Mexico.

On November 30, 1998, the USDA filed comments regarding the proposal of the Dakota, Minnesota, and Eastern Railroad (DM&E) to extend service and construct new rail line into the Powder River Basin of Wyoming. The Department indicated it supported the DM&E proposal because it would help improve long-term capacity constraints in the regional rail system, improve intramodal competition in the area, and transfer some of the regional freight movements from local and state highways and roads to rail.

PEANUT NON-SIGNER PROGRAM

Mr. Skeen: AMS receives reimbursement from assessments for peanut non-signors. How much was collected for the 1997-98 season?

Response: Approximately $24,000 was reimbursed to AMS from peanut non-signors during the 1997-98 season.

COTTON AND TOBACCO REIMBURSEMENT

Mr. Skeen: You were reimbursed for the grading of cotton and tobacco. What was the actual fiscal year 1998 reimbursement?

Response: The actual fiscal year 1998 reimbursement for cotton and tobacco grading was $54.8 million.

Mr. Skeen: Provide a breakout between cotton and tobacco for fiscal years 1998, 1999, and 2000.

[The information follows:]

($ in Thousands)

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Cotton	$30,427	$40,730	$40,730
Tobacco	16,521	20,000	20,000
Total	$46,948	$60,730	$60,730

MARKETING SERVICES

Mr. Skeen: Please provide a sub-object class breakout of object class 25.2 Other Services, for fiscal years 1998, 1999, and 2000.

[The information follows:]

($ in Thousands)

Object Class	Description	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
2510	Contractual Services	$1,644	$1,810	$2,300
2550	Agreements	7,136	7,858	14,962
2538	Telephone Equipment	34	39	40
2512	NFC Processing/Greenbook	270	298	300
2523	Training Tuition Fees	118	130	130
2530	Repair Alteration	972	1,071	1,071
2570	Miscellaneous Service	303	333	357
	Total	$10,477	$11,539	$19,160

ADP PURCHASES

Mr. Skeen: What is the total amount your agency spent on ADP purchases in fiscal year 1998? What do you plan to spend in fiscal years 1999 and 2000? Include in this amount all ADP hardware and software purchases and support services.

Response: AMS spent $18,922,000 on ADP hardware, software and support services in fiscal year 1998. We plan to spend $17,505,000 in fiscal year 1999, and $15,978,000 in fiscal year 2000.

AMS HOMEPAGE

Mr. Skeen: How many accessed your homepage in fiscal year 1998?

Response: AMS' homepage received 8 million hits in fiscal year 1998, with peak days reaching 45,000 hits.

PLANT VARIETY PROTECTION ACT

Mr. Skeen: Provide a three-year table for the Plant Variety Protection Act that shows the number of applications received, the number of applications pending action, the number of applications approved, the number of certificates issued, and the number that expired to include fiscal year 1998.

[The information follows:]

	Fiscal Years		
	1996	1997	1998
Number of applications received for the year	408	417	390
Total number of applications pending action	880	1,036	1,301
Number of certificates issued for the year	228	182	116
Number of expired certificates for the year	88	126	28

Note: The number of applications approved for the year is not applicable to this program.

NORTHEAST INTERSTATE DAIRY COMPACT

Mr. Skeen: What is the current status of the Northeast Interstate Dairy Compact?

Response: The Northeast Interstate Dairy Compact continues under the authority of the 1996 Farm Bill. Its authority ends when the Department implements reform to the federal milk marketing orders. Given the additional time granted the Department, from April 4, 1999 until October 1, 1999, for federal milk order reform the authority for the Compact has also been extended.

PISTACHIO MARKETING ORDER

Mr. Skeen: What is the status of the marketing order to cover pistachios grown in California, Arizona, Utah, Nevada and New Mexico?

Response: The pistachio industry is considering a more limited marketing order that would address quality issues.

CLASS I PRICING

Mr. Skeen: Please provide a summary of any analysis since March 1998 that was done by USDA for Class I Pricing including the impact to the dairy industry.

Response: On June 9, 1998, USDA issued a final decision/termination of proceeding, in which USDA stated that it is denying a proposal to establish a price floor under the Basic Formula Price, or BFP, used to calculate Federal

milk marketing order prices for Class I and Class II milk. USDA also indicated in the decision that an analysis of the effects of adopting the proposal are contained in the Regulatory Impact Analysis, or RIA, of Establishing a Price Floor Under Class I Milk Marketed Under Federal Milk Marketing Orders.

According to the RIA, adoption of the proposal would have had the following effects: (1) it would have raised Class I and all milk prices in all Federal milk order marketing areas in 1998 with the exception of the New England marketing area; (2) the resulting higher retail prices would have reduced the consumption of fluid milk products by 118.5 million pounds in 1998 compared to the model baseline; and (3) expenditures on manufactured products would have been reduced slightly as the price of manufactured dairy products would have declined slightly.

PESTICIDE DATA PROGRAM

Mr. Skeen: Is it fair for the Federal government to bear the total cost of the pesticide data program? Do the states gain any benefit from the program?

Response: PDP was established primarily to provide pesticide residue data to the Federal Government. Therefore, total funding by the Federal Government is reasonable and appropriate.

Federal funds ensure the integrity and objectivity of the program's results, as contrasted with the potentially negative perceptions of biased results that would have occurred if funding was obtained, all or in part, from private industry. In addition, the methodology and procedures used would be consistent among all States. Most States do not have the funds to support the state-of-the-art demands and strict controls that are necessary in pesticide residue testing laboratories.

PDP funds have enabled those States with laboratories to increase their pesticide residue testing capabilities--both in terms of equipment and personnel. This increased capability has significantly enhanced PDP's performance, and has enabled PDP to be recognized nationally and internationally as one of the best, if not the best, pesticide residue testing program in the world.

Mr. Skeen: Please provide a list of the ten states that are participating in the pesticide data program and the amount of federal funds spent in each state for fiscal years 1998-2000.

Response: The ten States participating in the Pesticide Data Program are: California, Colorado, Florida, Maryland, Michigan, New York, Ohio, Texas, Washington, and Wisconsin. I will submit for the record the amounts of the cooperative agreements with each State.

[The information follows:]

PESTICIDE DATA PROGRAM
Federal Funds
($ in Thousands)

State	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000 Estimated
California	$2,388	$2,320	$2,615
Colorado	78	75	85
Florida	1,162	1,040	1,210
Maryland	74	60	90
Michigan	978	1,010	1,210
New York	1,538	1,595	1,820
Ohio	625	645	710
Texas	903	945	1,150
Washington	629	646	745
Wisconsin	57	50	65
TOTALS	$8,432	$8,386	$9,700

Fiscal Year 1998 includes dollars from EPA Fiscal Year 1997/98 appropriation.

REIMBURSEMENT TO GIPSA

Mr. Skeen: How much will AMS reimburse GIPSA to conduct grain commodity and sampling for the pesticide data program?

Response: In fiscal year 1999, the Grain Inspection, Packers and Stockyards Administration (GIPSA) will receive $245,000 to complete analyses of soybean samples obtained during fiscal year 1998 and to develop technology to test peanut butter and oats in fiscal year 2000. For fiscal year 2000, AMS plans to increase GIPSA's allocation to $325,000 to sample and test peanut butter and oats, and continue to sample and test soybeans for another crop year.

ORGANIC CERTIFICATION PROGRAM

Mr. Skeen: How much did AMS spend on the proposed organic certification program in fiscal year 1998? How much do you plan to spend in fiscal years 1999 and 2000?

Response: AMS spent $880,645 on the organic program in fiscal year 1998, is planning to spend $923,000 in fiscal year 1999, and is proposing to spend $1,693,000 in fiscal year 2000.

Mr. Skeen: How many AMS staff years were devoted to Organic certification in fiscal year 1998?

Response: There were 14 staff years devoted to the organic program in fiscal year 1998.

PAYMENTS TO STATES AND POSSESSIONS PROGRAM

Mr. Skeen: Please provide a list of Payments to States and Possessions in fiscal year 1998.

[The information follows:]

FEDERAL-STATE MARKET IMPROVEMENT PROGRAM
FISCAL YEAR 1998 GRANTS

STATE	DESCRIPTION	AWARDED
Arkansas	International Market Development for Small- and Medium-Sized Producers of Value-Added Agricultural Specialty Products--Phase 3	$36,000
California	Food Quality Assurance and the World's Consumers: A Consumer Education Survey Project	$69,300
California	Improving the Level of Accuracy Reported in State-by-State Agricultural Export Statistics	$41,000
Colorado	Standardization of State Trade Directory Software	$60,000
Iowa	Sycamore Street Market Enterprises Center: A Shared-Used Commercial Kitchen	$25,000
Maryland	Mid-Atlantic Agribusiness Incubator and Local Food Processing Centers Feasibility Study (Stage II)	$53,000
Massachusetts	Cooperative Opportunities for Wholesale Horticultural Products	$23,200
Minnesota	Assisting Small Farmers Through Direct Marketing	$45,000
Montana	Farm to Market Project: Local Food Processing Centers and Business Incubator Pilot Project	$28,000
Montana	Market Potential of Indian Ricegrass: A Gluten-Free Perennial Grain Crop	$90,000
Nebraska	Port and Border Crossing Marketing Issues	$28,000
Nebraska	Developing Value-Added Agricultural Opportunities for Small Farmers, Entrepreneurs, and Small Food and Meat Companies	$80,000
New Jersey	Marketing of Organic Produce in the Northeastern U.S. and Implications for Small Farms	$85,300
North Dakota	Marketplace of Ideas - A Network for Farm and Rural Diversification	$60,000
North Dakota	Internet Marketing Mall	$25,000

FEDERAL-STATE MARKET IMPROVEMENT PROGRAM
FISCAL YEAR 1998 GRANTS

STATE	DESCRIPTION	AWARDED
North Dakota	Potential for Locating Intermodal Facilities on Short Line Railroads	$25,000
Oregon	Expanding U.S. Agricultural Products Global Markets by Optimizing Refrigerated Ship Capacity	$27,000
Pennsylvania	Assessing the Viability of a Model of Community-Based Distribution and Marketing of Locally-Grown Fruits and Vegetables	$40,000
Rhode Island	Strategic Marketing Through New Farmers' Markets	$60,000
Tennessee	An Analysis of Marketing Assistance Needs and Market Development Strategies to Enhance Tennessee Agribusiness	$54,685
Texas	Enhancing the Market for Smoked and Processed Meat Products in Texas	$68,160
Texas	Small-Farm Rabbit Meat Production, Distribution, and Consumer Demand in South Texas	$34,000
Washington	Changes in the Food Supply Chain: Implications for Small- and Medium-Sized Firms	$72,000
Wisconsin	Alternative Red Meat Livestock Meat Improvement	$70,340

QUALIFIED THROUGH VERIFICATION

Mr. Skeen: Has AMS requested public comment regarding establishing, on a voluntary user-fee basis, a Qualified Through Verification (QTV) program?

Response: AMS issued a notice in the September 4, 1998, *Federal Register* requesting comment on the establishment of a voluntary user-fee QTV program. AMS is currently reviewing the public's comments and will be issuing a notice of proposed rulemaking, expected to be published in the Spring of 1999, with a 60 day comment period.

Mr. Skeen: How many applications are pending for the QTV program?

Response: There are currently nine pending applicants to the QTV program.

Mr. Skeen: Provide a list showing each QTV applicant, the date of submission of the application, and the date of approval or projected date of approval or disapproval?

[The information follows:]

Active QTV Applicants	Date of Submission	Date of Approval
Handi-Pak Foods Kankakee, IL	March 12,1996	August 15, 1996
Grimmway Farms Bakersfield, CA	June 25, 1996	January 28, 1997
Babe Farms, Inc. Santa Maria, CA	August 26, 1996	July 24, 1997
Salad Time Farms Salinas, CA	May 01, 1997	November 06, 1997
Salad Time Yuma, AZ	November 06, 1997	December 02, 1997
Club Fresh Sacramento, CA	March 05, 1996	January 14, 1998
Bolthouse Farms Bakersfield, CA	July 08, 1998	June 05, 1998
Dixie Produce & Packaging New Orleans, LA	April 24, 1998	September 02, 1998
Salad Time Spreckles, CA	December 02, 1997	October 22, 1998

Pending QTV Applicants	Date of Submission
Ready Pac Foods Irwindale, CA	January 07, 1998
East Coast Fresh-Cuts Co. Jessup, MD	November 26, 1997
Mann Packing Salinas, CA	Pending
Grazianno Produce Portland, OR	February 16, 1999
Prime Cuts Hanover, MD	Pending
Freshway Foods Sidney, OH	December 01, 1998
Redi-Cut Foods, Inc. Franklin Park, IL	Pending
New Star Salinas, CA & Yuma, AZ	Pending

Bolthouse Farms West Plant Bakersfield, CA	January 19, 1999

The firms' projected date of approval/disapproval into the QTV program can not be estimated because it is up to the company when they want to meet program requirements.

OIG REPORT FINDINGS

Mr. Skeen: What are the findings, recommendations and actions for each OIG report listed in the explanatory notes?

[The information follows:]

Fruit and Vegetable Federal-State Inspection Program in Washington (01001-1-Sf) - OIG recommended:

(1) that AMS direct the Washington State Department of Agriculture (WSDA) to incorporate separation of Federal and State revenues, expenditures, and reserve fund balances into is new computer system. AMS responded by asking WSDA to establish these improved accounting practices by the start of Washington's fiscal year 1998 (July 1, 1997), and that WSDA include these improved practices into its new computer system when it is implemented in the near future. In addition, AMS met with WSDA officials on April 28, 1997, to further refine WSDA's new procedures.

(2) that AMS ensure that WSDA personnel prepare Annual Cooperator Reports that provide FSI Program information, even if the expenditures and fund balances are approximate. AMS responded by asking WSDA to prepare all Annual Cooperator Reports, beginning with the fiscal year 1998 report, so that they include only FSI Program information.

(3) that AMS collect $1,464.89 in fees due on miscellaneous inspection revenue which had not been reported to AMS. AMS received WSDA's full payment on March 19, 1997.

(4) that AMS direct WSDA to include all federal revenue when calculating the administrative fee to be paid to AMS. AMS responded by asking WSDA to take any action necessary to ensure that the Federal assessment rates are applied to all inspection work performed under the cooperative agreement between WSDA and AMS.

The Office of the Chief Financial Officer closed this audit on July 17, 1997. There is no further action required by AMS.

Dairy Plant Inspection Pilot Program in Wisconsin (01801-2-Ch) - OIG concluded:

(1) that AMS and the Wisconsin Department of Agriculture, Trade and Consumer Protection (WDATCP) reduced the duplication of effort that had previously existed by sharing inspection responsibilities and suggested that AMS should consider negotiating with WDATCP to continue joint dairy plant inspection activities. AMS concluded that the pilot study did not

achieve its goals of reducing duplication of effort, conserving agency resources, and reducing operational down time at the dairy plants in many fundamental respects.

(2) that the quality of dairy plant inspections provided to dairy plants in Wisconsin may have been reduced during the pilot program due to a lack of experience and training on the part of many WDATCP inspectors; inadequacies in AMS' general oversight of the pilot program in its supervision of WDATCP inspectors; and a lack of communication between AMS and WDATCP. AMS agreed with this conclusion except for the reference to AMS supervision of WDATCP inspectors.

(3) that with better communication and coordination between AMS and WDATCP, as well as better oversight and training provided by AMS, continued joint inspection operations would be feasible and could be operated in such a manner that the quality of inspection services would be equivalent to that currently being provided by AMS while allowing reduced duplication of efforts and minimized costs and operational disruptions to the dairy plants. While AMS agreed with OIG's conclusion that with better training and oversight by AMS the quality of WDATCP inspections would be greatly improved and could be equivalent to an AMS inspection, it was not within the parameters of the MOU for AMS to conduct such training and oversight at the level required to achieve this.

In October 1997, OIG stated that no further reporting was required from AMS concerning this issue.

National Fluid Milk Processor Promotion Program (01001-1-Ch, 0100-3-Ch) - OIG's May 19, 1997, Management Alert (0100-1-Ch) recommended:

(1) that the National Fluid Milk Processor Promotion Board (Board) take full control of day-to-day operations for all program activities. AMS responded by sending a letter to the Board outlining AMS' position regarding the Board's responsibilities for full control of day-to-day operations for all program activities. AMS also met with the Board to clarify its responsibilities.

(2) that the Board be required to only permit payments to be made in cases where approved and signed contracts are on file and to assure that all contract, subcontracts, and agreements that commit program funds are approved timely, including those initiated by MIF, IDFA, and Bozell Worldwide, Inc. AMS responded by directing the Board to cease payment for contracts, subcontracts, and agreements that have not been reviewed and found acceptable by USDA. AMS also began requiring the Board to submit contracts and subcontracts to the Department for review. On April 18, 1997, AMS sent the Board Chair a copy of the AMS review guidelines for the approval of contract and budgets. One element of the guidelines states that AMS expects to complete the review process on standard contracts within a 10-day timeframe. In addition, AMS developed a new procedure for monitoring and reviewing contracts. This includes contract review procedures, database tracking, and contract status letters to the Board. Also, AMS subsequently reviewed and approved contracts between the Board and MIF and between MIF and Bozell.

(3) that AMS assure that the Board takes title to products acquired with Program funds. AMS responded by instructing the Board to ensure that language regarding Board ownership of material is included in all future contracts, subcontracts, and/or agreements. AMS emphasized in the review letter for the contract between MIF and Bozell, that all materials developed using Board funds are the property of the United States Government as represented by the Board. In addition, AMS requested the Office of the General Counsel to review property rights under existing contracts.

On May 30, 1997, OIG stated that no further reporting was required concerning this Management Alert.

National Fluid Milk Processor Promotion Program (01001-3-Ch) - OIG's September 23, 1998, audit report recommended 13 items that in general required that AMS and the Board work together to restructure the management of Board activities to ensure full compliance with the Act and the Order.

OIG also recommended that the Board establish guidelines for awarding contracts and subcontracts to ensure that goods and services do not come from only one source, and that AMS continue to increase oversights of the Board activities.

So far, AMS has responded by requiring the Board to prepare a contract control system which adequately tracks all contracts and subcontracts awarded with Board funds. AMS reminded the Board that the contract control system must ensure that funds are not paid by the Board to contractors until the Board receives written notification from AMS that the contract has been approved. The Board will ensure that all contracts and subcontracts awarded with Board funds (1) clearly identify the assets created by the contract as well as the property ownership and entitlement of those assets, (2) include an access-to-records provision, and (3) contain a clause that clearly states that the contract or subcontract requires approval by USDA.

The Board amended their contract control system to facilitate identification of deliverables by the Board staff. The Board's system includes the requirement that deliverables be identified and summarized on the checklist, and that staff check to ensure that deliverables have been received prior to payments. AMS approved the Board's system changes and directed them in writing to implement the system and document any waivers or extensions of time for submitting deliverables. AMS also directed the Board to ensure that budget limits are not exceeded without proper authorization.

The OCFO closed seven of the thirteen recommendations from this audit on March 2, 1999. AMS continues to work on resolving the remaining issues.

Dairy Plant Inspection Activities (01016-2-Ch) - OIG issued their audit report on November 1, 1996, recommending:

(1) that AMS report all significant sanitary deficiencies identified during plant inspections regardless of a plant's status, to the Food and Drug Administration. AMS responded by modifying its notification

letters to include plants which are assigned the Probationary 10 Day and No Status Assigned ratings.

(2) that AMS develop procedures to notify regulatory agencies when plants have repeated sanitary deficiencies. AMS responded by modifying its notification letters for plants which are assigned the Ineligible, Probationary 10 Day and No Status Assigned ratings to include a listing of all dates of previous notifications which have occurred in the prior 18 months.

(3) that AMS modify the system for recording and summarizing deficiencies so that third parties can independently ascertain how inspectors determine status. AMS responded by issuing a revised instruction in September 1997. The revised instructions and forms consolidate all of the necessary information for determining the status for a particular code onto a single page.

The OCFO closed this audit on March 13, 1998. There is no further action required by AMS.

AMS Federal-State Inspection Program in Florida (01099-3-At) - OIG issued their audit report on March 4, 1997.

OIG's report contained 8 recommendations addressing the use of inspection trust funds and the safeguarding of inspection certificates and stamps. The report identified over $1,458,636 in questioned costs and accounting errors which should be recovered. So far, AMS has responded by requiring the Florida Department of Agriculture and Consumer Services (FDACS) District Supervisors to instruct all inspectors to have hand stamps under control and to ensure stamp lock-up when not in use. These procedures have been included in the FDACS Inspection and Policy Procedure Manual. FDACS has also advised supervisors that they are expected to routinely verify that inspectors are controlling Positive Lot Identification stamps.

The OCFO has closed 3 of the 8 recommendations from this audit. AMS continues to work at resolving the remaining 5 recommendations.

Cotton Classing (01099-4-At) - OIG issued their audit report on March 24, 1997, recommending:

(1) that AMS ensure that estimates used in the Cotton Program and the Budget Office classing fee analyses are reasonable, fully supported, and comply with the intent of the law.

(2) that AMS require that the Deputy Administrator for Cotton Programs certify in annual fee recommendations to the Administrator that the Budget Office's analyses were reviewed, and all significant differences were resolved and documented.

AMS responded to these recommendations by establishing procedures for future user fee calculations. These procedures include the following:

(1) that the Cotton Program and the Budget Office reconcile all prior fiscal year figures for obligations and revenue by January 1 of each year.

(2) that the Budget Office provide the Cotton Program with obligation figures for Department charges, AMS overheard, and investment income for the current fiscal year by the first week in January each year.

(3) that the Cotton Program, within one week after the receipt of the December 31 accounting reports from the National Finance Center, provide the Budget Office with estimates for the current fiscal year for which the fee will be implemented.

(4) that the Budget Office provide its fee analysis to the Cotton Program within two weeks of the receipt of the Cotton Programs' fee analysis.

(5) that after review and evaluation of the fee analyses, the Cotton Program provide a fee proposal for the Administrator's approval in a format that fully supports and demonstrates compliance with the intent of the law prior to being published in the Federal Register.

The OCFO closed this audit on October 6, 1997. No further action is required by AMS.

Certification of Processed Products (01601-2-Ch) - OIG issued its report on June 26, 1997, recommending:

(1) that AMS instruct area offices to require that their plant inspectors properly select and adequately safeguard the integrity of product samples. AMS responded by issuing a notice in June 1997 instructing all inspectors and supervisors of AMS' responsibility to properly select and accurately safeguard the integrity of product samples.

(2) that AMS require area offices to ensure that required inspection reports are prepared by their inspectors. In addition, instruct the area offices to review their inspector assignments to ensure that sufficient resources are assigned to perform the required sanitation inspection. AMS responded by requiring that area offices ensure sanitation inspections are performed in accordance with AMS instructions and inspection reports are properly documented. Also, supervisors were instructed to ensure that sufficient resources are assigned to perform sanitation inspections.

(3) that AMS develop controls to ensure that AMS area offices send review samples to AMS headquarters for all USDA contracts, and to ensure that the area offices include, in their contract files, documentation of the review samples sent to Headquarters. AMS responded by developing controls to ensure that review samples are submitted when required, and developing procedures to ensure contract checklist documents are received and on file. The AMS instruction covering the inspection of

USDA deliveries (File Code 147-A-1) was revised and distributed in July 1997 to address these issues.

(4) that AMS issue guidance to the area offices reminding them to obtain certificates of origin for all USDA military contracts prior to shipping any products, and to include a copy of the certificate in each contract file. OIG also recommended that AMS instruct the area offices to require that AMS' standardized certificate of origin be used by all processing plants to certify that commodities used to fulfill USDA and DOD contracts are of domestic origin. AMS responded by developing a Certification of Country of Origin form. A notice was issued to all inspectors of the domestic product origin requirements. Lot traceability procedures were implemented in May 1997 to verify product origin.

(5) that where feasible, AMS inspectors compare the lot numbers for USDA and military contracts to the list of lot numbers graded to ensure that only graded products are shipped. AMS responded by revising and distributing File Code 147-A-1 in July 1997. This instruction included an Exhibit to be used to document the certificate issued showing the number of cases of product graded, and the number of cases loaded for each shipment. This was done so that only the acceptable code mark(s) or lot numbers of graded product is shipped.

(6) that AMS require the area offices to implement a more effective and comprehensive administrative review system to ensure the proper maintenance and security of USDA grading stamps and grading certificate inventories. AMS responded by conducting regional meetings between June 2 and 13, 1997, with regional directors and respective officers-in-charge. At these meetings the implementation of a more effective and comprehensive administrative review system was discussed.

(7) that AMS require area offices to enforce their procedures that require annual reviews of surety bonds, and assure processors meet prepayment requirements prior to providing inspection services. AMS responded by reviewing all contractual agreements on an annual basis to ensure processors meet surety or pre-payment requirements prior to providing inspection and/or grading service. A letter and Notice were sent to all supervisors in May 1997, instructing them to review contracts to confirm the amount of surety is appropriate for the type of service.

The OCFO closed this audit on November 14, 1997. No further action is required by AMS.

Implementation of Agricultural Provisions of NAFTA (50801-4-At) - OIG issued its report on March 28, 1997.

OIG's report contained 13 recommendations for AMS which addressed strengthening the enforcement of import regulations, providing better information to users of AMS Market News statistics concerning the balance of trade, and developing more effective strategies for addressing Canadian bulk easement restrictions.

With regard to strengthening the enforcement of import regulations, AMS completed investigations of the Section 8e compliance violations specifically addressed in OIG's report. Although the cases referenced did not result in civil penalties, AMS continues to investigate and assess civil penalties for violations of Section 8e requirements.

In December 1997, AMS added a disclaimer to its daily and weekly Market News reports indicating that transhipments may reach material levels during the Mexican winter shipping season. The disclaimer also refers readers to the final Customs reports for monthly transhipments data.

AMS worked with the Foreign Agricultural Service to address the issue of more effective strategies for addressing Canadian bulk easement restrictions. AMS and FAS consulted with the Canadian government and proposed to establish a pilot project for potatoes. Under this project, Maine potatoes would enter Canada without being subject to the bulk shipment limitations.

The OCFO closed this audit for AMS on September 29, 1998. No further action is required by AMS.

Monitoring Milk Market Reform (01001-2-Ch) - This audit was closed prior to issuance of a report.

OIG stated that the maximum number of work days elapsed on this audit requiring that the audit be closed prior to issuance of a report. OIG is in the process of deciding whether another audit on this subject will be opened.

Federal-State Inspection Program in Puerto Rico (01005-1-Hy) - OIG issued its report on September 10, 1998.

OIG's report contained 11 recommendations which addressed the inaccurate accounting of Federal-State Inspection funds by the Puerto Rico Department of Agriculture. OIG identified over $250,000 in fresh products inspection monies and nearly $400,000 in processed inspection monies which were inappropriately used or accounted for. AMS continues to work at resolving these issues.

National Pork Board (01801-1-Kc) - OIG issued its draft report on January 4, 1999. AMS will provide its response to OIG's draft report by March 10, 1999.

Assessments on Stored Tobacco (03001-3-At) - OIG issued its report on August 20, 1998.

OIG found that for the transactions they examined, the tobacco importers complied with the applicable laws and regulations relating to payment of imported tobacco fees. There were no recommendations and no actions were required by AMS.

GAO REPORT FINDINGS

Mr. Skeen: What are the findings, recommendations and actions for each GAO report listed in the explanatory notes?

[The information follows:]

Assessment of Concentration Within the Meat Packing Industry (#150071) - GAO found that the concentration within the meat packing industry has intensified, with four companies controlling 81 percent of the industry as of 1995. This report was issued on April 23, 1997. There were no recommendations made for AMS as a result of this audit. Consequently, there was no action necessary by AMS. GAO's findings from this report were strictly for the USDA Grain Inspection, Packers, and Stockyards Administration.

Review of Milk Pricing Under the Northeast Dairy Compact (#150122) - GAO found that about one-third of the 18 billion gallons of milk produced by U.S. dairy farms each year is processed into fluid milk. Farmers sell their milk to dairy cooperatives, who in turn sell the milk to retailers who process, bottle, and sell the milk to consumers. GAO reported that the Bureau of Labor Statistics price indexes for all uses of milk (fluid and manufactured) and at all levels (farm, processor, and retail) rose overall from September 1991 through September 1997. This report was issued on May 16, 1998. There were no recommendations made as a result of this review. Therefore, no action was required by AMS.

Food Safety: Dioxin in Food and Feed (#150646) - GAO found that in the joint USDA Food Safety and Inspection Service (FSIS), Food and Drug Administration (FDA) investigation of the source of elevated dioxin levels in food products caused producers confusion about the actions they were to take. GAO also noted that the current food safety system is inefficient. This report was issued on April 10, 1998. There were no recommendations and no actions were necessary by AMS.

Review of Fee Based Programs (#935209) - GAO found that unlike agencies that rely primarily on appropriated funding, user-fee based programs face policy and management issues concerning how to be accountable to both the Congress and fee payers and how to handle the budgetary differences between fee-financed and appropriated activities. This report was issued on December 19, 1997. There were no recommendations and no actions were necessary by AMS.

Dairy Industry: Information for Fluid Milk and the Factors that Influence Them (#150123) - GAO found that farmers, dairy cooperatives, wholesalers, and retailers are all involved in the movement of milk from the dairy farmer to the consumer. Each of these entities involved in this process adds value to the milk which may impact the amount of the farm to retail price spread. This report was issued on October 8, 1998. There were no recommendations and no actions were necessary by AMS.

Eggs and Egg Products (150083) - The audit is ongoing.

STATUS OF OIG AND GAO REPORTS

Mr. Skeen: What is the status of each ongoing OIG and GAO report listed in the explanatory notes?

[The information follows:]

National Pork Board (01801-1-Kc) - This draft audit report has been issued. AMS will provide its response to this audit by March 10, 1999. OIG will incorporate AMS' comments into the final audit report.

GAO Audit on Eggs and Egg Products (150083) - This audit is ongoing. GAO expects that its report will be issued in May 1999.

TRANSPORTATION SERVICES

Mr. Skeen: Has the Surface Transportation Board acted on the recommendations made by AMS that would improve service to grain shippers?

Response: Yes, we believe that the Surface Transportation Board has acted on our recommendations in a number of specific instances. Most notably, the STB accepted our proposals in the Ex Parte 575 case on rail service in the western United States that: (1) the STB should require western railroads to provide a number of weekly indicators to agricultural shippers so that the USDA and other agricultural interests could monitor the extent to which rail service is actually improving in the Western United States, and (2) the STB should use its emergency powers to direct the handling, routing, or movement of traffic so as to improve the level of service being provided to agricultural shippers.

PESTICIDE DATA AND PESTICIDE RECORDKEEPING PROGRAMS

Mr. Skeen: Please explain the similarities and the differences in the pesticide data program and the pesticide recordkeeping program.

Response: The Pesticide Data Program, or PDP, and the Pesticide Recordkeeping Program, or PRP, are similar in that AMS monitors both programs and both programs rely heavily on State cooperation for ongoing operations. In both programs, the majority of the Federal funds received by AMS are dispersed to the participating States through cooperative agreements to execute the bulk of the work necessary to conduct the programs. The management structure provided by AMS for both programs allows them to be administered with low overhead, and facilitates effective and efficient coordination between the States and other Federal agencies.

On the other hand, PDP and PRP are very different in their missions and authorities. PDP is a data collection program and PRP is a program that helps ensure that data is recorded. PDP relies on voluntary participation by owners of the sampling sites to obtain samples of food that are analyzed for pesticide residues. The authorities for PDP are the Agricultural Marketing Act of 1946 and the Food Quality Protection Act of 1996. PRP was established through the Food, Agriculture, Conservation, and Trade Act of 1990. The Act mandated that the Secretary of Agriculture require all certified applicators to maintain records of applications of Federally restricted use pesticides for a period of two years. The program regulatory and civil penalties can be assessed if certified applicators fail to comply with the pesticide recordkeeping requirements.

PESTICIDE RECORDKEEPING PROGRAM

Mr. Skeen: Please update the table that appears on page 165 of last year's hearing record showing states in the pesticide recordkeeping program, federal funds, and state funds for fiscal year 1998.

Response: I will provide a table that provides the information on fiscal year 1998 funding. AMS requires a minimum of 5 percent state matching funds for the program. Some states have chosen to match above the 5 percent required.

[The information follows:]

PESTICIDE RECORDKEEPING PROGRAM
FISCAL YEAR 1998

STATE	FEDERAL FUNDING	STATE FUNDING
ALASKA	$11,000	$550
ARKANSAS	24,930	2,349
COLORADO	53,434	2,812
DELAWARE	10,907	5,404
GEORGIA	8,943	528
HAWAII	10,500	525
IDAHO	45,553	2,398
ILLINOIS	11,436	602
INDIANA	18,000	900
IOWA	33,966	1,789
KANSAS	58,371	3,272
KENTUCKY	56,437	2,968
LOUISIANA	63,200	3,000
MAINE	12,027	1,649
MICHIGAN	31,399	1,651
MINNESOTA	49,883	3,000
MISSISSIPPI	48,169	2,574
NEBRASKA	20,000	1,000
NEVADA	13,829	1,259
NEW JERSEY	20,000	1,053
NEW MEXICO	42,119	2,216
NORTH CAROLINA	31,000	3,383
OHIO	20,000	1,053
OKLAHOMA	59,546	2,475

OREGON	24,935	1,225
SOUTH CAROLINA	38,733	2,039
SOUTH DAKOTA	32,601	1,716
TENNESSEE	12,246	612
TEXAS	36,269	1,909
UTAH	31,380	1,296
VIRGINIA	24,305	1,331
WEST VIRGINIA	20,000	1,000
WISCONSIN	22,515	1,185
PUERTO RICO	12,000	600
SHOSHONE-BANNOCK	17,000	900
TOTAL - 33 STATES 1 TERRITORY,1 INDIAN TRIBE	1,026,663	62,223

Y2K EMERGENCY FUNDING

Mr. Skeen: Did the AMS receive any emergency Y2K funding provided by the Congress to the Administration for fiscal year 1999?

Response: AMS has received no Y2K emergency funding.

RESEARCH AND PROMOTION

Mr. Skeen: Last year you reported that several industry groups inquired how to establish research and promotion programs. Were any new programs added in fiscal year 1998?

Response: AMS established no new research and promotion programs in fiscal year 1998.

RESEARCH COOPERATIVE AGREEMENTS

Mr. Skeen: Update the table that appears on page 178 of last year's hearing record on research cooperative agreements for fiscal year 1998.

[The information follows:]

FY 1998 Research Cooperative Agreements

Agreement Number	Cooperator	Project	Amount
A-3677	Texas Agricultural Experiment Station, College Station, TX	Update and validate the spatial equilibrium model for soft red and soft white winter wheat in conjunction with the U.S. Army Corps of Engineers	$21,960

FY 1998 Research Cooperative Agreements

Agreement Number	Cooperator	Project	Amount
A-3685	California State University, Fresno, CA	Study trucking patterns for California produce destined for major wholesale markets at selected times during the 10-yr period 1987-97	$27,000
A-3702	Congressional Hunger Center, Washington, DC	Study transportation needs for donated, rescued, and gleaned food to public and non-profit agencies that provide food assistance to low-income people	$90,000
A-3704	Texas Agricultural Experiment Station, College Station, TX	Study impacts of chain store expansion on Mexican fresh fruit and vegetable distribution practices	$24,026
A-3708	Upper Great Plains Transportation Institute, Fargo, ND	Long-term availability of railroad services for U.S. agriculture--Part of the Long-Term Agricultural Transportation Strategy (LATS)	$50,000
A-3711	Regents of the University of California, Oakland	Develop professional curriculum and models for certification of market managers	$50,000

MISSOURI RIVER PROJECT

Mr. Skeen: Please bring the Committee up to date on the status of the Missouri River Project.

Response: In August of 1998, the U.S. Army Corps of Engineers, Northwestern Division, Missouri River Region, released its Revised Draft Environmental Impact Statement, or RDEIS, which included eight new alternatives for Missouri River water use. The original DEIS, which was issued in 1994, recommended a Preferred Alternative, or PA for water use that generated widespread opposition. To avoid further controversy, the Corps implemented a series of informal public comment workshops to promote understanding, to ensure opportunities for public involvement, and to help identify components of the PA. The workshops were completed in January of 1999, and the Corps will issue an RDEIS with one PA in October of 1999. That PA will be subject to the requirements of the National Environmental Policy Act which requires further reviews and public hearings. After that, an EIS will be prepared by December 2000, and eventually a single PA will be implemented.

While AMS has conducted economic analyses of the importance of the Missouri River to U.S. agriculture in the past, it currently does not have an active Missouri River project.

MARKET NEWS PROGRAM

Mr. Skeen: Provide an object class breakout of the $428,000 request for an increase to market news.

[The information follows:]

Market News
FY 2000 Budget Request
($ in Thousands)

Spending Category	Amount
Salaries and Benefits	$287
Travel and Transportation	42
Rent, Communications, and Utilities	40
Printing	0
Contractual Services	19
Supplies	2
Equipment	38
Total Increase	$428

Mr. Skeen: The budget request includes an increase to expand the reporting of organically-grown fruits and vegetables. How much did AMS spend on this in fiscal year 1998?

Response: While collecting prices on 340 conventionally grown, non-organic, fruits and vegetables at wholesale markets throughout the United States, the Fruit and Vegetable Market News Service gathered prices of organically grown lettuce and carrots. These two commodities represent a small portion of the market which market news reporters are already on location monitoring. Therefore, the cost to AMS for the collection of price information in fiscal year 1998 was minimal.

Mr. Skeen: What is the rationale behind AMS' proposal to expand reporting of organically-grown fruits and vegetables when AMS has yet to issue a final rule on what defines organic?

Response: Even without USDA's definition of what constitutes an organic product, many producers have shifted at least some portion of their acreage to meet the consumer's increasing demand for pesticide-free or organically-grown fruits and vegetables. As a result, organic production has become one of the most rapidly growing segments of the U.S. fruit and vegetable industry and is expected to reach $14 billion by 2008. AMS has found that consistent, comprehensive farm gate price reporting on organically-grown food is virtually non-existent. Accurate and timely price reporting is essential to growers in making critical management decisions. AMS is committed to providing the same type of service to organic growers that is provided to non-organic growers.

Mr. Skeen: How much of the fact that very little reliable and consistent market information is available on organically-grown fruits and vegetables is due to the lack of a final rule on organic certification?

Response: The organic food industry, while growing at a phenomenal pace, is in its infancy. It does not have the market reporting infrastructure that is commonly found in other agricultural sectors. AMS believes that national standards and reliable, consistent market information are critical elements to realizing the full economic potential of this important sector.

ORGANIC CERTIFICATION PROGRAM

Mr. Skeen: I read where the organic industry is valued at over $3.5 billion. How is the term "organic" currently defined and will the final rule on organic standards alter that definition in any way?

Response: There are currently state and private certification programs that define "organic" foods. Although there is no single definition of organic, it's gernerally thought of as food grown without synthetic pesticides and fertilizers under a prescribed set of production practices that are verified by a state or private certifying organization. The final rule will not be a major departure from the definitions and practices followed by reputable certifying organizations, but it will provide uniform definitions and practices for producers to follow, and by which consumers can know and judge the meaning of an organic label.

Mr. Skeen: If the organic industry is valued today at over $3.5 billion and growing at a rate of 22 percent per year, how do you justify the need for an organic standards rule?

Response: Helping farmers build a strong niche for themselves in markets here and developing markets abroad is the goal throughout this process. On the domestic side, a single, uniform standard could unleash even stronger economic growth in the organic industry. Internationally, national standards would help us clear similar hurdles. Many countries, including the European Union and Japan, have their own certification standards. They have little incentive to negotiate with 40 different U.S. entities. National standards would allow us to negotiate greater access country-to-country. They would also let us demand that imports meet an equivalent standard, ensuring our consumers one meaning of organic whether the product is domestic or imported.

MARKET NEWS PROGRAM

Mr. Skeen: Provide an object class breakout of the $580,000 request for an increase for reporting organically-grown fruits and vegetables.

[The information follows:]

Market News
FY 2000 Budget Request
($ in Thousands)

Spending Category	Amount
Salaries and Benefits	$435
Travel and Transportation	83
Rent, Communications, and Utilities	39
Printing	0
Contractual Services	0
Supplies	6
Equipment	17
Total Increase	$580

NUTRIENT MANAGEMENT PROGRAM

Mr. Skeen: Has the AMS conducted any analysis on the impact of the proposed nutrient management program between EPA and USDA as it relates to organic production?

Response: AMS agrees that comprehensive nutrient management is critical to reducing threats to water quality and public health, and has consulted with the Natural Resources and Conservation Service staff regarding the proposed EPA/USDA Unified National Strategy on Animal Feeding Operations. We believe there is nothing in this proposed strategy that will negatively impact organic farmers.

Mr. Skeen: Is AMS involved in the drafting and/or review of legislation to make it easier to sell state inspected meat?

Response: No AMS is not involved in the drafting and/or review of legislation to make it easier to sell state inspected meat.

ASSISTANCE TO PORK PRODUCERS

Mr. Skeen: Please provide a complete breakout of all USDA assistance to pork producers since October 1, 1998.

[The information follows:]

Secretary Glickman established the Pork Crisis Task Force on December 11, 1998, and appointed Under Secretary Dunn as its chairman. This Task Force, charged with developing approaches to solving this crisis, made numerous recommendations which USDA has already implemented in a timely manner.

The Task Force identified eight major areas in which action was needed to help remedy the financial crisis. The action areas were: (1) bolster pork prices/USDA surplus removal; (2) increase demand for pork products; (3) increase available slaughter/Remove live hogs from the market to accommodate record hog marketings; (4) promote pork exports; (5) provide financial assistance to pork producers; 6. expand financial protection for pork producers; (7) review pricing information and pricing practices; and (8) increase producer education.

1. Bolster Pork Prices/Surplus Removal.

- Pork purchases between October 1, 1998 and March 5, 1999, total nearly 83 million pounds at a cost of $77 million.
- The Secretary contacted Attorney General Reno, Defense Secretary Cohen, Veterans Affairs Secretary West, and Interior Secretary Babbit to encourage the procurement of increased quantities of U.S. pork in their meat purchases.
- The Secretary signed a Russian food aid package on December 23, 1998, that contained 50,000 metric tons of pork.
- As a result of the Secretary's meeting with two major pork packer/processors, they instituted voluntary floor prices during the point in the hog crisis where live hog prices were the lowest to bolster average market prices and restore confidence in the industry.

- Purchase of boneless pork from hogs slaughtered on Saturday, Sunday and weekday overtime hours was completed on March 5, 1999. Pork purchase of hams, canned pork and ground pork items will continue through May 1999.

2. Increase Domestic Demand for Pork Products.

- AMS expanded its efforts to assist U.S. pork packers and processors in marketing their pork products through brand initiatives and quality management system verification. Premium Standard Farms, one of the nation's largest pork packers, last month was accredited as the first "USDA Process Verified" company. They are using this accreditation as a marketing tool for their pork products both in the United States and internationally.

- The Secretary met with representatives of the retail food industry to urge them to take advantage of large hog supplies by featuring pork products and reflecting lower farm prices in their retail prices to consumers.

3. Increase Available Slaughter/Remove Live Hogs From the Market to Accommodate Record Hog Marketings.

- AMS purchased $15 million in boneless pork from hogs slaughtered on Saturdays, Sundays and weekday overtime hours. Contract production will continue through May 1999.

- APHIS will accelerate the voluntary pseudorabies eradication program, helping to remove up to 1.9 million hogs from the market. This will have the allied benefit of opening new foreign trade opportunities by achieving pseudorabies free status for the U.S. An emergency transfer of $80 million will pay farmers fair market value for lost hogs as well as cover destruction, disposal and transportation costs.

- USDA is evaluating a program that would ship up to 100,000 gilts to repopulate the swine herds of small scale producers in Central Mexico using Commodity Credit Corporation funds (416b). Additionally, USDA is exploring the possibility of airlifting live hogs to Central America and the Caribbean.

- The Task Force is currently working out the details of a program for the purchase of live slaughter hogs in the United States by a private firm under contract to USDA. This program would ship U.S. hogs to Canada and/or Mexico to utilize excess slaughter capacity in those countries. USDA would receive an equivalent value in processed pork products for domestic Federal food assistance programs.

- The Secretary met with major hog packers and processors to encourage their assistance during this crisis.

- The Secretary contacted Canadian Agriculture Minister Vanclief to encourage Canadian action to help alleviate this crisis, including resolving the ongoing labor strikes at the Quality Meat Packers' plants in Canada.

4. Promote Pork Exports.

   - Nearly every allocation of GSM-102 credit guarantees has contained pork as an eligible commodity.

   - FAS is working closely with the pork industry to maximize the use of credit guarantee lines, including holding seminars to assist exporters who may not be familiar with the credit guarantee programs.

   - Last year, FAS targeted over $12.5 million to promote the sale of U.S. pork and other red meat products in overseas markets.

   - USDA won an agreement allowing slaughter swine from 33 pseudorabies free states to enter Canada without undergoing the previous 30-day quarantine. This should greatly facilitate the movement of slaughter hogs into Canada.

5. Provide Financial Assistance to Pork Producers.

   - As recommended, Vice President Gore announced that USDA will provide $50 million in direct cash payments to small, family hog farmers. Eligible hog farmers had the opportunity to apply for direct payments Feb. 1 through Feb. 12, and FSA anticipates issuing checks in early March. This is the first time in nearly four decades that the Department has made such payments to farmers. Marketing Regulatory Programs mission area drafted the necessary regulations and provided them to FSA.

   - At the request of the Pork Crisis Task Force, the Internal Revenue Service has agreed to give expedited processing of tax returns to hog farmers with a net operating loss for 1998 and are using IRS Form 1045, *Application for Tentative Refund*. These farmers should receive their tax refunds within 30 days of the filing date of their forms. AMS launched a website www.ams.usda.gov/taxref.htm to inform pork producers about this expedited tax refund service.

6. Expand Financial Protection for Pork Producers.

   - FSA is postponing 1998 farm ownership and operating loan payments for pork producers and others in financial distress due to low prices.

   - FSA will assist producers applying for loans by basing anticipated pork prices on futures contracts rather than on the lower, current market prices.

   - FSA streamlined its loan guarantee procedures to make them easier and less complicated for lenders.

   - FSA is working to rapidly process all loan and loan guarantee requests.

   - FSA is reviewing existing pork producer loans for possible forgiveness.

   - FSA is working with lender associations to inform lenders of alternatives available for guaranteed loans, including rescheduling or deferring installments and writing down debt.

- The Secretary met with representatives of major lenders in hog producing states to encourage loan restructuring and patience until intervention steps have a chance to work.

7. Review Pricing Information and Pricing Practices.

- GIPSA completed an investigation of packer procurement practices in the Western Cornbelt region.

- GIPSA has underway an investigation of the terms of all hog procurement contracts and marketing agreements of the major packers to examine factors affecting the price differences.

- GIPSA is investigating current price spreads and packer pricing practices focusing on packer competition for retail sales.

- GIPSA is investigating plant closings over the past two years to determine how much capacity was lost and whether the processing capacity has been shifted to other locations in other firms. It is also investigating instances where plants were acquired by another packer and then closed.

- The Secretary has urged the Department of Justice and the Federal Trade Commission to conduct an investigation into packer pricing practices.

- AMS released two new hog reports earlier this month which include a new direct slaughter hog report and a new direct hog lean volume report. The expanded information contained in these reports will allow producers to more precisely evaluate the value of their hogs based on lean quality value differences. These reports include estimated and actual cash sales, weighted average calculations, market information for lean percent from 47-58% yield, and weight and lean differentials, which will reflect premiums and discounts, depending on quality.

- In his meeting with major hog slaughterers and processors, the Secretary encouraged greater voluntary cooperation with AMS market news reporters.

8. Increase Producer Education.

- GIPSA, AMS and FSA, in cooperation with the National Pork Producers Council, is conducting marketing seminars to make producers more knowledgeable about marketing options. Since Dec. 1, 1998, AMS and GIPSA conducted 17 producer meetings throughout major hog-producing States.

- AMS is working directly with the National Pork Board to focus their resources on industry information that will keep producers informed on factors affecting live hog and pork marketing.

Impact on prices and slaughter rates.

Slaughter hog prices which dropped to $10.00 per hundredweight in December 1998 are beginning to recover following the implementation of many of the Task Force's recommendations and USDA's swift action. The average price per hundredweight for barrows and gilts was $27.04 on March 5, 1999.

ORGANIC CERTIFICATION PROGRAM

Mr. Skeen: When will AMS publish a final rule on national organic standards?

Response: AMS is in the final stages of issuing another proposed rule for organically-grown food. There were more than 275,000 comments on USDA's previous proposed organic standard, mostly in opposition. We are revising our proposed standards, and plan to issue another proposal later this year with another public comment period.

PRESIDENT'S YEAR 2000 WORKING GROUP

Mr. Skeen: According to your prepared testimony, you are part of the President's Year 2000 Working Group. What other federal agencies are part of this group?

Response: As part of the President's Year 2000 Working Group, AMS is represented on two specific groups: the Food Supply Working Group and the Transportation Working Group. The Food Supply Working Group is comprised of all USDA agencies involved in the food supply chain --from farm to table, and the Food and Drug Administration. The Transportation Working Group is comprised of all Federal departments and agencies involved in ground, air, and water transportation, both as providers and users.

Mr. Skeen: What is the purpose of the group?

Response: The Food Supply Working Group's assesses the Year 2000 impact on the food sector, through cooperative efforts among government, industry, and academic experts. AMS' is developing the risk assessment methodology that will be applied to the various commodity sectors and providing and facilitating technical support throughout the assessment.

The Transportation Sector Working Group chaired by the Department of Transportation, assesses how various transport modes, that deliver food products domestically and internationally, would be impacted by the Y2K problem.

Mr. Skeen: Based on the work the group has done so far, what is your assessment of the agriculture sector's readiness for 2000?

Response: Based on evidence gathered through our meetings with the food industry, academia, and government experts, the Food Supply Working Group does not believe the Year 2000 problem will cause widespread or severe disruptions in the food supply. It is most likely that the year 2000 problem will result in some minor effects, localized by region or by a particular food product.

The state of readiness within the food industry is encouraging. The Food Supply Working Group's initial analyses suggest that the American public can be confident that the major domestic companies, which provide most of the key foods, will continue to operate in spite of the Year 2000 problem. An interruption in the food supply so severe as to threaten the well being and basic comfort of the American public is unlikely.

The complete text of the Secretary's testimony can be found at the USDA web site: http://www.usda.gov/news/special/ctc5.htm.

INTERNATIONAL TRADE PRICE AND VOLUME REPORTING

Mr. Skeen: How much did AMS spend in fiscal year 1998 to report international trade prices and trade volume?

Response: In fiscal year 1998, AMS spent $404,000 to report international trade prices and trade volume. Of this amount, $104,000 was for Poultry Programs, $125,000 was for Fruit and Vegetable Programs, and $175,000 was for Livestock and Seed Programs.

CONSUMER'S UNION REPORT

Mr. Skeen: The Consumer's Union recently published a report on trace pesticides found on some fruits and vegetables. To what degree is information, gathered through the pesticide data program, included in these reports?

Response: The Consumer's Union report was based entirely on PDP data. The report used results from 27,000 samples collected during the calendar years 1994 through 1997, and combined them with toxicity data compiled by the EPA to estimate "relative toxicity loading" of commodities by country of origin. The data were obtained directly from the USDA's web site for PDP. (USDA has not issued any formal response to the CU report.)

RAPID RESPONSE

Mr. Skeen: What is the rationale for EPA requesting the AMS to develop a rapid response capability?

Response: EPA is under a tight schedule to reassess tolerances for pesticide residues in or on raw and processed foods, as required by the Food Quality Protection Act of 1996. Under this schedule, over 6,000 tolerances must be completed by August 2002 over 3000 more tolerances by August 2006. To meet these deadlines, EPA requested PDP to develop a rapid response capability to complete risk assessment evaluations for pesticides affecting various commodities in the same crop group. For example, there are 38 commodities covered under the Root and Tuber Vegetables crop group, 27 commodities under the Leafy Vegetables crop group, and so on. Under this plan, PDP will add commodities in the same crop group as those already tested by collecting a smaller number of samples than normally required, while retaining statistical validity of the results. This type of rapid evaluation will enhance the pesticide reregistration process significantly, use minimal resources for data quality assurance, and allow commodity changes to be considered on a quarterly basis.

Mr. Skeen: What does having a rapid response capability mean?

Response: Rapid response capability means building up existing resources to accelerate delivery of data for tolerance reassessments. At the State level, this includes filling personnel vacancies, providing funds to offset salary increases to retain experienced personnel, replacing old laboratory equipment to reduce down time for repairs, and to modernize laboratory information technologies to be compliant with Year 2000 requirements. At the Federal level, rapid response capability requires additional staff to review incoming data for all new commodities, to respond quickly to EPA's data requests, and to expand database capabilities.

Mr. Skeen: Did the AMS include funding for the rapid response capability to the Department? Did the Department include funding for the

rapid response capability to OMB? Did OMB include funding for the rapid response capability in their allowance?

Response: *Funding for the rapid response capability was included in* AMS' original request to the Department. The Department included the proposal in its request to OMB, and OMB included it in its allowance.

PESTICIDE USE

Mr. Skeen: Please provide a table that shows spending, by agency, for pesticide use and data collection and analysis to include fiscal year 1998 actuals and fiscal year 1999 and 2000 estimates.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
Integrated Pest Management and Related Programs
(Dollars in Millions)

Program group Agency Program	1998 Actual	1999 Estimate	2000 Budget
Pesticide Use and Residue Data Collection and Analysis			
AMS-Pesticide Data Program	7.902	10.719	13.117
AMS-Pesticide recordkeeping	2.547	2.547	2.547
ARS-Food Intake Survey	5.000	0.000	0.000
ERS Pesticide use analysis	1.700	1.700	1.700
NASS Pesticide use surveys	5.700	5.700	7.300
Total	22.849	20.666	24.664
Pesticide registration, clearance, assessment, training			
ARS-Minor use clearance (IR-4)	2.093	2.068	2.068
CSREES:RE Minor use clearance (IR-4)	9.472	9.506	11.150
CSREES:RE Minor crop pest management	(8.990)	(8.990)	(10.711)
CSREES:RE Hatch Act minor use clearance	(0.482)	(0.516)	(0.439)
ARS NAPIAP	1.192	1.089	2.589
OPMP, included above	(0.406)	(1.089)	(2.589)
CSREES: Integrated Activities, PIA	0.000	0.000	4.640
CSREES:RE NAPIAP	1.327	1.327	0.000
CSREES:Ext. NAPIAP	3.214	3.214	0.000
ERS NAPIAP	0.300	0.300	0.300
FS NAPIAP	0.361	0.361	0.360
Total, NAPIAP	6.394	6.291	7.889
CSREES:Ext. Applicator training	0.000	0.000	1.500
Subtotal	17.959	17.865	22.607

FQPA IMPLEMENTATION

Mr. Skeen: Please insert into the record a copy of an April 8, 1998 memorandum from the Vice-President of the United States that sets forth clear principles to guide implementation of the FQPA.

[The information follows:]

OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 8, 1998

MEMORANDUM FOR SECRETARY DANIEL R. GLICKMAN
ADMINISTRATOR CAROL M. BROWNER

FROM: THE VICE PRESIDENT

SUBJECT: FOOD QUALITY PROTECTION

In the Food Quality Protection Act (FQPA) of 1996, the Administration joined with the bipartisan leadership of the Congress and a broad array of agricultural, industry, and public interest constituencies to strengthen protection for all Americans from potential risks associated with the food they eat. The purpose of this memorandum is to reaffirm our commitments under the Act and to clarify how we plan to fulfill them.

The landmark protections established by this law, and in particular the new scrutiny given to potential risks to children, will ensure that Americans in the 21st century will have the safest food supply in the world. These protections can be implemented while we maintain our plentiful and affordable food supply and continue the significant increase in the net trade balance favoring United States agricultural production that we have achieved in President Clinton's Administration.

The FQPA is an important achievement in protecting public health, and particularly in addressing potential health risks to children. As President Clinton said at the time of signing the FQPA into law, this Act puts the safety of our children first. The broad consensus supporting the FQPA's new protection for our families illustrates the fundamental premise of the law's sponsors and President Clinton's policies that we can achieve higher standards of protection, especially for children, while preserving the strengths of our Nation's agriculture and its farm communities.

Implementation of the FQPA's stronger standards presents complex scientific and regulatory issues. As with any major change in the law and the regulatory process, numerous constituencies are concerned about the manner in which the new law will be implemented. There is broad consensus supporting the strengthened protection of the public that Congress mandated in this new law. There are corresponding concerns about potential uncertainty for those whose livelihood and practices are potentially affected as the Environmental Protection Agency (EPA) implements the new law.

Accordingly, on behalf of President Clinton and in accordance with my responsibility for implementation of Executive Order 12866 (Sep. 30, 1993), I am requesting that the EPA

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Administrator and the Secretary of Agriculture work together to ensure that implementation of the paramount public health goals of the new law is informed by a sound regulatory approach, by the expertise of the Department of Agriculture (USDA), by appropriate input from affected members of the public, and by due regard for the needs of our Nation's agricultural producers.

Implementation Principles

In accordance with the provisions and policies of the FQPA and sound regulatory practice, EPA should work in close consultation with USDA, and USDA should devote sufficient resources to the FQPA regulatory process, to ensure that implementation of the law comports with the following four principles.

Sound Science in Protecting Public Health

Consistent with the provisions of the FQPA, EPA and USDA should work together to ensure that all FQPA decisions follow the Clinton Administration's principles for sound regulation.

1. Regulatory decisions should be based on the best science and data that are available.

2. EPA should continue to seek peer review and public review of its methods and approaches for analyzing potential risk under the new law, particularly with respect to models, exposure scenarios, and use of scientific inferences. Use of default assumptions and exposure scenarios should be carefully considered and fully explained in the public record.

3. In evaluating whether or not to remove or reduce the presumptive tenfold safety factor for risks specific to children, EPA should recognize the discretion provided in the current law. In this evaluation, EPA should exercise its discretion in a manner consistent with the intent of the Congress and the 1993 Report by the National Academy of Sciences concerning risks to children from pesticides. In developing analytical approaches for the exercise of this discretion, EPA should utilize external scientific review panels wherever appropriate.

Transparency

In translating sound science into sound regulatory approaches, EPA and USDA should ensure that the decisions and positions of the two agencies are transparent to affected constituencies.

1. Approaches must be clearly and fully communicated in a manner that facilitates informed review by all affected constituencies.

2. Where there must be a selection among competing or alternative approaches or interpretations in implementing the law, alternatives should be fully presented and explained before moving forward.

3. In determining whether or not to seek additional data from the regulated community, EPA should fully disclose its decisions and reasons to the public.

Reasonable Transition for Agriculture

Implementation of the law will require transition to new pest management strategies for certain pesticide users. EPA and USDA should work together to address transition challenges in future years.

1. I understand EPA does not intend any significant use cancellations in this growing season. If this should change based on new information, there should be immediate consultation with USDA and affected constituencies.

2. To the extent permitted by law and consistent with public health protection, EPA and USDA should implement the FQPA in a way that ensures that affected pesticide users and other affected constituencies have the time, technical assistance, and support they need for transition to new and effective pest management strategies.

3. EPA should facilitate transition to new and more protective pest management strategies by expediting approval of new products that may serve as effective and safe substitutes to pesticides that may present unacceptable risks under the FQPA. USDA should devote appropriate resources to research and expand technical assistance in support of integrated pest management strategies.

4. EPA and USDA should review their respective operating plans and budgets and identify, within 14 days, those additional resources and strategies that can and will be devoted to expedite new product approvals and expand integrated pest management strategies.

5. EPA and USDA should identify and implement any appropriate measures that will further streamline the process for responding to emergency pest management challenges, to ensure that EPA is able to respond promptly, and to preserve the FQPA's policies in emergent situations.

6. EPA and USDA should explore creative, common-sense approaches for achieving any necessary transitions such as targeting elimination of unacceptable risks to those products with known safe alternatives. In particular, EPA and USDA should consider the use of market-based and incentive-based approaches for transitions and the potential for cooperative partnerships with grower groups.

Consultation with the Public and Other Agencies

EPA and USDA should establish an effective means of consultation with user groups, pesticide manufacturers, environmental and public health organizations, and others concerned about FQPA implementation, while meeting the requirements and timetables set forth in the Act.

1. Within 14 days, EPA should consult with USDA and establish a mechanism for seeking advice and consultation from affected user, producer, consumer, public health, environmental, and other interested groups, following consultation with the Council on Environmental Quality (CEQ). Representation also should reflect the diversity of interests within and among affected user groups. USDA should participate fully in this process. All facets of FQPA implementation shall include

appropriate input from state and local agencies, Tribal governments, Members of Congress, and the public.

2. At appropriate points in the regulatory process, EPA and USDA should consult directly with relevant offices of the Office of Management and Budget and the Food and Drug Administration, as well as any other Federal agencies or departments that may have data or experience relevant to FQPA implementation.

3. The Office of the Secretary of Agriculture should enhance its role in coordinating USDA's pest management policy. The Office of the Secretary should provide all appropriate support to implementation of the FQPA and this memorandum.

* * * * * *

EPA and USDA should provide an initial report to me on implementation of this memorandum within fourteen (14) days.

This memorandum is not intended to create any right, benefit, or trust responsibility, substantive or procedural, enforceable at law or equity by a party against the United States, its agencies or instrumentalities, or any other person.

EPA shall publish this memorandum in the Federal Register.

ADHERENCE TO COMMITTEE GUIDELINES

Mr. Skeen: Report language was included for fiscal year 1999 that requested USDA to adhere to the guidelines set forth in the Vice-President's memorandum. Those guidelines included: regulatory decisions should be based on the best science and data that are available; EPA should seek peer review and public review of its methods and approaches for analyzing potential risk under the new law; approaches must be clearly and fully communicated in a manner that facilitates informed review by all affected constituencies; and, where there must be a selection among competing or alternative approaches or interpretations in implementing the law, alternatives should be fully presented and explained before moving forward.

Please tell the Committee how USDA/AMS has worked to adhere to the guidelines.

Response: AMS staff managing the PDP instituted the necessary scientific foundation and strict program controls to have the PDP's data recognized nationally and internationally as some of the best pesticide residue information available on food. The data generated by the PDP enable the EPA to use actual pesticide residue information when conducting dietary risk assessments. Without actual data, EPA can be forced to use the default assumption that foods contain pesticide residues at the level of an established tolerance, in other words, at the maximum allowable concentration. This assumption can jeopardize the reregistration of pesticides important to American agriculture, especially minor crops. EPA has found PDP's data to be very useful in their reregistration activities for pesticides.

AMS has worked closely with EPA and participating States to ensure foods highly consumed by children are included in PDP to the extent possible with existing funds. As a result, most of the foods tested in PDP are highly consumed by children.

Each year, PDP's Annual Data Summary, that contains testing results for the calendar year, is released to the public. Over 3000 copies are distributed and these data are also accessible to all interested parties through the Internet. Users of PDP's data include: Federal and State organizations, academia, agricultural community, including minor crop growers; environmental community; consumer organizations; international organizations such as the World Health Organization and the Codex Alimentarius Commission; and global traders.

AMS has in the last two years worked closely with the Department's Office of Pest Management Policy or (OPMP), to find ways to use the PDP's data for integrated pest management programs, and to do so in a timely manner. In this respect, AMS has become proactive in alerting OPMP when pesticide residue problems begin to emerge in the PDP's testing program so that appropriate investigations and corrective actions can be instituted quickly.

AMS also works closely with EPA to help communicate PDP's results to EPA's and USDA's stakeholders through organized efforts such as the Tolerance Reassessment Advisory Committee. AMS staff also have made presentations on PDP at meetings and conferences.

CROP PROTECTION PRODUCTS

Mr. Skeen: Does the EPA use USDA pesticide data program data when determining how farmers use crop protection products?

Response: Data collected by the Pesticide Data Program, or PDP is very important to EPA and is used extensively in determining how farmers use crop protection products and in assessing possible pesticide risks. For example, PDP data is used to corroborate and refine pesticide usage data collected by the National Agricultural Statistics Service. The data is equally important for planning workable risk mitigation measures. When cancellation of a chemical or certain uses of a chemical is the only viable approach to reducing risk to acceptable levels, USDA will provide ideas on possible risk management strategies and options.

USDA/EPA RELATIONSHIP

Mr. Skeen: The Committee is concerned that the EPA plans to publicly release "Interim/Preliminary" Reregistration Eligibility Documents (REDs) using so-called default assumptions and not using real data. Does USDA have any input or review over this release?

Response: EPA and USDA have agreed upon processes to ensure USDA's involvement in risk assessment, risk mitigation, and other aspects pertaining to implementation of the Food Quality Protection Act. EPA and USDA also agreed that it is critical for all risk assessments and regulatory decisions to make full use of sound science and the best possible data. USDA data concerning pesticide use patterns, residue levels, and food consumption are considered essential components of the risk assessment process.

EPA and USDA are now using a pilot process for involving the public in the reassessment of tolerances and reregistration of individual organophosphate pesticides. Until now, only the chemical registrants had the opportunity to review draft risk assessments and influence the decision-making process at the early stages of review. The pilot process was developed as part of the Tolerance Reassessment Advisory Committee efforts to find a more effective way for the public to participate at critical points in the development of risk assessment and risk management decisions affecting these chemicals. The pilot process consists of various phases during which the registrant, the public, and USDA are given the opportunity to comment. EPA forwards a "refined" risk assessment to USDA which includes comments from the registrant and the public, and provides briefings for the USDA review team at any point during their review. USDA is reviewing these documents to ensure that EPA is using all available PDP data. USDA and EPA work together to consider and incorporate comments into the refined risk assessment. In addition, EPA and USDA agreed to hold "technical briefings" for interested stakeholders to describe in detail the refined risk assessment, including risk contributors and drivers, comments received, and data that were used such as PDP data.

MICROBIOLOGICAL DATA PROGRAM

Mr. Skeen: Provide an object class breakout of the $6.2 million request for a microbiological data program.

[The information follows:]

Microbiological Data Program Budget Request ($ in Thousands)	
Salaries and Benefits	$557
Travel	37
Transportation of Things	5

Microbiological Data Program Budget Request ($ in Thousands)	
Salaries and Benefits	$557
Rent, Communications, and Utilities	108
Printing	12
Contractual Services and Training	5,290
Supplies	131
Equipment	45
Total	$6,185

Mr. Skeen: According to prepared testimony, the program will provide a "much needed baseline of microbiological data to assess risk contamination in the U.S. food supply." What is the true need for this program since you were not able to spend the $2.8 million provided in the fiscal year 1999 appropriations bill? Why couldn't AMS have used the fiscal year 1999 funding to develop the baseline information?

Response: The Microbiological Data Program, or MDP has been initiated using $112,000 of the $2.8 million provided for the Food Safety Initiative. MDP cannot function without a fully operational Pesticide Data Program, or PDP. If PDP had been allowed to deteriorate because of insufficient fiscal year 1999 funds, some of the elements needed to support MDP would have disappeared. This would have increased the cost of MDP, and lengthened the time before implementation. By protecting the needed elements of the PDP program, and by utilizing some of the money to initiate a MDP method development project for microorganism recovery, we believe that the funds have been used in the most effective way. A statistically valid MDP could not have been generated with $2.8 million.

Mr. Skeen: What other Federal and State agencies will AMS work with to implement this program?

Response: In addition to the AMS participation, the National Agricultural Statistics Service will provide the statistical support needed. The Food and Drug Administration has assigned a coordinator to provide advice and recommendations on the scientific elements of the program. Also the following states will be involved: California, Colorado, Florida, Maryland, Michigan, New York, Ohio, Texas, Washington, and Wisconsin. These are the same states that are participating in the Pesticide Data Program.

WHOLESALE MARKET DEVELOPMENT

Mr. Skeen: Provide an object class breakout of the $321,000 request for small farms.

Wholesale Market Development - Small Farms
FY 2000 Budget Request
($ in Thousands)

Spending Category	Amount
Salaries and Benefits	$108
Travel and Transportation	15
Rent, Communications, and Utilities	0
Printing	4
Contractual Services	172
Supplies	4
Equipment	18
Total	$321

Mr. Skeen: What is the definition of a small farm as it relates to this initiative?

Response: The Small Farms Commission report, *A Time to Act: A Report of the USDA National Commission on Small Farms*, dated January 1998, uses the threshold criterion of $250,000 annual revenue as the primary definition of a small farm.

CERTIFYING AGRICULTURAL PROCESSING EQUIPMENT

Mr. Skeen: The fiscal year 1999 appropriations bill included a provision that requires the Secretary of Agriculture to inspect and certify agricultural processing equipment and imposes a fee for that inspection and certification. Please bring the Committee up to date on how the Department is responding to this provision.

Response: AMS has been cooperating with industry equipment manufacturers to identify their needs and how to best meet them. AMS' Livestock ans Seed Program has been participating with two private associations, Underwriters Laboratories, Inc. and NSF International, who are each developing separate industry consensus standards for meat and poultry processing equipment hygiene. The Dairy Program participates with national and international organizations to establish recognized equipment design and fabrications standards.

PESTICIDE DATA PROGRAM

Mr. Skeen: Provide a table for the record showing funding for the Pesticide Data Program since fiscal year 1995 to include fiscal year 2000 estimates.

[The information follows:]

FISCAL YEAR	FUNDING ($ in Thousands)
1995	11,591
1996	11,591
1997	11,082[1]
1998	10,278 (8,000+2,278)[2]
1999	10,719
2000	13,117[3]

[1] Includes $10,221,000 in EPA's budget plus funding for program shutdown ($406,000 for AMS and $455,000 for APHIS).
[2] Amount includes $2,278,000 carry over from EPA 1997 funding
[3] An estimate that includes $911,000 to monitor pesticide residues in meat, poultry, eggs, and drinking water.

Mr. Skeen: Describe for the record how the pesticide data program is coordinated with EPA.

Response: EPA is under a tight schedule to reassess tolerances for pesticide residues in or on raw and processed foods, as required by the Food Quality Protection Act (FQPA) of 1996. Under this schedule, over 6,000 tolerances must be completed by August 2002 with the remainder (over 3000) due by August 2006. EPA and USDA are working closely to develop sampling and testing plans based on this schedule. For example, organophosphates and carbamate pesticides which are high priority chemicals in the reregistration schedule were quickly added to the program. Data on these chemicals, vital to agriculture, are being used by EPA to refine acute and chronic risk assessments. Other specific examples of program activities resulting from coordination efforts between EPA and PDP are:

Single Serving Studies for Pears and Apples: EPA requested data on single serving sizes for apples and pears to evaluate acute dietary exposures to organophosphate and carbamate pesticides. To accommodate these resource intensive studies, PDP amended annual program plans to begin the pear study immediately after the request was made. Pear data have already been provided to EPA to refine acute dietary risk. The data are also being used to test EPA cumulative risk models currently under development. The apple study began on January 1, 1999 and data will be made available to EPA as soon as possible.

Inclusion of Additional Children's Foods: Peanut butter and oats will be added to the program in August 1999. These two foods are high consumption items in children's diets.

Drinking Water: PDP is also working with EPA to develop a sampling and testing program for drinking water. These data are needed by EPA to meet FQPA requirements that exposures through drinking water be included in dietary risk assessments. These data are not available to EPA on a national scale. PDP is participating in discussions with EPA to gauge the scope of this effort. There are not sufficient funds available to begin sampling and analysis of drinking water in FY 2000. Estimated cost to accomplish this work in FY 2000 is $2.0 million, and the same amount in subsequent years.

Mr. Skeen: Provide for the record specific examples of how PDP information is incorporated into EPA's re-registration process.

Response: During fiscal year 1998, EPA used PDP data for the re-registration of iprodione, thiodicarb and methomyl. During this process, EPA reassessed approximately 160 separate tolerances, of which, about 60 were tolerances for minor crop uses. In addition, EPA is using all available PDP data for the re-registration of organophosphate pesticides. For example, EPA is preparing preliminary risk assessments for azinphos methyl, methidathion, chlorpyrifos, malathion, diazinon, dichlorvos, acephate, dimethoate, disulfoton, ethion, fenamiphos, fonofos, methamidophos, oxydemeton methyl, parathion, parathion methyl, phorate, phosalone, phosphamidon, and tetrachlorvinphos using PDP data. There are approximately 179 food uses covered by these data.

PDP provides data EPA needs to re-examine pesticide residues in food to determine whether a tolerance (i.e., maximum allowable concentration) is "safe." The term "safe" refers to a toxicologically determined average daily intake to assure there is a reasonable certainty of no harm from dietary exposure to a pesticide. EPA gives consideration to the special susceptibilities and food consumption patterns of infants and children, and uses available and reliable data when making risk determinations. EPA uses PDP data to make "best" (refined) exposure estimates resulting from pesticide residues in foods. Furthermore, because PDP places emphasis on food items highly consumed by infants and children, EPA uses PDP data to address the special needs of this vulnerable population subgroup.

PDP also conducts studies (single serving-size portions) specifically designed to evaluate acute (short term) exposure to organophosphate and N-methylcarbamate pesticides. Data from these studies are critical for the re-registration of these chemicals needed to sustain minor crops. These data will be used in Monte-Carlo analyses, a newly developed technique which has the capability to use more realistic data.

In a related effort, EPA is testing statistical methods using PDP single-serving size data generated for specific high consumption foods. These methods will be used to maximize use of PDP data on composites (more than one unit in a sample) in order to project acute dietary risk for other foods.

Approximately 88 percent of PDP data collected to date are for pesticide residues on minor crops. PDP data are extremely useful in retaining pesticide uses for minor crops. For example, PDP data are being extensively used in the re-registration of organophosphate pesticides needed to sustain minor crops. EPA uses PDP data to replace previously used "worst case" residue values (e.g., tolerances or farm-gate field trials) to more accurately reflect residues in food near the time of consumption.

Mr. Skeen: Have any changes been made to the PDP to meet the requirements of the Food Quality Protection Act?

Response: PDP's program plans are developed with input from the Environmental Protection Agency (EPA) staff. Pesticides and commodities planned for inclusion in PDP are selected based on implementation requirements of the Food Quality Protection Act (FQPA). FQPA allows EPA to use actual residue levels to establish, modify, or leave in effect a tolerance. Because PDP provides residue data needed to comply with FQPA's stringent food safety standards, EPA uses PDP data extensively to refine dietary risk assessments for pesticides going through the reregistration process. PDP has made changes in program plans to meet FQPA requirements in the following areas:

Exposures to Infants and Children: FQPA requires EPA to take into account the special sensitivities of infants and children. PDP places emphasis on collecting residue data in foods highly consumed by infants and children.

Exposures to Various Population Subgroups: FQPA requires EPA to examine available information concerning the variability of the sensitivities of major identifiable subgroups of consumers. EPA uses PDP data in risk mitigation efforts in various geographical regions by linking sample origin to residue findings.

Cumulative Risk: FQPA requires EPA to evaluate information concerning the cumulative effects of pesticide residues. PDP data provide information on various pesticides with toxic effects suspected to have cumulative effects.

Mr. Skeen: According to your written testimony, you said that USDA has informed the appropriations committees that it has reprogrammed $2.7 million out of $2.8 million provided in the fiscal year 1999 bill for the President's Food Safety Initiative. If this is so, can you explain why the Committee has not been informed of this reprogramming request?

Response: AMS indicated in its budget justification material that $112,000 was used in FY 1999 to initiate a pilot program for microbiological data collection. The Department is preparing a letter describing in greater detail this and other actions the Department is taking to implement the FY 1999 Appropriations Act.

MICROBIOLOGICAL DATA PROGRAM

Mr. Skeen: In fiscal year 2000, you are requesting $6.2 million to provide "much needed baseline of microbiological data to assess risk contamination in the U.S. food supply." What is the true need for this program since you were not able to spend the $2.8 million provided in the fiscal year 1999 appropriations bill?

Response: The need for the Microbiological Data Program (MDP) exists since there is no information available that can specify the level of fecal and pathogen contamination of the fruits and vegetables in the U.S. food supply. The objectives of the proposed microbiological program are to:

1. Determine the statistically-reliable incidence, number, and type of important foodborne microorganisms in the U.S. food supply, including domestically produced and imported products.

2. Establish, for the first time, a statistically-reliable, national database of the incidence of key microorganisms in food.

3. Use baseline data to establish "benchmarks" by which to evaluate the efficacy of procedures to reduce or eliminate harmful foodborne microorganisms.

4. Provide the Federal Government with valuable data to use for dietary risk assessments and decision making, and not be as susceptible to a crisis occurring because of lack of baseline information.

5. Provide other stakeholders with valuable data to use for decision making purposes, including State agencies, consumers, growers, processors, retail stores, food handlers, food transporters, medical institutions, academia, global traders, and international organizations.

The Department used $112 thousand to initiate a MDP method development project for microorganism recovery and the remaining $2.7 million was used to improve the comprehensiveness and reliability of pesticide residue testing program which is essential for the credibility and accuracy of the MDP.

Mr. Skeen: Why couldn't AMS use the fiscal year 1999 funding to develop the baseline information?

Response: The Microbiological Data Program (MDP) has been initiated using $112,000 of the $2.831 million provided for the Food Safety Initiative. MDP cannot function without a fully operational Pesticide Data Program (PDP). If that program had been allowed to deteriorate because of insufficient fiscal year 1999 funds, some of the elements needed to support MDP would have disappeared. This would have increased the cost of MDP, and lengthened the time before implementation. By protecting the needed elements of the PDP program, and by utilizing some of the money to initiate a MDP method development project for microorganism recovery, it is believed that the funds have been used in the most effective way. A statistically valid sample could not have been generated with $2.8 million.

Questions submitted by Mr. Latham

CONCENTRATION IN THE PORK INDUSTRY

Mr. Latham: I realize the Packers and Stockyards Administration has been compiling packer concentration and industry structure data on a region by region basis. Has similar data been gathered in regard to the pork industry?

Response: On an annual basis GIPSA collects information on livestock including hogs purchased by individual packers. Consolidation information is published in the Packer and Stockyards Statistical Report. These reports enable GIPSA to review and evaluate concentration issues in the hog industry.

VERTICAL INTEGRATION

Mr. Latham: Can you give us some information and opinions about "vertical integration" and the impact on rural economies?

Response: Vertical integration in the hog industry is tending toward the trend set by the broiler industry. The number of hog operations at 114,380 in 1998 is 20 percent fewer than in 1996. The number of hog operations with over 5,000 head now account for 42 percent of the total hog inventory. Small producers unable to remain in business are raising hogs under contract for one or more of the eight major hog producers, such as Premium Standards Farms and Seaboard. Because of the 1998 and early 1999 hog crisis, the number of small hog producers in operation may decline significantly in 1999.

Vertical integration in the beef industry is not progressing rapidly as the cow/calf operators are continuing to remain relatively independent. Packer ownership of cattle remained at a relatively small percentage of the federally inspected slaughter--less than 5 percent. Packers purchase around 25 percent of supplies through forward contracts and marketing agreements.

MARKET TRANSPARENCY

Mr. Latham: AMS is requesting an increase of $700,000 to make livestock transaction price reports more transparent and to ensure fair competition. GIPSA is requesting $636,000 for similar work. What is AMS doing that is different from GIPSA and is the data being combined?

Response: Under the authority of the Agricultural Marketing Act of 1946, AMS collects, on a voluntary basis, and immediately reports livestock and meat prices and related market information. The information is disseminated through daily, weekly, monthly, and annual written and electronic reports covering sales of live cattle, hogs, sheep, lamb, and the wholesale meat products produced from these animals. The information is used by producers and other industry members for price discovery and to make immediate marketing decisions on when, how, and where to sell their livestock.

The Grain Inspection, Packers and Stockyards Administration, or GIPSA, under the Packers and Stockyards ACT of 1921, has authority to collect price and other marketing information from firms in fulfilling GIPSA's mandate to ensure fair competition and fair trade practices in the industry. The data almost always are from past rather than current transactions. Consequently, it is not especially useful to producers seeking immediate price discovery.

The data collected by AMS and GIPSA is significantly different. AMS data is used for price discovery and immediate marketing decisions. GIPSA data is a

review of trade practices and pricing methods to determine if illegal activities have occurred. AMS cooperates with GIPSA by providing current market information from which they can conduct investigations and do surveillance. AMS will continue to cooperate with GIPSA to provide information that is necessary for GIPSA to conduct investigations. AMS and GIPSA market information is not combined for purposes of issuing market news reports.

TRANSPORTATION SERVICES

Mr. Latham: Brazil and Argentina have spent hundreds of millions of dollars investing in the transportation system necessary to deliver their grain to the world market. This must cut their transportation differential with us considerably. Mr. Dunn, should the United States begin examining the condition of our river system infrastructure?

Response: We have identified the condition of our waterway infrastructure as a major long-term transportation challenge facing U.S. agriculture. We will be analyzing the importance of waterway services to U.S. agriculture as part of our Long-Term Agricultural Transportation Strategy, and will work with the U.S. Army Corps of Engineers on this important issue.

Mr. Latham: If we fail to expand or maintain our waterways what will the cost in decreased exports be to our agricultural economy?

Response: Since waterways typically deliver about two-thirds of U.S. corn and soybeans to export, any decrease in our waterway capacity over the long-term would hurt both the competitiveness of U.S. grain in world markets and the returns from grain production in the United States.

RESEARCH AND PROMOTION

Mr. Latham: There are 12 mandated agriculture promotion programs which collect about $660 million per year from producers. Unfortunately, there has been a great deal of attention focused on the use and misuse of these funds by the Cotton Board and the Fluid Milk Board. Can you give the Subcommittee some insight into the independent review of the promotion boards and its progress?

Response: Last December, Secretary Glickman announced the formation of an interagency task force, to review USDA's oversight of research and promotion programs. The task force has nine members, including USDA's Chief Economist; the General Counsel for the Department; the Deputy Administrator for the Food Stamp Program in the Food and Nutrition Service; USDA's Chief Financial Officer; the AMS Administrator and the AMS Deputy Administrator for Compliance and Analysis; the Deputy Administrator for Management of the Farm Services Agency; and the Chief Financial Officer for the Research, Education, and Economics mission area.

Since the beginning of January, the task force has met weekly with the Deputy Administrators in AMS, their research and promotion staffs, and the Office of Inspector General. On March 8 and 9, 1999, the task force invited all representatives of the research and promotion Boards to an open public meeting to participate in a dialogue regarding board operations and USDA oversight. I will submit for the record the list of topics discussed at the public meeting.

[The information follows:]

Discussion Topics for March 8-9 Meeting
with R&P Task Force Members and
Representatives of R&P Boards

1. Nominations Procedures -- methods to ensure that nominations are solicited from the broadest groups for board representation; reaching out to a diverse group of members, such as limited resource/small/minority producers, handlers, importers, public consumer representatives, minorities, etc.

2. Continuance Referendum Procedures -- most programs require that calls for referenda must occur with some specified percentage of signatures. In some cases volume thresholds are also used. Are the procedures/thresholds adequate to ensure that programs have majority support? Some programs call for automatic referenda on a periodic basis (e.g., every two years) -- should there be consistent procedures across all programs? What is the best way to ensure that there is continued support for programs?

3. Financial Management Issues: two areas of discussion here might be in: 1) the areas of financial controls, reviews, and audit procedures by Boards -- are there consistent procedures used across the boards; relatedly, are there sufficient enforcement authorities to boards to ensure proper financial controls, or to ensure prompt payment of assessments; 2) the role of USDA in overseeing financial management by boards, and audits by USDA -- can USDA be of better, more effective assistance in this area, to minimize problems with boards' financial management? How?

4. Other Items...e.g., evaluation of effectiveness -- how do boards ensure that their paying members (as well as the public, in some cases) are knowledgeable about the use of funds, and the effectiveness of promotion and research activities carried out by boards? Can USDA be of more assistance here? E.g., do boards engage in publishing their accomplishments, plans, or use such means as focus groups to solicit input and demonstrate planned activities and intended accomplishments?

PESTICIDE DATA PROGRAM

Mr. Latham: The Pesticide Data Program has been critical for making decisions on food safety issues. How does the PDP address requirements of the Food Quality Protection Act (FQPA)?

Response: PDP provides residue data needed to comply with the stringent food safety standards required by FQPA. FQPA allows EPA to use actual residue levels to establish, modify, or leave in effect a tolerance. EPA uses PDP data extensively to refine dietary risk assessments for pesticides going through the reregistration process. Actual residue data provide a more accurate estimate of risk and complement pesticide usage information. I will provide for the record specific examples.

[The information follows:]

Exposures to Infants and Children.

- FQPA requires EPA to take into account the special sensitivities of infants and children. PDP places emphasis on collecting residue data in foods highly consumed by infants and children.

Exposures to Various Population Subgroups.

- FQPA requires EPA to examine available information concerning the variability of the sensitivities of major identifiable subgroups of consumers. EPA uses PDP data in risk mitigation efforts in various geographical regions by linking sample origin to residue findings.

Cumulative Risk.

- FQPA requires EPA to evaluate information concerning the cumulative effects of pesticide residues. PDP data provides information on various pesticides with toxic effects suspected to have cumulative effects.

Mr. Latham: How is the PDP coordinated with the EPA?

Response: PDP program plans are coordinated with the EPA staff. Pesticides and crops planned for inclusion in the program are selected based on the FQPA schedule for tolerance reassessment and consumption data. For example, organophosphates and carbamate pesticides which are high priority chemicals in the reregistration schedule were quickly added to the program. Data on these chemicals, vital to agriculture, is being used by EPA to refine acute and chronic risk assessments. EPA requested data on single serving sizes for apples and pears to evaluate acute dietary exposures to organophosphate and carbamate pesticides. To accommodate these resource intensive studies, PDP amended annual program plans to begin the pear study immediately after the request was made. Pear data has already been provided to EPA to refine acute dietary risk. The data is also being used to test EPA cumulative risk models currently under development. The apple study began on January 1, 1999 and data will be made available to EPA as soon as possible. Peanut butter and oats will be added to the program in August 1999. These two foods are high consumption items in children's diets.

Mr. Latham: What is the universe of re-registrations pending in the next 3-5 years? What long-term plans have been developed to address these needs?

Response: EPA is under a tight schedule to reassess tolerances for pesticide residues in or on raw and processed foods, as required by the Food Quality Protection Act of 1996, or FQPA. Under this schedule, over 6,000 tolerances must be completed by August 2002 with the remainder of over 3000 due by August 2006. EPA and USDA are working closely to develop sampling and testing plans which include pesticides scheduled for tolerance reassessment through the year 2002, including pesticides of the carbamate and organochlorine classes. EPA has also provided USDA a list of foods for which they need residue data. USDA is searching for analytical methods and technologies needed to analyze these foods.

PDP is also working with EPA to develop a sampling and testing program for drinking water. This data is needed by EPA to meet FQPA requirements that exposures through drinking water be included in dietary risk assessments. This data is not available to EPA on a national scale. PDP is participating in discussions with EPA to gauge the scope of this effort. There are not sufficient funds available to begin sampling and analysis of drinking water in fiscal year 2000. The estimated cost to accomplish this work is $2.0 million, and the same amount in subsequent years.

Grain Inspection, Packers and Stockyards Administration
Questions submitted by Mr. Skeen

COMPLAINTS FROM LIVESTOCK PRODUCERS

Mr. Skeen: Update the table that appears on page 212 of last year's hearing record showing the number of complaints received from livestock producers to include fiscal year 1998 actuals and fiscal year 1999 estimates.

Response: [The information follows:]

Fiscal Year	Number of Investigations
1995	2,504
1996	2,265
1997	1,820
1998	1,684
1999	1,800 estimated

GRAIN FACILITIES

Mr. Skeen: Update the table that appears on page 212 of last year's hearing record showing the number of persons or companies who registered under current statuses and the number of grain facilities involved in export activities to include 1998.

Response: [The information follows:]

Year	No. of Registrants	Total Facilities That Export
1994	89	462
1995	96	499
1996	87	460
1997	85	365
1998	86	54*

*This figure includes only the elevators located at export port locations that export grain from the United States in waterborne carriers. It does not include elevators that export grain from the United States in land carriers as was previously reported.

GRAIN INSPECTED AND/OR WEIGHED

Mr. Skeen: Update the tables that appear on pages 214 through 216 of last year's hearing record, showing the grains inspected and/or weighed for export by country of destination for fiscal year 1998.

Response: [The information follows:]

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT BY COUNTRY OF DESTINATION

FY98 - YEAR TO DATE SEP 30, 1998

- METRIC TONS -

COUNTRY	WHEAT	RYE	YELLOW CORN	WHITE CORN	OATS	BARLEY	SORGHUM	SOYBEANS	FLAX	SUN FLOWER	TOTAL
ALBANIA	25,000	0	0	0	0	0	0	0	0	0	25,000
ALGERIA	320,271	0	813,259	0	0	0	0	0	0	0	1,133,530
ANGOLA	66,945	0	70,803	0	0	0	0	0	0	0	137,748
ARGENTINA	0	0	0	0	0	0	0	505,490	0	0	505,490
ARMENIA	93,334	0	0	0	0	0	0	0	0	0	93,334
AUSTRALIA	0	0	0	0	0	0	0	36,301	0	0	36,301
BANGLADESH	335,922	0	0	0	0	0	0	0	0	0	335,922
BARBADOS	27,643	0	35,873	0	0	0	0	22,135	0	0	85,651
BELGIUM	231,353	0	0	0	0	0	0	728,384	8,856	42,922	1,011,515
BELIZE	17,374	0	0	0	0	0	0	0	0	0	17,374
BENIN	11,600	0	0	0	0	0	0	0	0	0	11,600
BOLIVIA	38,078	0	0	0	0	0	0	0	0	0	38,078
BOSNIA-HERC	25,120	0	0	0	0	0	0	0	0	0	25,120
BOTSWANA	2,994	0	0	0	0	0	0	0	0	0	2,994
BRAZIL	0	0	0	0	0	0	0	807,649	0	0	807,649
CAMEROON	25,958	0	8,750	0	0	0	0	0	0	0	34,708
CANARY IS	16,500	0	0	0	0	0	0	0	0	0	16,500
CAPE VERDE	9,999	0	18,280	3,849	0	0	0	0	0	0	32,128
CHILE	31,887	0	169,088	0	0	0	0	23,231	0	0	224,206
CHINA MAIN	306,531	0	212,621	0	0	0	0	1,912,885	0	0	2,432,037
CHINA T	966,234	0	3,643,186	0	0	33,977	0	1,640,013	0	0	6,283,410
COLOMBIA	473,152	0	1,285,166	5,403	0	0	0	114,443	0	0	1,878,164
CONGO (BRAZ)	13,500	0	0	0	0	0	0	0	0	0	13,500
COSTA RICA	147,369	0	352,082	11,054	0	0	0	173,250	0	0	683,755
CROATIA	33,275	0	0	0	0	0	0	98,034	0	0	131,309
CYPRUS	16,800	0	35,650	0	0	26,251	0	0	0	0	78,701
DENMARK	0	0	0	0	0	0	0	41,368	0	0	41,368
DOMINICN REP	253,826	0	636,475	0	0	0	0	0	0	0	890,301
ECUADOR	196,446	0	74,693	0	0	0	0	28,243	0	0	299,382
EGYPT	4,131,773	0	1,981,760	0	0	0	9,443	66,626	0	0	6,189,602
EL SALVADOR	190,387	0	127,696	10,665	0	0	0	0	0	0	328,748
ERITREA	80,269	0	0	0	0	0	37,702	0	0	0	117,971
ETHIOPIA	125,104	0	0	0	0	0	50,000	0	0	0	175,104
FINLAND	0	0	0	0	0	0	0	40,700	0	0	40,700
FRANCE	0	0	0	0	0	0	0	401,540	0	0	401,540
GABON	2,000	0	0	0	0	0	0	0	0	0	2,000
GEORGIA	114,694	0	0	0	0	0	0	0	0	0	114,694
GERM FR (W)	0	0	0	0	0	0	0	59,403	0	0	59,403
GERMANY	0	0	0	0	0	0	0	950,929	0	0	950,929
GHANA	138,353	0	0	0	0	0	0	0	0	0	138,353

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT BY COUNTRY OF DESTINATION

FY98 - YEAR TO DATE SEP 30, 1998

- METRIC TONS -

COUNTRY	WHEAT	RYE	YELLOW CORN	WHITE CORN	OATS	BARLEY	SORGHUM	SOYBEANS	FLAX	SUN FLOWER	TOTAL
GREECE	0	0	19,298	0	0	0	0	128,578	0	0	147,876
GRENADA	14,103	0	2,572	0	0	0	0	0	0	0	16,675
GUATEMALA	45,387	0	151,689	0	0	0	0	2,199	0	0	199,275
GUYANA	41,531	0	0	0	0	0	0	0	0	0	41,531
HONDURAS	169,788	0	61,804	0	0	0	6,307	0	0	0	237,899
ICELAND	6,185	0	11,861	0	0	0	0	0	0	0	18,046
INDONESIA	149,162	0	32,995	0	0	0	0	835,979	0	0	1,018,136
IRAQ	745,309	0	0	0	0	0	0	0	0	0	745,309
IRELAND	0	0	0	0	0	0	0	9,458	0	0	9,458
ISRAEL	727,995	0	137,485	0	0	0	77,073	430,447	0	0	1,373,000
ITALY	532,780	0	0	0	0	0	0	224,346	0	0	757,126
IVORY COAST	4,612	0	0	0	0	0	0	0	0	0	4,612
JAMAICA	174,868	0	207,481	0	0	0	0	0	0	0	382,349
JAPAN	3,228,610	0	14,082,901	47,308	0	380,852	1,482,848	3,602,905	0	0	22,825,424
JORDAN	333,398	0	78,753	0	0	52,499	0	0	0	0	464,650
KENYA	48,436	0	31,201	175,006	0	0	4,000	6,463	0	0	265,106
KOREA REP	1,310,735	0	3,508,795	0	0	0	0	1,213,782	0	0	6,033,312
KYRGYZSTAN	8,500	0	0	0	0	0	0	29,999	0	0	38,499
LATVIA	0	0	0	0	0	0	0	12,442	0	0	12,442
LEBANON	152,408	0	80,633	0	0	0	0	0	0	0	233,041
MACEDONIA	17,806	0	0	0	0	0	0	4,150	0	0	21,956
MALAYSIA	15,280	0	53,195	0	0	0	0	260,399	0	0	328,874
MALTA	18,415	0	0	0	0	0	0	0	0	0	18,415
MEXICO	1,433,550	0	3,602,967	417,656	2,760	62,523	2,037,861	3,092,413	0	29,691	10,679,421
MONGOLIA	11,000	0	0	0	0	0	0	0	0	0	11,000
MOROCCO	294,373	0	360,501	0	0	0	0	81,201	0	0	736,075
MOZAMBIQUE	98,929	0	0	0	0	0	0	10,021	0	0	108,950
NETH ANTIL	6,608	0	0	0	0	0	0	0	0	0	6,608
NETHERLANDS	37,115	0	0	0	0	0	0	3,062,375	0	9,609	3,109,099
NEW GUINEA	0	0	0	0	0	0	4,797	0	0	0	4,797
NEW ZEALAND	5,500	0	0	0	0	0	0	0	0	0	5,500
NICARAGUA	112,341	0	4,551	0	0	0	0	0	0	0	116,892
NIGER	1,350	0	0	0	0	0	0	0	0	0	1,350
NIGERIA	954,804	0	0	0	0	0	0	0	0	0	954,804
NORTH KOREA	0	0	119,973	0	0	0	0	0	0	0	119,973
NORWAY	43,805	0	0	0	0	0	20,354	0	0	0	64,159
OMAN	0	0	23,100	0	0	0	0	0	0	0	23,100
PAKISTAN	1,723,944	0	0	0	0	0	0	0	0	0	1,723,944
PANAMA	109,638	0	202,585	0	0	0	0	0	0	0	312,223
PERU	353,447	0	291,470	0	0	0	0	0	0	0	644,917
PHILIPPINES	1,622,430	0	249,561	34,952	0	0	0	115,088	0	0	2,022,031

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT BY COUNTRY OF DESTINATION

FY98 - YEAR TO DATE SEP 30, 1998

- METRIC TONS -

COUNTRY	WHEAT	RYE	YELLOW CORN	WHITE CORN	OATS	BARLEY	SORGHUM	SOYBEANS	FLAX	SUN FLOWER	TOTAL
POLAND	10,233	0	0	0	0	0	0	0	0	0	10,233
PORTUGAL	9,014	0	0	0	0	0	0	245,930	0	14,452	269,396
REP S AFRICA	127,977	0	0	26,250	0	24,721	0	0	0	0	178,948
ROMANIA	0	0	0	0	0	0	0	49,498	0	0	49,498
RUSSIA	25,346	0	0	0	0	0	0	0	0	0	25,346
RWANDA	8,000	0	640	0	0	0	0	0	0	0	8,640
SAUDI ARABIA	0	0	970,144	0	0	521,709	0	0	0	0	1,491,853
SENEGAL	0	0	27,711	0	0	0	0	0	0	0	27,711
SINGAPORE	23,082	0	0	0	0	0	0	0	0	0	23,082
SLOVENIA	40,983	0	0	0	0	0	0	0	0	0	40,983
SOMALIA	0	0	428	0	0	0	2,000	0	0	0	2,428
SPAIN	289,198	0	116,523	0	0	0	203,907	1,665,258	0	14,442	2,289,328
SRI LANKA	479,494	0	0	0	0	0	0	0	0	0	479,494
ST. VINCENT	25,120	0	8,449	0	0	0	0	0	0	0	33,569
SUDAN	0	0	23,361	0	0	0	34,859	0	0	0	58,220
SURINAME	13,923	0	15,072	0	0	0	0	0	0	0	28,995
SWITZERLAND	9,000	0	0	0	0	0	0	0	0	0	9,000
SYRIA	0	0	249,437	0	0	0	0	30,480	0	0	279,917
TAJIKISTAN	38,000	0	0	0	0	0	0	0	0	0	38,000
TANZANIA	10,000	0	0	19,194	0	0	0	0	0	0	29,194
THAILAND	225,230	0	53	0	0	0	0	453,310	0	0	678,593
TOGO	22,711	0	0	0	0	0	0	0	0	0	22,711
TRINIDAD	137,942	0	80,071	0	0	0	0	54,839	0	0	272,852
TUNISIA	347,851	0	157,477	0	0	0	0	0	0	0	505,328
TURKEY	117,967	0	354,369	0	0	0	0	183,328	0	45,362	701,026
UGANDA	27,320	0	22,658	0	0	0	0	0	0	0	49,978
UN KINGDOM	94,951	0	0	0	0	37,386	0	444,096	0	0	576,433
VENEZUELA	617,868	0	695,398	0	0	0	0	191,554	0	0	1,504,820
YEMEN	521,223	0	20,000	0	0	0	0	0	0	0	541,223
YUGOSLAVIA	19,637	0	0	0	0	0	0	0	0	0	19,637
ZAIRE	113,229	0	0	0	0	0	0	0	0	0	113,229
ZIMBABWE	25,000	0	0	0	0	0	0	0	0	0	25,000
GRAND TOTAL	26,404,132	0	35,522,544	751,337	2,760	1,139,918	3,971,151	24,091,162	8,856	156,478	92,118,647
SHIPMENTS TO CANADA*	380,653	0	949,572	0	0	43,542	0	1,007,282	0	0	2,400,814

MIXED CORN IS INCLUDED WITH YELLOW CORN.
*NOT INCLUDED IN TOTAL INSPECTION FOR EXPORTS
GRAIN SHIPPED FOR STORAGE IN CANADA IS REPORTED AT TIME OF SHIPMENT FROM ST LAWR SWY PORTS

SOURCE: FEDERAL GRAIN INSPECTION SERVICE

GRAIN DUST EXPLOSIONS

Mr. Skeen: Update the table that appears on page 217 of last year's hearing record showing the number of explosions resulting from grain dust, including the number of deaths and injuries, to include fiscal year 1998.

Response: The following table reflects the number of explosions resulting from grain dust:

Year	Explosions	Injuries	Deaths
1994	19	27	1
1995	12	6	2
1996	16	26	1
1997	15	14	1
1998	18	22	7

EXPORTED GRAIN COMPLAINTS

Mr. Skeen: Update the table that also appears on pages 218-220 of last year's hearing record showing the number of complaints for exported grain that you received and the number of open cases to include fiscal year 1998 actuals and fiscal year 1999 figures to date.

Response: [The information follows:]

COMPLAINTS

Fiscal Year	Number of Complaints	Cases Open
1993	50	0
1994	30	0
1995	28	0
1996	20	0
1997	23	0
1998	14	0
1999(through 3/3/99)	6	0

FOREIGN COMPLAINT SUMMARY DATA - SINCE 1993

	FY 1993		FY 1994		FY 1995		FY 1996		FY 1997		FY 1998		FY 1999 (TO DATE)	
	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.
TOTALS														
TOTAL EXPORT LOTS	6,393		5,974		7,130		6,874		6,854		6,723		2,931	
NUMBER OF DISCREPANCIES	50		30		28		20		23		14		6	
CARRIERS INVOLVED	62		36		50		24		27		17		7	
TOTAL LOTS INVOLVED	70	1.6	40	1.0	61	1.4	25	0.6	34	0.5	24	0.4	8	0.5
BARLEY DISCREPANCIES	-		1		1		1		2		-		-	
LOTS INVOLVED	-	-	1	1.4	1	0.1	1	2.1	2	3.3	-	-	-	-
CORN DISCREPANCIES	22		11		10		3		6		5		1	
LOTS INVOLVED	30	2.3	12	0.6	28	2.0	3	0.1	6	0.3	6	0.2	2	0.3
SORGHUM DISCREPANCIES	-		-		2		1		-		-		2	
LOTS INVOLVED	-	-	-	-	3	1.5	1	0.6	-	-	-	-	2	1.4
SOYBEAN DISCREPANCIES	2		2		3		4		3		-		-	
LOTS INVOLVED	2	0.3	2	0.1	8	0.4	4	0.5	4	0.5	-	-	-	-
WHEAT DISCREPANCIES	26		16		12		11		12		9		3	
LOTS INVOLVED	38	2.0	25	1.9	22	1.0	16	1.2	22	1.2	16	1.2	4	1.3

COMPLAINT LOTS BY GRAIN AND FACTOR

	FY 1993		FY 1994		FY 1995		FY 1996		FY 1997		FY 1998		FY 1999 (TO DATE)	
	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.
BARLEY														
DOCKAGE	-	-	1	1.4	-	-	-	-	-	-	-	-	-	-
FOREIGN MATERIAL	-	-	1	1.4	-	-	-	-	-	-	-	-	-	-
ROCKS	-	-	-	-	-	-	-	-	1	1.7	-	-	-	-
MOISTURE	-	-	-	-	-	-	1	2.1	-	-	-	-	-	-
ERGOT	-	-	-	-	1	0.1	-	-	-	-	-	-	-	-
MOLD	-	-	-	-	1	0.1	-	-	-	-	-	-	-	-
RODENTS	-	-	-	-	-	-	-	-	1	1.7	-	-	-	-
WEED SEED	-	-	-	-	1	0.1	-	-	-	-	-	-	-	-
CORN														
INFESTATION	1	0.1	2	0.07	-	-	1	0.05	-	-	-	-	-	-
MYCOTOXINS	-	-	-	-	-	-	-	-	1	0.1	-	-	-	-
AFLATOXIN	-	-	-	-	2	0.1	-	-	-	-	-	-	-	-
HEATING	2	0.2	-	-	-	-	-	-	1	0.1	4	0.2	-	-
MOISTURE	9	0.8	1	0.05	18	1.5	1	0.1	3	0.07	5	0.2	-	-
DAMAGED KERNELS	14	0.9	6	0.5	2	0.09	-	-	3	0.3	4	0.2	-	-
MOLD	1	0.1	-	-	2	0.1	-	-	-	-	-	-	-	-
HEAT DAMAGE	7	3	2	0.1	1	0.03	-	-	1	0.1	-	-	-	-
BROKEN CORN & FM	25	1.8	7	0.2	5	0.2	1	0.02	4	0.2	1	0.01	2	0.3
ODOR	1	0.04	1	0.01	-	-	-	-	1	0.02	2	0.08	-	-

COMPLAINT LOTS BY GRAIN AND FACTOR

	FY 1993		FY 1994		FY 1995		FY 1996		FY 1997		FY 1998		FY 1999 (TO DATE)	
	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT.
OIL RESIDUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PESTICIDE RESIDUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ROCKS	-	-	-	-	1	0.09	-	-	-	-	-	-	-	-
BLACK SPECKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEED SEEDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEIGHT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SORGHUM														
DOCKAGE	-	-	-	-	3	1.5	-	-	-	-	-	-	-	-
BROKEN KERNELS & FM	-	-	-	-	3	1.5	-	-	-	-	-	-	1	0.4
INFESTATION	-	-	-	-	-	-	1	0.6	-	-	-	-	2	1.4
COTTONSEED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ZEARALENONE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEIGHT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SOYBEANS														
FREE FATTY ACIDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROTEIN	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OIL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INFESTATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HEATING	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MOISTURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DAMAGED KERNELS	1	0.1	-	-	3	0.1	1	0.1	-	-	-	-	-	-
HEAT DAMAGE	-	-	1	0.04	2	0.08	-	-	-	-	-	-	-	-
FOREIGN MATERIAL	2	0.3	-	-	3	0.1	2	0.2	2	0.4	-	-	-	-
SPLITS	1	0.1	-	-	-	-	-	-	-	-	-	-	-	-
OTHER COLOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OIL RESIDUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEED SEEDS	-	-	-	-	-	-	1	0.1	-	-	-	-	-	-
DLQ	-	-	1	0.09	-	-	-	-	-	-	-	-	-	-
SAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEIGHT	-	-	-	-	5	0.3	1	0.3	2	0.2	-	-	-	-
WHEAT														
PROTEIN	13	0.7	5	0.5	2	0.1	2	0.1	3	0.1	2	0.08	-	-
INFESTATION	14	0.9	-	-			1	0.1	1	0.1	7	0.8	1	0.07
DOCKAGE	7	0.4	3	0.2	6	0.7	7	0.8	-	-	-	-	1	0.5
TEST WEIGHT	-	-	2	0.2	-	-	3	0.2	-	-	1	0.07	-	-
MOISTURE	3	0.2	1	0.06	-	-	-	-	5	0.1	-	-	-	-
DAMAGED KERNELS	1	0.1	4	0.2	6	0.1	2	0.1	7	0.2	-	-	-	-
SPROUT DAMAGE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SCAB DAMAGE	-	-	-	-	-	-	1	0.02	-	-	-	-	-	-
HEAT DAMAGE	-	-	1	0.1	2	0.04	1	0.1	-	-	-	-	-	-

COMPLAINT LOTS BY GRAIN AND FACTOR

	FY 1993		FY 1994		FY 1995		FY 1996		FY 1997		FY 1998		FY 1999 (TO DATE)	
	NO.	% BY WT	NO.	% BY WT.	NO.	% BY WT.	NO.	% BY WT	NO.	% BY WT	NO.	% BY WT.	NO.	% BY WT.
FOREIGN MATERIAL	5	0.3	3	0.1	7	0.3	6	0.7	-	-	-	-	-	-
SHRUNKEN & BROKEN	2	0.1	5	0.2	2	0.04	6	0.7	1	0.1	1	0.07	-	-
TOTAL DEFECTS	4	0.3	3	0.1	-	-	2	0.1	-	-	-	-	-	-
HARD, VIT. OF AMBER COL.	-	-	-	-	-	-	-	-	-	-	2	0.03	-	-
DARK HARD & VITREOUS	-	-	-	-	-	-	-	-	2	0.05	-	-	-	-
WHEAT OF OTHER CLASSES	3	0.1	-	-	-	-	2	0.1	5	0.1	5	0.3	2	0.8
CONTRASTING CLASSES	1	0.1	1	0.01	-	-	1	0.1	-	-	-	-	-	-
FALLING NUMBER	3	0.3	-	-	2	0.06	-	-	-	-	-	-	-	-
VARIETY	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERGOT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KARNAL BUNT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TREATED SEED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TCK SMUT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VOMITOXIN	-	-	3	0.2	-	-	-	-	-	-	-	-	-	-
WEED SEEDS	1	0.03	-	-	-	-	1	0.1	-	-	-	-	-	-
COTTON SEED	-	-	6	0.7	1	0.1	-	-	-	-	-	-	-	-
OIL RESIDUE	1	0.1	-	-	-	-	-	-	-	-	-	-	-	-
HEATING	-	-	**	0.1	-	-	-	-	-	-	-	-	-	-
DLQ	2	0.03	-	-	-	-	-	-	-	-	-	-	-	-
SAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STONES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PESTICIDE RESIDUE	2	0.03	-	-	-	-	-	-	-	-	-	-	-	-
QUALITY	5	0.2	-	-	-	-	-	-	-	-	-	-	-	-
WEIGHT	3	0.1	3	0.07	-	-	-	-	4	0.1	1	0.02	-	-

NUMBER OF COMPLAINTS ENDING MARCH 3

FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999 (TO DATE)
27	16	15	11	16	7	6

HEAVY METAL TESTING

Mr. Skeen: Last year you offered heavy metal testing and analysis of corn and wheat to industry. Did GIPSA conduct any of this testing and analysis in fiscal year 1998? What were the results?

Response: The capability to analyze corn and wheat for lead and cadmium was available in FY 1998. Grain industry customers did not request any tests for cadmium and lead in FY 1998. However, in FY 1998 and early FY 1999, GIPSA analyzed three hundred and thirty-five wheat samples for lead and cadmium under another program which is administered jointly between GIPSA and U.S. Wheat Associates known as the "Export Cargo Sampling Project." No wheat samples were found to contain cadmium in excess of 0.20 ppm, and one wheat sample was found to contain lead in excess of 0.50 ppm. The World Health Organization has recommended 0.20 ppm and 0.50 ppm as maximum levels for cadmium and lead, respectively, in wheat.

AFLATOXIN INSPECTIONS

Mr. Skeen: For the record, please update the table that appears on page 221 of last year's hearing record showing the number of aflatoxin inspections to include fiscal year 1998.

Response: We are pleased to provide the following information for the record.

Aflatoxin Inspections

Fiscal Years:	
1994	44,758
1995	66,096
1996	68,190
1997	62,582
1998	54,923

VIOLATION REPORTS

Mr. Skeen: In February 1995, your agency established a toll-free telephone number to receive violation reports. How many calls did you receive in fiscal year 1998? How many were investigated? What is the nature of violations reported?

Response: GIPSA received seven telephone calls in FY 1998 via its toll-free telephone number (hotline), but only one was reported as an apparent violation. This incident involved alleged employee misconduct. The Agency referred this incident to USDA's Office of Inspector General (OIG) because of an indication of assault. OIG conducted a preliminary investigation and did not find evidence to support the allegation.

POULTRY COMPLIANCE COMPLAINTS

Mr. Skeen: Update the table that appears on page 222 on the number of poultry compliance complaints received in fiscal years 1994 through 1998?

Response: [The information follows:]

POULTRY COMPLAINTS

FY 94	88
FY 95	104
FY 96	86
FY 97	66
FY 98	82

DEALER/ORDER BUYER FINANCIAL FAILURES

Mr. Skeen: Please update the table that appears on page 222 of last year's hearing record showing dealer/order buyer financial failures to include fiscal year 1998.

Response: [The information follows:]

Fiscal Year	No. of Dealer Failures	Total Owed Livestock Sellers	Recovery From Bonds	Recovery From Other Sources	Percent Total Recovery
1994	27	$ 8,137,762	$ 1,125,276	$ 140,380	16
1995	15	1,699,739	350,452	77,684	25
1996	10	4,277,688	283,212	1,462,236	41
1997	8	732,424	243,450	38,064	38
1998	10	685,726	133,345	61,435	28

FOUR FIRM CONCENTRATION

Mr. Skeen: Also update the following table showing the four firm concentration ration for steer and heifer slaughter, boxed beef, sheep an lamb slaughter, and hog slaughter to include data for 1997 and 1998.

Response: This table is updated to include the available information requested for 1997. Data for boxed beef for 1997 and all categories for 1998 are not available at this time. The information follows:

FOUR-FIRM CONCENTRATION IN MEAT PACKING
REPORTING YEARS 1980-1997

Year	Cattle[1]	Steers & Heifers	Boxed Beef	Hogs	Sheep & Lambs
1980	28	36	53	34	56
1981	31	40	57	33	53
1982	32	41	59	36	44
1983	36	47	60	29	44
1984	37	50	62	35	49
1985	39	50	62	32	51
1986	42	55	67	33	54
1987	54	67	80	37	75
1988	57	70	79	34	77
1989	57	70	79	34	74
1990	59	72	79	40	70
1991	61	75	79	44	72
1992	64	78	81	44	71
1993	67	81	83	43	73
1994	69	82	86	45	73
1995	69	81	84	46	72
1996	66	79	83	55	73
1997	68	80	NA	54	70

Note: All figures for years 1980 through 1990 are based on firms' fiscal years as reported to GIPSA. Figures for 1991-1997, except boxed beef, are based on calendar year Federally-inspected slaughter.

[1]Includes, steers, heifers, cows, and bulls.

AUCTION MARKET FAILURES

Mr. Skeen: Please update the table that appears on page 224 of last year's hearing record showing the number of auction market failures, the amount owed for livestock each year, and the amount recovered from bonds and other sources during each year to include fiscal year 1998.

Response: [The information follows:]

AUCTION MARKET FAILURES

Fiscal Year	No. of Auction Market Failures	Total Owed Consignors	Recovery from bonds	Recovery from other sources	Percent Total Recovery
1994	6	$ 476,606	$ 274,882	$ 0	58
1995	6	747,344	308,380	37	41
1996	3	343,508	220,123	0	64
1997	5	258,768	182,029	13,473	76
1998*	2	225,001	66,131	0	29

* Recovery for bond claims pending at the end of the fiscal year.

LIVESTOCK SLAUGHTER

Mr. Skeen: Update the table that appears on page 225 of last year's hearing record, showing what percentage of the livestock that is slaughtered annually, comes from captive supplies and /or forward contracts to include fiscal year 1997 actuals.

Response: The following updated table provides the information requested for 1997.

Year	Total Comm. Slaughter (Mil. Head)	Top 15 Firms (Percentage of Total)	Packer Fed (Percentage)	Fwd.Contract & Mktg. Agreement (Percentage)	Total (Percentage)
1988	28.1	84	5.0	14.3	19.3
1989	26.9	88	5.2	17.2	22.4
1990	26.7	87	5.0	13.9	18.9
1991	26.5	90	4.5	12.7	17.2
1992	26.4	92	4.1	15.3	19.5
1993	26.6	94	4.1	13.3	17.4
1994	27.6	96	4.0	16.5	20.5
1995	28.7	94	3.3	17.8	21.1
1996	28.6	91	3.3	18.8	22.2
1997	29.4	93	3.7	14.9	18.6

SLAUGHTERERS/PROCESSORS SUBJECT TO THE P&S ACT

Mr. Skeen: Would you please update the table that appears on pages 226 of last year's hearing record showing the number of slaughtering and processing packers subject to the Packers and Stockyards Act to include fiscal year 1998?

Response: [The information follows:]

Slaughterers and Processors Subject to the P&S Act 1/

Year	Bonded slaughtering firms 2/	Non-bonded slaughtering plants 3/	Processing-only plants 4/
1988	638	807	4,645
1989	619	801	4,512
1990	574	721	4,402
1991	585	683	4,415
1992	561	626	4,352
1993	509	606	4,355
1994	482	573	4,258
1995	470	576	4,202
1996	433	545	4,229
1997	431	403	4,192
1998	409	N/A	N/A

1/ Data are not available on the number of non-federally inspected, non-bonded slaughtering plants and processing-only plants subject to the P&S Act.

2/ Includes all bonded firms operating Federally-inspected (FI) and non-Federally-inspected (NFI) plants. The P&S Act requires firms with purchases of $500,000 or more to be bonded and file annual reports. Some firms with smaller volumes of purchases are voluntarily bonded and are included in this column, but do not file annual reports.

3/ This column is an estimate of the number of non-bonded slaughter firms (operating FI plants) subject to regulation under the P&S Act that are not required to be bonded because they purchase less than $500,000 of livestock per year. Includes slaughtering plants that also do processing. Excludes NFI plants.

4/ Firms that conduct processing-only operations are not required to be bonded. Excludes NFI plants.

CUSTODIAL ACCOUNT COMPLIANCE AUDITS

Mr. Skeen: Update the table that appears on page 227 of last year's hearing record showing the number of compliance audits conducted on custodial accounts, the number of markets with shortages, the total dollars involved, and the amount restored to include fiscal year 1998.

Response: [The information follows:]

Fiscal Year	No. of Audits	No. of markets with shortages	Total amount of shortages	Amount restored
1994	563	157	$ 5,398,181	$ 3,833,025
1995	700	185	7,122,936	4,265,410
1996	517	170	5,479,852	3,699,905
1997	375	103	2,903,333	1,876,096
1998	393	187	5,705,252	3,690,355

FUNDS SPENT ON COMPETITION, FAIR TRADE PRACTICES, FINANCIAL PROTECTION

Mr. Skeen: Please provide a table showing the amount of fund spent on competition, fair trade practices, and financial protection to include fiscal year 1998 and estimates for fiscal years 1999 and 2000.

Response: [The information follows:]

	Competition	Fair Trade Practices	Financial Protection
1998	$2,500,000	$3,933,000	$4,098,000
1999 est.	$2,900,000	$3,894,000	$4,056,000
2000 est.	$3,500,000	$3,936,000	$4,508,000

GENERIC SAMPLE-LOT INSPECTION CERTIFICATE

Mr. Skeen: In last year's record you reported that the agency was scheduled to complete a generic sample-lot inspection certificate in March 1998 pending the development of an Electronic Data Interchange Record and producing an ASCII file in a standard GIPSA format. Have these requirements been met? Is the certificate program now in place for each of the13 required grains?

Response: The generic certificate concept has been re-analyzed, and it has been decided that the trade will not accept such a certificate. However, the GIPSA certificate program has been modified and procedures put in place to convert certificate data into a standard format as

described in FGIS Directive 9290.16, "Improving Service Delivery and Enhancing Information Sharing Between the Official Agencies and the Official FGIS System." The resulting file is an ASCII file that is compressed for efficient electronic file transfer. The current certificate program does not provide automatic data comparison to grade standards. This has been put on hold until all the current GIPSA certificates have been converted to laser print.

FY2000 BUDGET REQUEST

Mr. Skeen: Provide a breakout, by item, of your fiscal year 2000 budget request to he Secretary, the Secretary's request to OMB, and the OMB allowance.

Response: The following table reflects the breakout of GIPSA's fiscal year 2000 budget request:

Line Item	Request To the Secretary	Request to OMB	OMB Allowance
Standardization Activities	$3,835	$3,615	$3,559
Compliance Activities	5,074	4,799	4,551
Methods Development	4,195	4,035	3,410
Packers and Stockyards	15,671	15,266	14,928
Total, Available	$28,775	$27,715	$26,448
New User Fees			-18,487
Start-up Costs			3,700
GIPSA Budget (with user fees)	$28,775	$27,715	$11,661

OTHER SERVICES

Mr. Skeen: Provide a sub-object class breakout for Object Class 25.2, Other Services, for fiscal years 1998, 1999, 2000.

Response: The following table reflects a breakout for object class 25.2.

	1998	1999	2000
Administrative Support and Statistical Services performed by other Federal Agencies	680,943	786,605	786,605
Personnel and data processing by other Federal agencies	152,835	176,551	176,551
Maintenance agreements on ADP equipment	36,146	41,755	41,755
Training tuition fees and other related related costs	148,225	171,225	171,225
Applied and developmental research	19,458	22,477	193,477
Repair and alteration or maintenance of equipment, furniture or structures	88,247	101,940	101,940
Miscellaneous services--covers publication notices, advertising, and other non-contractual services	196,473	226,960	226,960
All other services and overhead costs	124,208	143,487	143,487
Total Object Class 25.2	1,446,536	1,671,000	1,842,000

ECONOMIC/STATISTICAL ANALYSIS - INVESTIGATIONS

Mr. Skeen: How many legal actions are pending which require economic and statistical analysis by the agency?

Response: Currently there are three referrals pending in the Office of the General Counsel that have required economic or statistical analysis by GIPSA. There are another six investigations currently underway which require economic and statistical analysis and other investigations are being planned. Each of these requires analysis through the use of econometric models by several economists. Extensive econometric analysis was required for GIPSA's complaint alleging that IBP, inc. gave an undue or unreasonable preference to a small group of Kansas feedlots. Although the matter was litigated in 1997, IBP appealed a cease and desist order issued by USDA's Judicial Officer and the case is pending in the Eight Circuit Court of Appeals.

PACKERS AND STOCKYARDS REORGANIZATION

Mr. Skeen: Provide a breakout of the one-time appropriation provided in fiscal year 1999 to reorganize that Packers and Stockyards Administration to include employee relocation, outplacement services, severance pay and equipment transfer and office setup.

Response: The one-time appropriation in fiscal year 1999 is $2,500,000. The relocation of all P&S employees will not be completed until June 1999; therefore, the figures listed below are an estimate.

- Employee Relocation $1,560,000
- Outplacement Services 50,000
- Severance Pay 90,000
- Equipment Transfer and Office Setup 800,000

DEALER FAILURES

Mr. Skeen: How much of the amount of unrecovered losses in the livestock marketing chain is dealer failures during fiscal year 1998?

Response: The amount of unrecovered losses in the livestock marketing chain resulting from dealer failures during fiscal year 1998 is $490,946. Losses in 1997 and 1998 were significantly below prior years. These losses are expected to increase in the future as livestock prices rise.

UNRECOVERED LOSSES

Mr. Skeen: Please provide a five –year table showing the total unrecovered losses from dealer failures compared to the total owed sellers of livestock at the time of failure to include fiscal year 1998.

Response: [The information follows:]

Fiscal Year	Total Owed Sellers of Livestock	Total Unrecovered Losses From Dealer Failures
1994	$ 8,137,762	$ 6,872,106
1995	1,699,739	1,271,603
1996	4,277,688	2,532,240
1997	732,424	450,910
1998	685,726	490,946

OAT STANDARDS

Mr. Skeen: Is there anything new to report on your work with the Canadian Grain Commission on oat standards to determine if harmonizing the standards would facilitate the international marketing of oats?

Response: GIPSA has completed its evaluation of harmonizing the U.S. standards and procedures with Canada and has determined it would not be in the best interest of the oat market to adjust the U.S. standards to that of Canada. In fact, the U.S. oat market indicates that it would be best if Canada revises their standards and procedures to conform to the U.S. standards and procedures.

SELECT ELEMENTS IN GRAINS

Mr. Skeen: Have the World Health Organization's proposed guidelines for select elements in grains been finalized? If so, please provide the guidelines for the record.

Response: The proposed guidelines for select elements in grain will not be finalized for some time. In March 1999, the CODEX Committee on Food Additives and Contaminants (under the Joint FAO/WHO Food Standards Programme) discussed the draft guideline levels for cadmium, which are now at step 3 of the 8-step Codex process. The Committee also discussed guideline levels for lead, without setting draft levels. Denmark and the United States will prepare a discussion paper for presentation at a future meeting.

PESTICIDE DATA PROGRAM

Mr. Skeen: What is your agency doing in support of the Pesticide Data Program in fiscal year 1999?

Response: GIPSA will complete the analysis of soybeans samples collected in FY 1998. In addition GIPSA will validate a method to analyze oats for pesticide residues, and develop a method to analyze peanut butter for pesticide residues. Oat samples will be collected in FY 1999 and 2000 with a limited number of oat samples analyzed in FY 1999. Peanut butter samples will also be collected in FY 1999 and 2000 with the majority of sample analyses conducted in FY 2000.

VIOLATION CASES - GRAIN

Mr. Skeen: Were there any violation cases pending at the end of fiscal year 1998? What is the status of any violation cases pending at the end of fiscal year 1998?

Response: GIPSA had 14 violation cases pending at the end of FY 1998, which included the case reported via the Agency's hotline number. As of March 1999, 8 of those cases were closed and 6 were pending resolution. Actions taken to close the 8 cases included the assessment of a $24,000 civil penalty, the issuance of three cautionary letters to various grain firms; and 4 cases were closed due to insufficient evidence to prove a violation.

INTERNATIONAL MONTORING PROGRAM

Mr. Skeen: One of the international monitoring program functions is to travel to other countries to explain the agency's inspection and weighing procedures. How many countries did staff travel to in fiscal year 1998 and how many are planned for fiscal year 1999? What is the total cost of this travel? How much do the participating countries contribute to these costs? Provide for the record a list of countries you traveled to in fiscal year 1998 and the amount of funding each country provided.

Response: In fiscal year 1998, staff traveled to 17 countries (on 22 trips) to explain the agency's inspection and weighing procedures, attend meetings with international government officials, attend conferences, and respond to grain quality discrepancies. A list of the destinations follows.

Brazil	Mexico
Canada	Peru
Colombia	Russia
Dominican Republic	Spain
Eritrea	Sweden
Ethiopia	Ukraine
Honduras	United Kingdom
India	Venezuela
Jordan	

In fiscal year 1999, staff members have traveled to five countries, and we anticipate travel to approximately 12 more during the rest of the year.

The total costs (and funding source) for fiscal year 1998 is summarized below.

Funding Source	Travel Costs
GIPSA	$23,245.18
Other USDA Agencies	25,916.10
Private Sector	9,965.80
Other Country (Brazil)	1,668.63
TOTAL	$60,795.71

In addition to these travel costs, the private sector reimbursed GIPSA in the amount of $2,298.02 for consultative fees we charged to recover the GIPSA representatives' salary costs during travel at their request.

PROPOSED REGULATIONS – GROWER CONTRACTS

Mr. Skeen: Has a final rule been published for feed weighing, live bird weighing, and growing contracts that base grower payment on comparison of other growers' performance? Is so, provide a summary of the rule for the record.

Response: No, however two major investigations have just been completed which will have a significant impact on consideration of any regulations addressing grower contracts. Comments from the ANPR and information from the two investigations is currently being evaluated, and we are currently awaiting public comments.

LIVESTOCK PROCUREMENT INVESTIGATIONS

Mr. Skeen: Please provide the Committee with an update on the investigation into unfair competitive practices made during fiscal year 1997 of the procurement of slaughter cows in the Northwest at auction markets.

Response: The Northwest investigation focused on the activities of firms and individuals engaged in the procurement of cows. Their activities were reviewed to determine if they are engaging in any trade practices that would have the effect of lessening competition. An administrative hearing was held February 24 through 26, 1998. In a Decision and Order filed

July 13, 1998, an Administrative Law Judge dismissed the complaint. The Administrative Law Judge found that the respondents did not engage in or use any unfair, unjustly discriminatory, or deceptive practice or device in connection with buying or selling cattle in violation of the Packers and Stockyards Act.

Mr. Skeen: Has the investigation in the Texas Panhandle been completed? What did the econometric and statistical analysis reveal?

Response: Econometric and statistical analysis for the investigation of fed-cattle procurement in the Texas Panhandle has been conducted under a cooperative agreement with researchers at Iowa State University and the University of Nebraska. A draft report on the work completed under the cooperative agreement was submitted to GIPSA in November 1998. Technical and legal experts in universities and other organizations throughout the United States have already begun a peer review of the investigation. A final report on the econometric analysis will be prepared and submitted to GIPSA following completion of the peer review.

Mr. Skeen: Update the Committee on the outcome of the case involving charges against IBP, Inc. of giving preferential treatment to a select group of feedlots in Kansas?

Response: In August 1995, GIPSA filed a complaint alleging that IBP gave an undue or unreasonable preference to a small group of Kansas feedlots and their customers by guaranteeing them high prices and other favorable terms for their cattle and unjustly discriminating against other Kansas feedlots and their customers by refusing to offer them the same terms. The complaint was dismissed by the Chief Administrative Law Judge (ALJ) in September 1997. GIPSA filed an appeal of the decision with the USDA's Judicial Officer in November 1997. In a decision issued in July 1998, the Judicial Officer reversed some of the findings of the ALJ and entered an order that requires IBP to cease and desist from entering into agreements that contain a right of first refusal in which IBP may obtain livestock by matching the highest previous bid, rather than having to raise the bid to purchase the livestock. In August 1998, IBP appealed the Judicial Officer's decision to the Eighth Circuit Court of Appeals. Oral argument is set for April in St. Louis, Missouri. IBP also filed a motion for a stay of the Judicial Officer's order pending the outcome of its appeal, which was granted.

GIPSA ELECTRONIC NETWORK

Mr. Skeen: Update the Committee on the work, your agency is doing to electronically network its official agencies with its field offices and headquarters. What is the status of this initiative? What has been the total cost to implement the initiative?

Response: This initiative is ongoing. FGIS Directive 9290.16, "Improving Service Delivery and Enhancing Information Sharing Between the Official Agencies and the Official FGIS System," spells out GIPSA's policy and technical requirements. FGIS, delegated states, and designated agencies must meet to develop the electronic network. These requirements have been incorporated into reauthorization of delegated States and designated agencies. As part of the requirement, all delegated States and designated agencies must have minimum computer hardware and software to allow them to access FGIS through the Internet using a local service provider and Internet browser. Each delegated State and designated agency must have an Internet e-mail address. GIPSA also has its own internal mail system with Internet capability. Delegated States and designated agencies will have a mailbox in the GIPSA system. GIPSA will

provide mailboxes to the agencies by the end of FY 1999. When part of the GIPSA system, the agencies will also have bulletin board access to information that needs to be shared between the official system and themselves. At the present time, approximately 90 percent of delegated States and designated agencies have Internet e-mail. In addition, GIPSA has an external home page that can be accessed by the agencies and the public through the Internet. GIPSA is also in the process of developing an internal home page. It has not been decided whether the official agencies will need to access this home page.

The costs associated with the network (for each of the 60 delegated States and designated agencies) are approximately $1,500 for the hardware and software and approximately $30 per month for a local service provider. The GIPSA part of the network has been in place for a number of years.

ADP HARDWARE/SOFTWARE PURCHASES

Mr. Skeen: Provide GIPSA's spending levels for ADP hardware and software purchases and related contractual support in fiscal year 1998, and estimates for fiscal years 1999 and 2000.

Response: [The information follows:]

(In thousands of dollars)

	FY 1998	FY 1999	FY 2000
Equipment (purchases/leases)	$ 597	$ 414	$ 380
Software (purchases/leases)	243	98	103
Contractual Support	1,376	1,430	1,480
TOTAL	2,216	1,942	1,963

Y2K COMPLIANCE

Mr. Skeen: Please provide for the Committee the status of GIPSA's progress toward the goal of Year 2000 compliance.

Response: GIPSA's Y2K action plans, task lists, and monthly progress reports describe all aspects of the system renovation, validation and verification, and implementation process for both mission critical and non-mission critical systems. As described in the Agency's various plans, lists, and reports, presently available funding is being used to ensure that all GIPSA systems are operational come the year 2000. It is critical that the Agency fulfill its mission of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promoting fair and competitive trading practices for the overall benefit of consumers and American agriculture.

To date, 100% of the Agency's mission critical systems are Y2K compliant. More specifically, all of the Agency's mission-critical systems which were to be repaired, 12 in total, are 100% compliant. One system, GIMS, has been retired, and one system, REGMOD, has been replaced. All 8 of GIPSA's electronic data exchanges with the private sector are Y2K compliant. GIPSA's

telecommunications inventory is on schedule with 100% completed, and all telecommunications inventory is compliant. GIPSA Y2K certification of buildings and facilities is 81% completed. Two GSA-owned buildings have system components that are being assessed for Y2K readiness. One agency leased building, the Minneapolis Field Office, remains to be certified by the owner. Also, one GSA-leased building, the Kansas City Field Office, remains to be certified.

GIPSA will use the remainder of the fiscal year to complete and test the Agency's business continuity plans and to focus on non-mission critical systems. At this time, 86% of the Agency's non-mission critical systems are Y2K compliant. With regard to continuity planning, the Agency submitted its overall Agency continuity plan to the Department's Office of the Chief Information Officer on October 13, 1998. The Agency has also prepared local business continuity and contingency plans (BCCP's). Draft local plans are currently being reviewed by program managers. All BCCP's will be completed by April 30, 1999.

U.S. STANDARDS FOR RYE

Mr. Skeen: Has GIPSA proposed a final rule to revise the U.S. Standards for Rye?

Response: GIPSA published a final rule in the April 23, 1998, Federal Register (63 FR 20054) regarding the amendments to the United States Standards for Rye. The final action will certify dockage to the nearest tenth of a percent instead of rounding dockage down to the nearest whole percent. This change becomes effective June 1, 1999

EMERGING GRAIN TESTING NEEDS INCREASE

Mr. Skeen: Provide an object class breakout for the $425,000 increase you are requesting to identify emerging grain testing needs.

Response: Approximately $400,000 will be used for contracts (object class 25), $20,000 will be for salaries (object class 11) and $5,000 for benefits (object class 12).

Mr. Skeen: According to the budget justification, these additional funds would be used to contract with other federal agencies, universities, and /or other organizations, Why can't GIPSA use these resources to strengthen your own capabilities in this area?

Response: GIPSA is staffed to provide grain inspection services. Although the Agency has extensive knowledge of the industry, it doesn't have the resources or technical expertise to conduct the type of surveys needed to properly assess emerging market needs for grain inspection services.

Mr. Skeen: How can new test capabilities increase the demand for U.S. grain, raise farm prices, and increase aggregate farm income?

Response: The market for grain is beginning to move away from a commodity focus toward greater segmentation in which buyers are seeking grain having specific end-use characteristics they desire. Biotechnological advances are increasing the ability to produce grain having unique qualities. If the grain marketing system is able to distinguish and measure the new grain characteristics, it will increase demand by end users who otherwise would not be able to produce products for which they have markets. To the extent that GIPSA provides the capability for

firms to certify new quality characteristics, the Agency can contribute to the development of these new markets. Prices would increase with the increase in grain demand and this, in turn, would stimulate grain production leading to increased farm income.

Mr. Skeen: If this funding is approved and new test capabilities were developed, what would be the cost to implement this program over the next five years?

Response: This project will build a foundation for GIPSA to assess future demands for its inspection services. It is impossible to estimate what new test capabilities will need to be developed until the emerging market needs are assessed. It is important that GIPSA assess emerging needs so it can fully meet its responsibility to provide inspection services needed by the industry.

SPECIFIC GRAIN VARIETY TESTING

Mr. Skeen: Provide an object class breakout for the $190,000 for specific grain variety testing.

Response: The $190,000 for specific grain variety testing will be allocated as follows:

Object Class	Amount
1100 (Salaries)	$78,500[1]
1200 (Benefits)	$21,000[1]
2100 (Travel)	$3,500
2500 (Services)	$8,000
2600 (Supplies)	$40,000
3100 (Equipment)	$39,000[2]
Total	$190,000

[1]One GS-12 scientist, $50,000 salary and $12,000 benefits; and one GS-7 technician, $28,500 salary and $9,000 benefits

[2]This includes state-of-the-art computer imaging hardware, software, and ancillary laboratory equipment.

Mr. Skeen: What does it mean that "GIPSA must be prepared to offer grain varietal identification?"

Response: Scientists continue to use conventional breeding and genetic modification techniques to develop new grain varieties in response to market demands. The increased complexity of varietal modifications makes it increasingly difficult to rely exclusively on a subjective and visual examination. In addition, as a result of public concerns, the European Union is expected to implement labeling requirements for imports that are derived from, or may contain, genetically modified materials. Development of a quick and inexpensive objective technique for varietal identification will enable GIPSA to respond to both domestic and export market demands.

Mr. Skeen: Does GIPSA currently offer grain varietal identification?

Response: GIPSA can provide varietal identification through visual examination, a subjective process. Due to increasing numbers of varieties, it is becoming increasingly difficult to conclusively determine the variety only through visual examination. Some processes such as electrophoresis are complex, take a significant amount of time, require a specially trained person, and are not suitable for official grain inspection.

Mr. Skeen: What kind of equipment would be purchased under this request and at what cost?

Response: GIPSA would use these funds to purchase state-of-the-art analytical laboratory equipment. The cost of equipment is estimated at $39,000.

Mr. Skeen: What type of facility modification would you have to undertake to offer this service?

Response: No facility modification would be required to offer this service.

STREAMLINING

Mr. Skeen: How will GIPSA eliminate 7 staff years from the fiscal year 1999 level by the end of fiscal year 2000 and what is the impact on your programs?

Response: The FY 2000 GIPSA budget straight-lines staff years in total. However, there is a reduction of 7 staff years for streamlining offset by an increase of 7 staff years for packer competition and industry structure. It is hoped that through attrition and increased program efficiencies, GIPSA will be able to replace 7 current staff years with 7 new ones devoted to the packer competition and industry structure area.

PACKER COMPETITION/INDUSTRY STRUCTURE

Mr. Skeen: Provide an object class breakout of the $636,000 increase for packer competition and industry structure.

Response: Approximately $485,000 will be used for salaries (object class 11), $121,000 will be for benefits (object class 12) and the remaining $30,000 will be used for travel (object class 21).

Mr. Skeen: How much did GIPSA spend in fiscal year 1998 on packer competition and industry structure?

Response: GIPSA spent approximately $2,500,000 in fiscal year 1998 on packer competition and industry structure

Mr. Skeen: If this increase were provided, specifically, how wold GIPSA increase its enforcement of current Packers and Stockyards Act regulations and would the funding be directed to any specific area of the country?

Response: GIPSA would use the funding to hire additional economists and other staff to conduct investigations of potential anticompetitive behavior in the cattle and hog industries. Competitiveness issues require large amounts of primary data and complex economic analysis to

determine if violations of the Packers and Stockyards Act have occurred. The funds would supplement enforcement activities at the Agency's Denver and Des Moines offices and at headquarters in Washington, which provides direction, technical and litigation support for investigations.

ANTICOMPETITIVE PRACTICES

Mr. Skeen: Please share some of your recent experiences on how anticompetetive practices have become complex and difficult to identify.

Response: The livestock, meat packing, and poultry industries are undergoing rapid technical and structural change. Linkages in the production and marketing chain are moving away from spot markets to other forms of vertical coordination including vertical integration, alliances, contracts, and agreements. The final products of these industries are becoming less like standardized commodities, with an increasing variety of distinctive, branded products being developed to serve customer needs. The rapid change and diversity in the economic organization of the regulated industries require much more sophisticated economic and statistical analysis to identify which practices may be anticompetitive, economically harmful and unlawful, and which practices may enhance competition, be economically beneficial and result from legitimate business justifications.

POULTRY COMPLIANCE

Mr. Skeen: Provide an object class breakout of the $750,000 request for poultry compliance.

Response: Approximately $560,000 will be used for salaries (object classes 11), $140,000 will be for benefits (object class 12) and the remaining $50,000 will be used for travel (object class 21).

POULTRY GROWER COMPLAINTS

Mr. Skeen: How many complaints from poultry growers did GIPSA respond to in fiscal year 1998?

Response: In fiscal year 1998, GIPSA conducted 73 investigations of poultry firms in response to complaints received by the agency.

Mr. Skeen: How much did GIPSA spend in fiscal year 1998 responding to these complaints?

Response: Approximately $640,000 was spent investigating poultry complaints in FY 1998.

POULTRY COMPLIANCE INVESTIGATIONS

Mr. Skeen: If funding were provided, specifically, how would GIPSA increase the scope of compliance investigations and would the funds be directed to any specific areas of the country?

Response: With increased funding, GIPSA will expand its investigations of the poultry industry by (1) increasing the frequency and depth of analysis of grower contracts to identify terms that may be inherently anticompetitive, unfair, unjustly discriminatory, or deceptive; (2) increasing

the frequency and depth of analysis of grower contract settlements and poultry firm practices to identify potentially unfair, unjustly discriminatory, or deceptive practices; and (3) examining competitive conditions and relationships among poultry firms in the market for grower services. The funds would be directed at the "broiler belt" running from the Delmarva peninsula through the Southeast.

PACKERS AND STOCKYARDS REORGANIZATION

Mr. Skeen: The fiscal year 1999 appropriations bill provided GIPSA with a one-time appropriation to consolidate and streamline your packers and stockyards operation. How has the consolidation improved program operations?

Response: The three new regional offices have been established at Denver, Colorado, Des Moines, Iowa, and Atlanta, Georgia and all field employees now report to one of the these offices. While we are still in the process of relocating employees to the new offices, which will not be completed until June 1999, the reorganization has already improved focus on our three core areas of responsibility--competition, trade practices and financial protection. Each of the three offices has a sub-unit in place to specifically address each of these three areas of core responsibility. In addition, each of the three offices is now addressing major industry issues with respect to their assigned specie(s) which has allowed us to respond to a host of complaints in both the cattle and hog markets during the recent low prices.

Due to the reorganization, Packers and Stockyards Programs has already been able to experience the benefit of responding more effectively and efficiently in investigating alleged anticompetitive practices or complaints. For example, the Denver regional office was able to quickly assemble the necessary people with the right expertise to investigate a recent boycotting complaint in Kansas. In addition, the Des Moines regional office was able to quickly respond and implement plans to address the many issues surrounding low hog prices.

Mr. Skeen: Has the consolidation allowed GIPSA to improve response time in dealing with packer concentration issues?

Response: Most personnel in Packers and Stockyards Programs have been affected directly by the reorganization either through reassignment to a new position or to a new location, or both, and some experienced personnel chose to leave the Agency. Economists, legal specialists, computer specialists, and auditors are being recruited, but most of the newly hired individuals have little or no prior experience in a regulatory agency and none have prior experience in GIPSA. Despite the anticipated disruptions caused by the reorganization, GIPSA's ability to address competition and concentration issues more effectively, has improved and will continue to grow as personnel moves are completed in June 1999 and we achieve full staffing later in this fiscal year.

NEW USER FEES

Mr. Skeen: When will USDA submit proposed legislation to initiate new user fees for GIPSA?

Response: USDA will submit all proposed legislation for the Department to Congress in the very near future.

PROPOSED RULE – FEED WEIGHING

Mr. Skeen: Please summarize the proposed rule to regulate the weighing of feed when feed is an integral part of the payment process.

Response: The proposed rule amends existing scales and weighing regulations under the Packers and Stockyards Act to include requirements regarding the weighing of feed whenever the weight of feed is a factor in determining payment or settlement to a livestock grower or poultry grower when livestock or poultry is produced under a livestock or poultry growing arrangement. The proposed amendment will provide contract growers with a measure of assurance that feed is accurately weighed and the feed weight properly documented.

Mr. Skeen: How long has this rule been in the Departmental clearance process and when do you expect to solicit public comment on this proposed rule?

Response: The proposed amendment to existing weighing regulations was submitted for Departmental clearance on August 27, 1998 and referred to OMB on February 26, 1999. We expect it to be published in the Federal Register to solicit public comments on April 2, 1999.

Mr. Skeen: What was the impetus for this proposed rule?

Response: The impetus for the proposed amendment of existing weighing regulations to include feed, when feed is an integral part of the payment process, was derived from more than 3,400 comments received from an Advance Notice of Proposed Rulemaking (ANPR) published in February 1997, coupled with ongoing complaints received by the Agency relative to the weighing and delivery of feed.

COMMODITY CONTRACTING GUIDELINES

Mr. Skeen: When will the contracting guidelines procedures be finalized that will allow GIPSA and State cooperator to use contractors to perform specified inspection services?

Response: Although GIPSA has amended the regulations under the Agricultural Marketing Act of 1946, to allow GIPSA and State cooperators to use contractors to perform specified inspection services at certain locations, GIPSA is no longer pursuing this initiative. Instead, GIPSA is seeking to enter into cooperative agreements with private agencies to perform specified inspection services at certain locations. In the past, the Federal Grant and Cooperative Agreement Act had restricted GIPSA from cooperating with private agencies. Recently, GIPSA was successful in getting the language to section 717 of the appropriation bill revised to include GIPSA. This language change to section 717 allows GIPSA to use cooperative agreements to carry out agricultural marketing programs.

Mr. Skeen: What specific inspection services will these contractors be allowed to carry out?

Response: Cooperators may perform sampling and quality assessments; determine the quantity, or condition of commodities; examine containers for condition; perform stowage examinations; and may conduct other services, as necessary; to certify the quantity and quality of agricultural products.

Mr. Skeen: Will GIPSA assume some oversight role in this process?

Response: Yes. GIPSA will oversee, provide technical assistance, and monitor cooperators.

Mr. Skeen: How many contractors would be eligible to perform these services?

Response: GIPSA has not determined the number of cooperators needed to perform these services because cooperators will be used on an "as needed" basis.

Mr. Skeen: How was GIPSA able to determine that contractors may be able to carry out some of these inspection services at a lower cost?

Response: GIPSA determined significant cost savings could be achieved by eliminating travel costs when cooperators are located near an applicant's facility. Some of GIPSA's customers are geographically isolated from a GIPSA field office. Providing service may require a four or five-hour drive and an overnight stay for GIPSA personnel. This situation significantly increases the cost to the customer, unnecessarily, when there is a cooperator located near the customer.

Mr. Skeen: What cost savings has USDA estimated by the potential use of contractors?

Response: GIPSA has not determined the total cost savings through the use of cooperators because implementation is limited at this time. As an example of the potential savings, one cooperative agreement we've entered into will save the customer approximately $10,000 annually. This results in a 33 percent saving to the customer. The cooperator also has plans to improve their service ability which will eventually provide the applicant a savings of approximately 60 percent. An additional intangible savings is the immediate receipt of certificates for their shipments.

GRAIN TRANSPORTATION ISSUE

Mr. Skeen: Please update the Committee on the work GIPSA is doing to address transportation issues in the grain industry.

Response: GIPSA provides technical support on grain transportation issues to the Agricultural Marketing Service's Transportation and Marketing Programs staff. GIPSA participated in the Joint Surface Transportation Board/USDA Grain Logistics Task Force Working Group. GIPSA also continually monitors rail, truck, waterway and port activities in the U.S., Canada, and Mexico for events that may impact grain inspection and weighing programs. We also revised stowage examination procedures this past year to more effectively and economically provide carriers suitable to carry grain.

PACKER CONCENTRATION

Mr. Latham: I realize the Packers and Stockyards Administration has been compiling packer concentration and industry structure data on a region by region basis.

Has similar data been gathered in regard to the pork industry?

Response: The Grain Inspection, Packers and Stockyards Administration does not compile packer concentration on a regional basis, but does publish other industry structure data on a regional basis for cattle and hogs (as well as calves, sheep, and lambs). This information includes regional statistics on the purchase of slaughter animals and on the number and percentage of those animals bought in public and nonpublic markets. It also includes the number and percentage of slaughter animals purchased on a carcass basis (i.e, bought on the basis of grade, weight, yield, guaranteed yield, or a combination of these methods). Also reported on a regional basis are the reported volume and value of marketing of slaughter and nonslaughter classes of livestock through firms selling on commission, and the volume and value of marketing of slaughter and nonslaughter livestock purchases by reporting dealers and order buyers. Much of the above information is also published on a state-by-state basis. The most current statistics can be found in the GIPSA publication *Packers and Stockyards Statistical Report, 1996 Reporting Year*, which is available on the Internet at:
http://www.usda.gov/gipsa/newsinfo/pubs/pubs.htm.

VERTICAL INTEGRATION

Mr. Latham: Can you give us some information and opinions about "vertical integration" and the impact on rural economies?

Response: Packers practice vertical integration when they own animals while they are being fed for slaughter. However, packers can also exercise control and coordination of the vertical supply of animals for slaughter using other methods that bypass traditional spot or cash markets for fed livestock, such as forward contracting and marketing agreements. The extent of use of these forms of vertical coordination in the livestock and poultry industries varies by species. Broiler production is almost completely vertically integrated in the true sense of the term. The cattle industry has a low and stable degree of vertical coordination outside traditional spot markets, with packer ownership of livestock while on feed a very small share of the total. The use of vertical integration and contracting in hog production falls between the broiler and cattle industries and is increasing rapidly. Vertically integrated and contracted production operations are typically larger than the operations of independent producers. Since costs of production tend to be lower as size of operation increases, these operations tend to be lower cost on average than independent operations.

There are many concerns about the effects of different methods of vertical coordination on competition and livestock prices, and potential resulting effects on independent producers. GIPSA is aggressively developing programs to enhance our evaluation and monitoring of the competitive effects of vertical integration and other forms of vertical coordination that do not use traditional cash market exchange.

The effect of vertical integration on rural economies is mixed. If a vertically integrated livestock operation is introduced in an economically depressed area where there are few alternative employment opportunities, the operation may have a positive impact on the rural economy if it results in increased production that provides new employment opportunities and demand for other goods and services produced in the area. On the other hand, if increased production by vertically integrated production operations from outside the area replaces independent local producers, the integrators may be more likely to obtain needed inputs elsewhere, reducing demand for locally-produced goods and services. Additionally, any profits (other than wages) earned by vertically integrated production operations controlled by outside firms may be more likely to leave the local economy, while profits earned by independent producers tend to stay in the rural community.

[The justifications of the budget estimates follow:]

2000 EXPLANATORY NOTES
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

PURPOSE STATEMENT

The mission of the Agricultural Marketing Service (AMS) is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices, and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. This mission is carried out through eight broad activities that encompass a wide range of programs. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands and changing domestic and international marketing practices and technologies. Over seventy percent of the funds needed to finance AMS activities are derived from voluntary user fees. AMS provides services for private industry, State, and Federal agencies on a reimbursable basis, primarily in connection with the commodity grading programs.

The eight activities are: (1) market news; (2) standards, grading, and shell egg surveillance; (3) market protection and promotion; (4) wholesale market development; (5) transportation services; (6) payments to states and possessions; the (7) Perishable Agricultural Commodities Act program; and (8) strengthening agricultural markets and producer income (Section 32).

1. Market News Service:

The market news program is carried out under the following authorities:

Agricultural and Food Act of 1981 (as amended by Food Security Act of 1985)
Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act
Peanut Statistics Act

The market news service is funded by appropriations for all but printed reports. AMS collects, analyzes, and disseminates market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits and vegetables; livestock, meat, grains and wool; poultry products and eggs; and tobacco. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for all agricultural commodities. Market news reports provide producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information. Utilizing market news information assists in making the critical daily decisions of where and when to sell, and at what price.

Federal and State reporters obtain market information at trading points or by telephone. AMS staff analyzes and immediately disseminates compiled market information to the agricultural community, academia, and other interested parties by data networks, automatic telephone answering devices, facsimile machines, printed reports, radio and television, Internet, and newspaper columns. National information is integrated with local information and released in a form easily understood by the industry and locality served. AMS standards are used as the basis for reporting commodities. Subscription fees are charged for facsimile reports and mailed reports except tobacco mailed reports, which are free to producers as authorized by the Tobacco Inspection Act of 1935.

2. Standardization, Grading, and Shell Egg Surveillance:

These programs are carried out under the following authorities:

Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Tobacco Inspection Act of 1935
Tobacco Statistics Act
Wool Standards Act
Dairy and Tobacco Adjustment Act of 1983
Egg Products Inspection Act

Standardization and grading activities facilitate the domestic and international marketing of agricultural commodities. To facilitate the marketing of consumer grade eggs, the Shell Egg Surveillance Program ensures that eggs moving in commerce contain no more "restricted" eggs than are permitted in U.S. Consumer Grade B.

a. Standardization: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad to use in marketing commodities. AMS standards constitute the basis for market reporting. These standards are used in grading cotton, tobacco, livestock and meat, poultry, eggs, fruits, vegetables, nuts, and dairy products. Grading fees provide revenue to fully fund the costs of this program.

b. Grading: The grading process involves the voluntary application of quality standards to agricultural commodities. AMS provides grading and certification services for agricultural commodities for which developed standards are available. In addition, AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS certificates can be used as evidence of quality and condition in a court of law to settle trade disputes. Production and quality control system audits are new services performed by AMS which reduce costs and assist the industry in marketing products under brand names. Grading certification, and auditing activities are performed by Federal employees and Federally-supervised State employees. Grading fees provide revenue to fully fund the cost of this program.

c. Shell Egg Surveillance: In cooperation with the State departments of agriculture, shell egg handling operations are inspected at least four times yearly and hatcheries are inspected at least once yearly to control the disposition of certain types of undergrade and restricted eggs. Eggs which cannot be sold in shell form must be delivered to egg breaking plants. Funds for this program are appropriated.

3. Market Protection and Promotion:

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

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

Agricultural Marketing Act of 1946
Capper Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Egg Research and Consumer Information Act
Export Apple and Pear Act
Export Grape and Plum Act
Federal Seed Act
Plant Variety Protection Act
Potato Research and Promotion Act
Dairy Production Stabilization Act of 1983
Honey Research, Promotion and Consumer Information Act
Beef Promotion and Research Act of 1985
Pork Promotion, Research and Consumer Information Act of 1985
Watermelon Research and Promotion Act
Soybean Promotion, Research and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Fluid Milk Promotion Act of 1990
Organic Foods Production Act of 1990
Food, Agriculture, Conservation and Trade (FACT) Act of 1990
Popcorn Promotion, Research, and Consumer Information Act
National Kiwifruit Research, Promotion, and Consumer Information Act

a. Pesticide Recordkeeping Program. The pesticide recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade (FACT) Act of 1990. This program established Federal regulations requiring certified applicators to maintain records of federally restricted use pesticide applications. The Act also requires that records be surveyed to provide a database on the use of federally restricted use pesticides. The pesticide recordkeeping program is funded by appropriation.

A Memorandum of Understanding signed in fiscal year 1994 by the Agricultural Marketing Service, the National Agricultural Statistics Service (NASS), and the Environmental Protection Agency (EPA) designated the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage. AMS designates authority to monitor compliance with the recordkeeping requirements through cooperative agreements with State pesticide regulatory agencies. AMS utilizes federal inspectors in those States under the Federal regulations who do not enter into cooperative agreements. The accuracy of restricted use pesticide data will be enhanced by good recordkeeping practices by certified applicators. AMS uses information obtained during NASS pesticide-usage surveys as one indicator of the degree of compliance with recordkeeping requirements.

b. Pesticide Data Program. The Pesticide Data Program (PDP), established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, develops and

communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessment procedures. Data are provided on a continual basis to the EPA for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Long range strategic planning is accomplished through an Executive Steering Committee comprised of staff from USDA participating agencies, the EPA and the Food and Drug Administration. Information on significant findings is reported to the FDA. While Congress appropriated funding to EPA for FY 1997, the activity was transferred back to AMS in FY 1998.

c. Federal Seed Act. The Federal Seed program is authorized by the Federal Seed Act and funded by appropriations. The Act regulates agricultural and vegetable seed moving in interstate commerce. It prohibits false labeling and advertising of seed and the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should an inspection reveal infractions of the Act, a complaint may be referred to AMS by the cooperating State agency. Based on the results of tests and investigations, AMS attempts administratively to resolve each case. For cases that cannot be resolved, AMS will initiate appropriate legal action. Intrastate infractions are subject to State laws. Under the Agricultural Marketing Act, AMS will also test voluntarily submitted seed for a fee.

d. Plant Variety Protection Program. This program is authorized by the Plant Variety Protection Act and is fully funded by user fees. The Act encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing patent-like protection to developers. The program assures developers exclusive rights to sell, reproduce, import, or export such varieties, or use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

e. The Commodity Research and Promotion Acts. AMS provides oversight and direction to many industry-funded commodity research and promotion programs. These programs are funded by assessments that are collected and used by the industry to broaden and enhance national and international markets for various commodities. The various research and promotion acts provide authority for the collection of an assessment from various segments of the marketing chain. Producer assessments are most common. However, other programs assess processors, handlers, and/or importers. These assessments are used to carry out research and promotion activities for beef, cotton, dairy products, fluid milk, eggs, soybeans, honey, mushrooms, popcorn, pork, potatoes, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the Order and the Act. Each research and promotion activity reimburses AMS for the cost of implementing and overseeing its program. In addition, AMS reviews proposals submitted by industry for new programs. AMS is currently reviewing proposals for olive oil and blueberries programs, and is conducting rulemaking on programs for kiwifruit and peanuts.

f. National Organic Standards Program. This program is authorized by the Organic Foods Production Act of 1990. The Act requires AMS to develop national standards governing the production and handling of agricultural products labeled organic. The legislation also requires AMS to examine and accredit State and private certification programs to ensure their compliance with national organic standards. The program will certify that organically produced food products meet national standards. Once the accreditation program is fully operational, AMS will begin assessing user fees as authorized by the Act. AMS provides support to the National Organic Standards Board, reviews

materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The program is currently funded by appropriations.

4. Wholesale Market Development:

This program is authorized under the Agricultural Marketing Act of 1946, and is funded through appropriations.

Under this program, AMS provides technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, retail farmers markets, and public (urban) markets. AMS also conducts cooperative feasibility studies in cooperation with the private sector and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS researches changes in the market place to assist States, localities, market managers/operators, and growers in making strategic decisions for future product development.

5. Transportation Services:

Transportation services activities are authorized under the following authorities:

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982

AMS activities are designed to assure that the nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation. Transportation services activities are funded through appropriations.

6. Payments To States And Possessions:

The Federal-State Marketing Improvement Program is authorized by the Agricultural Marketing Act of 1946 and is funded from appropriations. Payments are made to State marketing agencies to: identify and test-market alternative farm commodities; determine methods of providing more reliable market information, and develop better commodity grading standards. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm-produced commodities. The legislation grants USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. The States perform the work or contract with others, and must contribute at least one-half of the cost of the projects.

7. Perishable Agricultural Commodities Act:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA), and is fully funded by user fees. These Acts are designed to: (1) protect producers, shippers, distributors and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and must abide by the fair trading practices established by the PACA.

Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the Perishable Agricultural Commodities Act was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made.

Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

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

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year and unused balances up to $300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce.

a. Commodity Purchases:

Pursuant to Section 32, AMS purchases commodities such as meats and fish, fruits and vegetables, and poultry in order to stabilize market conditions. These purchased commodities are distributed by the Food and Nutrition Service (FNS) to schools as part of the entitlement for the National School Lunch program and for other food assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in Food Assistance Programs authorized by Congress. AMS is reimbursed by FNS for the administrative costs associated with purchases made for FNS Federal Food Assistance.

b. Federal Food Specifications:

AMS develops, coordinates, and approves federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, Department of Defense, Indian Health Service, National Institutes of Health, Bureau of Prisons, and the Department of Veterans Affairs. The primary goal of this program is to update and streamline federal food specifications to improve the cost efficiency of federal food purchasing by using commercial item descriptions whenever possible.

c. Marketing Agreements and Orders:

The marketing agreements and orders program is authorized by the Agricultural Marketing Agreement Act of 1937. Marketing orders are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels; and (3) providing for market development and promotion (including paid advertising).

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity. Once approved, the Secretary issues the marketing order and sets the effective date of the order.

Section 32 funds authorized under 7 U.S.C. 612c are used by the Department for administering the marketing agreements and orders program at the national level and for public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

AMS headquarters are located in Washington, D.C., with approximately 161 year-round and seasonal field offices. The peak employment period of AMS occurs during the four month period, September through December, due to the seasonal nature of the cotton, tobacco, and fruit and vegetable grading programs. Employment during the peak period averaged 5,127 during fiscal year 1998. As of September 30, 1998, there were 4,571 employees of which 2,975 were full-time employees and 1,596 were other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,361 full-time and 1,566 other than permanent full-time employees.

OIG Reports		
#01001-1-Sf	07/17/97	AMS F&V Federal/State Inspection Program-Washington
#01801-2-Ch	09/15/98	AMS Dairy Plant Inspection Pilot Program-Wisconsin
#01001-1-Ch	Ongoing	National Fluid Milk Processor Promotion Program
#01001-3-Ch	Ongoing	National Fluid Milk Processor Promotion Program
#01016-2-Ch	03/13/98	Dairy Plant Inspection Activities
#01099-3-At	Ongoing	AMS Federal/State Inspection Service-Florida
#01099-4-At	10/06/97	Cotton Classing
#01601-2-Ch	11/14/97	Certification of Processed Products
#50801-4-At	09/29/98	Implementation of Agricultural Provisions of NAFTA
#01001-2-Ch	Ongoing	Monitoring Milk Market Reform
#01005-1-Hy	Ongoing	Shipping Point Inspection Program in Puerto Rico
GAO Reports		
#150071	04/97	Assessment of Concentration within the Meat Packing Industry
#150122	04/98	Review of Milk Pricing under the Northeast Dairy Compact
#150646	04/98	Food Safety-Dioxin in Food and Feed
#935209	12/97	Review of Fee-Based Programs
#150123	Ongoing	Dairy Industry - Information on Prices for Fluid Milk and the Factors that Influence Them
#150083	Ongoing	Egg and Egg Products

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years

1998 Actual and Estimated 1999 and 2000

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service:						
Marketing Services	$46,743,000	482	$48,831,000	489	$60,182,000	528
Payments to States and Possessions	1,200,000	--	1,200,000	--	1,200,000	--
Total	47,943,000	482	50,031,000	489	61,382,000	528
Obligations under other USDA appropriations:						
Economic Research Service for market analysis	129,000	1	--	--	--	--
Farm Service Agency for statistical services	6,400	--	7,000	--	7,000	--
Grain Inspection, Packers & Stockyards Administration for statistical services	44,600	--	14,000	--	14,000	--
Food & Nutrition Service: for commodity procurement services	795,264	13	760,000	13	760,000	13
Food Safety & Inspection Service for statistical services	5,200	--	6,000	--	6,000	--
Foreign Agri. Service for emerging democracies	273,419	1	390,000	1	390,000	1
National Agricultural Statistics Service for statistical services	10,000	--	10,000	--	10,000	--
Natural Resources Conservation Service for statistical services	--	--	5,000	--	5,000	--
Miscellaneous Reimbursements	20,400	--	18,000	--	18,000	--
Total, Other USDA Appropriations	1,284,283	15	1,210,000	14	1,210,000	14
Total, Agriculture Appropriations	49,227,283	497	51,241,000	503	62,592,000	542
Other Federal Funds:						
Enviromental Protection Agency for Pesticide Data work	315,008	--	--	--	--	--
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Section 32)	5,730,107,608	157	5,701,865,817	165	5,664,232,791	173
Recovery of prior year obligations	11,455,285	--	--	--	--	--
Carryin	233,868,235	--	131,966,602	--	167,488,209	--
Deduct transfers out	-5,217,125,190	--	-5,114,576,288	--	-5,110,694,000	--
Deduct carryout	-131,966,602	--	-167,488,209	--	-300,000,000	--
Net AMS	626,339,336	157	551,767,922	165	421,027,000	173
Perishable Agricultural Commodities Act Fund	8,288,793	95	8,607,000	97	8,718,000	97
Total, Permanent Appropriations	634,628,129	252	560,374,922	262	429,745,000	270
Non-Federal Funds:						
American Egg Board for oversight work	127,060	2	165,000	2	165,000	2
Beef Board for oversight work	153,000	2	189,000	2	189,000	2

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years

1998 Actual and Estimated 1999 and 2000

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Cotton Board for oversight work	181,504	2	186,000	2	186,000	2
Dairy Board for oversight work	327,726	3	266,000	3	266,000	3
Fluid Milk Board for oversight work	243,000	3	222,000	3	222,000	3
Freshcut Flowers Board for oversight work	--	--	62,000	--	62,000	--
Honey Board for oversight work	124,000	1	141,000	1	141,000	1
Popcorn Board for oversight work	55,000	1	71,000	1	71,000	1
Kiwi Board for oversight work	29,000	--	47,000	--	47,000	--
Mushroom Board for oversight work	78,000	1	89,000	1	89,000	1
Assessment for peanut non signers	30,000	--	35,000	--	35,000	--
Peanut Board for oversight work	15,000	--	70,000	1	70,000	1
Pork Board for oversight work	127,947	1	184,000	2	184,000	2
Potato Board for oversight work	127,706	1	131,000	1	131,000	1
Soybean Board for oversight work	133,000	1	184,000	2	184,000	2
Watermelon Board for oversight work	68,000	1	87,000	1	87,000	1
Fees for grading of cotton and tobacco	46,948,135	709	60,730,000	697	60,730,000	697
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	109,565,961	1,598	106,122,000	1,581	106,122,000	1,542
Milk Market Administrators for Federal Telecommunications System employee compensation & New York Market Administrator	74,773	--	153,000	--	153,000	--
States for collection & dissemination of market news information	148,196	2	185,000	2	185,000	2
Total, Non-Federal Funds	158,557,008	2,328	169,319,000	2,302	169,319,000	2,263
Milk Market Orders Assessment Funds	36,877,358	440	39,458,000	457	42,220,000	449
Total, Agricultural Marketing Service	879,604,786	3,517	820,392,922	3,524	703,876,000	3,524

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff-Year Summary
1998 and Estimated 1999 and 2000

GRADE	1998			1999			2000		
	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total
ES-5	2	--	2	2	--	2	2	--	2
ES-4	8	--	8	8	--	8	8	--	8
ES-2	1	--	1	1	--	1	1	--	1
GS-15	33	1	34	33	1	34	33	1	34
GS-14	64	18	82	60	15	75	60	15	75
GS-13	128	61	189	128	63	191	128	63	191
GS-12	124	157	281	123	157	280	124	156	280
GS-11	43	208	251	41	201	242	43	199	242
GS-10	3	24	27	3	23	26	3	23	26
GS-9	42	612	654	41	612	653	43	610	653
GS-8	9	190	199	8	182	190	9	181	190
GS-7	71	326	397	73	319	392	75	317	392
GS-6	51	69	120	51	75	126	56	70	126
GS-5	39	234	273	38	232	270	42	228	270
GS-4	15	116	131	14	115	129	15	114	129
GS-3	4	73	77	4	75	79	5	74	79
GS-2	1	--	1	2	--	2	2	--	2
GS-1	--	--	--	1	--	1	1	--	1
Milk Market Orders Adm. & Staff	--	452	452	--	443	443	--	443	443
Ungraded Positions	--	18	18	--	19	19	--	19	19
Total Perm. Positions	638	2,559	3,197	631	2,532	3,163	650	2,513	3,163
Unfilled Pos. end-of-year	-24	-198	-222	--	--	--	--	--	--
Total, Perm. Full-time Employment End-of-Year	614	2,361	2,975	631	2,532	3,163	650	2,513	3,163
Total Staff Year	569	2,948	3,517	577	2,947	3,524	596	2,928	3,524

AGRICULTURAL MARKETING SERVICE
CLASSIFICATION BY OBJECTS
1998 and Estimated 1999 and 2000

	1998	1999	2000
Personnel Compensation:			
Washington, D.C.	$6,464,740	$6,686,000	$7,283,000
Field	13,506,652	14,547,000	16,024,000
11.1	19,971,392	21,233,000	23,307,000
11.3	703,368	632,000	632,000
11.5	184,553	228,000	228,000
Total personnel comp.	20,859,313	22,093,000	24,167,000
12 Personnel benefits	4,608,726	4,771,000	5,331,000
13 Benefits for former pers	41,165	53,000	53,000
Total personnel compen. and benefits	25,509,204	26,917,000	29,551,000
Other Objects:			
21 Travel	1,324,409	1,343,000	1,669,000
22 Transportation of things.	153,645	156,000	170,000
23.2 Rental payments to others	829,798	869,000	918,000
23.3 Communications, utilities and miscel. charges	1,950,761	2,008,000	2,203,000
24 Printing and reproduction	265,753	270,000	288,000
25.1 Advisory & Assistance Svc.	73,013	30,000	30,000
25.2 Other services	10,476,988	11,539,000	19,160,000
25.3 Purchases of goods and services from Government Accounts	2,352,000	2,402,000	2,447,000
25.5 Research and development Contracts	304,000	314,000	405,000
25.7 Operation and maintenance of equipment	1,210,000	1,220,000	1,220,000
26 Supplies and materials	831,757	868,000	1,013,000
31 Equipment	942,442	895,000	1,108,000
42 Insurance claims and indemnities	6,819	--	--
41 Grants, subsidies and contributions	1,199,985	1,200,000	1,200,000
43 Interest and dividends	5,781	--	--
Total other objects	21,927,151	23,114,000	31,831,000
Total obligations	47,436,355	50,031,000	61,382,000
Position Data:			
Average Salary, ES positions	$ 122,349	$ 124,957	$ 129,830
Average Salary, GS positions	37,838	39,123	40,649
Average Grade, GS positions	8.7	8.7	8.7

AGRICULTURAL MARKETING SERVICE

PASSENGER MOTOR VEHICLES

The 2000 Budget Estimates propose the purchase of nine replacement vehicles and one additional motor vehicle.

The estimated number of passenger motor vehicles available for fiscal year 1999 is the minimum necessary to maintain essential services in AMS programs. These cars are used to provide the following necessary services such as: (1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and (3) carrying boxes of cotton standards types for use in classing work and demonstration at farmers' meetings.

Additional passenger motor vehicles. One additional passenger motor vehicle is requested for use by the cotton futures program in response to an expected increase in workload.

Replacement of passenger motor vehicles. Replacement of 9 of the 39 vehicles that will be in operation is proposed. All vehicle replacements will be in accordance with GSA vehicle replacement standards.

The age and mileage data for passenger motor vehicles on hand as of September 30, 1998 are as follows:

Age			Mileage Data		
Age-Year Model	Number of Vehicles	Percentage of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percentage of Total
1992 or older	2	5	80 or over	5	13
1993	0	0	60-80	13	35
1994	13	35	40-60	7	19
1995	5	14	20-40	4	11
1996	5	14	under 20	8	22
1997	1	2			
1998	11	30			
Total	37	100	Total	37	100

AGRICULTURAL MARKETING SERVICE

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

Marketing Services:

For necessary expenses to carry on services related to consumer protection, agricultural marketing and distribution, transportation, and regulatory programs, as authorized by law, and for administration and coordination of payments to States; including field employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $90,000 for employment under 5 U.S.C. 3109, [$48,831,000]; $60,182,000 including funds for the wholesale market development program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

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

MARKETING SERVICES

Appropriations Act, 1999	$48,831,000 a/
Budget Estimate, FY 2000	60,182,000
Increase in Appropriation	+11,351,000

a/ Does not includs $176,000 transferred to this account. The request for for Congressional Relations activities for FY 2000 is being reflected under the Office of the Assistant Secretary for Congressional Relations.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Program Changes	2000 Estimated
Market News Service	$22,166,000	+$1,677,000	$23,843,000
Egg Surveillance & Standza.	6,028,000	--	6,028,000
Market Protection & Promotion	15,880,000	+9,353,000	25,233,000
Wholesale Market Development	2,235,000	+321,000	2,556,000
Transportation Services	2,522,000	--	2,522,000
Total Available	48,831,000	+11,351,000	60,182,000

PROJECT STATEMENT
(On basis of appropriation)

	1998 Actual		1999 Estimated		Increase Or Decrease	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Market News Service							
(a) Cottonseed	$2,213,174	24	$2,335,000	25	--	$2,335,000	25
(b) Dairy Products	675,910	9	656,000	9	+$26,000	682,000	9
(C) Fruits and Vegetables	7,021,453	103	6,904,000	102	+626,000	7,530,000	109
(d) Livestock, meats and grain	8,827,694	125	8,602,000	123	+887,000	9,489,000	133
(e) Poultry products	2,620,561	36	2,704,000	36	+138,000	2,842,000	37
(f) Tobacco	903,499	15	965,000	16	--	965,000	16
Total, Market News Service	22,262,291	312	22,166,000	311	+1,677,000 (1)	23,843,000	329
2. Egg Surveill. &Standardiza.							
(a) Shell egg Surveill.	2,379,117	22	2,465,000	22	--	2,465,000	22
(b) Standar-dization	3,249,415	41	3,563,000	44	--	3,563,000	44
Total, Egg Surveill.& Standardization	5,628,532	63	6,028,000	66	--	6,028,000	66

PROJECT STATEMENT
(On basis of appropriation)

	1998 Actual		1999 Estimate		Increase Or Decrease	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
3. Market Protection & Promo..							
(a) Federal Seed Act ...	1,189,905	17	1,169,000	17	--	$1,169,000	17
(b) Market Development & Assistance	1,215,410	4	410,000	6	--	410,000	6
(c) Organic Standards ..	880,645	14	923,000	14	+770,000	1,693,000	15
(d) Pesticide Data	7,901,933	15	10,831,000	16	+8,583,000	19,414,000	35
(e) Pesticide Recordkeeping	2,377,964	10	2,547,000	12	--	2,547,000	12
Total, Market Protection and Promotion.....	13,565,857	60	15,880,000	65	+9,353,000 (2)	25,233,000	85
4. Wholesale Market Development ..	2,260,971	22	2,235,000	22	+321,000 (3)	2,556,000	23
5. Transportation Services	2,518,719	25	2,522,000	25	--	2,522,000	25
Unobligated balance	506,630	--	--	--	--	--	--
Total, Available Or Estimate ...	46,743,000	482	48,831,000	489	+11,351,000	60,182,000	528
Transfers: Departmental Administration .	-176,000	--	--	--			
Total, Appropriation ..	46,567,000	482	48,831,000	489			

Justification of Increases and Decreases
Marketing Services

(1) An increase of $1,677,000 for Market News services ($22,166,000 available in 1999) consisting of:

(a) An increase of $428,000 and four staff years to expand reporting in foreign markets.

USDA's strategic plan recognizes that growth in income for farming and ranching operations of all sizes is increasingly dependent on market expansion and export growth. Increases in world income and economic growth are helping to spur foreign demand for American agricultural products, with trade agreements providing improved access to these markets. Despite the growing presence of agricultural commodity world markets, U.S. agriculture does not have access to a centralized, consistent, public source of timely information on international prices and trade volume. Foreign market information is particularly important to small-and medium-sized U.S. producers who would otherwise have no access to the data. Due to the enormous growth in trade and the opportunity for business abroad, AMS is being asked to expand international market reporting

by dairy, meat, poultry, and fruit and vegetable industry representatives. This expansion in market reporting is necessary in order to allow U.S. companies to take advantage of the business opportunities that are available around the world. If the U.S. lost the opportunity to increase its current trade volume by 2% due to the lack of sufficient market news information, the U.S. could lose over $1 billion per year.

Additional resources will allow AMS to expand coverage of export and import information relative to price, volume and movement of dairy, meat, poultry, and fruit and vegetables. The Senate required increased reporting of exports and imports of beef, lamb, veal, and products thereof, to assist the industry in providing a more transparent market and price discovery system. Reports will be developed to meet industry request. Current reports will be expanded and the number of contacts for collection of this information will be expanded. As GATT and NAFTA has removed barriers to trade, AMS must expand coverage into South and Central America and Pacific Rim nations. Current overproduction for many U.S. commodities has made it necessary to increase exports to help support U.S. producers expecially in light of declining farm revenues.

The number of reports developed will vary with commodity groups. Dairy, meat, poultry, and fruit and vegetable will develop and expand from 15-20 reports covering various products within the commodity groups.

(b) An increase of $580,000 and six staff years to expand the reporting of organically-grown fruits and vegetables.

One of the most rapidly growing segments of the U.S. fruit and vegetable industry is the production of organically-grown fruits and vegetables. With an increasing focus by consumers on organically-grown fruits and vegetables, many producers are shifting at least some portion of their acreage to meet this demand. The rapidly growing market for organic fruits and vegetables is operating with very little reliable and consistent market information. The lack of timely and unbiased market reports available to all could result in placing some participants in the market in a less favorable position than others, in consolidation of firms, and in excessive margins at some trading levels. Statistics show that small-scale producers are the majority of organic farmers of fruits and vegetables. The large number of medium and small producers makes it critical that all participants have access to the same market information. Market transparency contributes significantly to the efficiency of marketing goods, with consumers being the end beneficiary of a consistent supply of high-quality products at reasonable prices. Increased funding is needed to enable AMS to provide reliable and timely information on organically-grown products to the agricultural industry.

The reporting of organically-grown fruits and vegetables will be centered at the Fresno Fruit and Vegetable Market News office. Reporters will travel extensively to the principal producing areas and to wholesale markets to identify key contacts and solicit cooperation. The staff will report prices and supplies to ensure that a complete picture of market levels and product movement is widely available.

This increase supports AMS Strategic Goal 1, facilitating the strategic marketing of U.S. agricultural products in domestic and international markets.

(c) An increase of $669,000 and eight staff years to expand reporting of livestock markets in accordance with the recommendations set forth by the Secretary's Advisory Committee on Concentration.

More and more farm producers deal with large manufacturers and processors in concentrated markets and have little power to negotiate prices. This concentration is particularly evident in the livestock and meat industry where four packers slaughter over 80 percent of the U.S. fed cattle supply, large retail buyers have replaced traditional wholesalers, and less than 1 percent of the feeders supply over 40 percent of all cattle sold. Despite record profits at higher levels in the beef production chain, producers must contend with depressed prices and growing financial distress. The situation is exacerbated by the incompleteness of available price information. The price discovery and reporting processes must be enhanced to better enable buyers and sellers to judge the competitiveness of their trades. Given the increasing concentration of the meat industry, it is imperative that producers and packers have access to timely, accurate market information to ensure fair competition.

The Secretary's Advisory Committee cited the need for a value-based report to be developed for the cattle industry; more specifically, a matrix report. The development of this report will provide the economic indicators to help guide producers in supplying products to meet consumer demands. Expansion of auction market and direct coverage of daily trading, focusing on the shifts in marketing patterns, will provide more market information for all market participants. The additon of reporters in strategic locations throughout the major trading areas of the country such as Texas, Oklahoma, Kansas, Colorada, Nebraska, Iowa, Wyoming, North and South Dakota, and Pacific Northwest, will help provide the basic market coverage that is needed. Expansion of reporting trimmed beef products on a daily and weekly basis will provide greater coverage of beef marketing. The meat industry has moved to marketing more processed products and away from marketing commodity products. AMS is continuing development of import and export volume data for livestock crossing the borders between the U.S. and Canada, and the U.S. and Mexico. These reports will include information on volume of cattle, hogs, sheep, goats, and horses as well as destination for imports. The agency is also developing reports to reflect formula and contract specifications for cattle. While data relative to volume informatin has been developed, there is reluctance by industry to report contract specifics for formula trading.

Expanding the producer generated direct hog reports will provide vital cross-checks in the marketing of hogs. The recent changes that have occurred in hog marketing, primarily of marketing on a carcass value-based concept, has necessitated more producer input of data relative to marketing specifics. AMS is developing two new hog reports which include a new direct slaughter hog report and a new direct hog lean value report. Conversion of direct cash live hog reports to reporting on a carcass basis more clearly represents current marketing practices.

AMS will continue to expand live lamb reporting to additional daily auction and direct trade areas to focus on the shifts in marketing patterns that will provide more market information for all market participants. Sheep export and import volume is included in the border crossing reports. Import volume of lamb will be included in the Import Meat report mentioned earlier.

Expansion will continue in the reporting of boxed beef to include various cutting formulations and incorporating the additonal data into the carcass equivalent index report. Coverage of wholesale beef carcass price and volume data, branded products, reporting of price differentials or USDA Prime, and the upper two-thirds of USDA Choice, and sub-select price category is being expanded. AMS will also continue the development of an Internet site with information concerning the marketing of livestock, meat, grain, hay and feedstuffs. The site includes reports for the current day, and additional features will be added to include historcial data and search capabilities.

Twenty to twenty-five reports will be expanded and developed for the livestock markets, covering various livestock categories and marketing areas. In order to mitigate the negative consequences of concentration, the price discovery and reporting processes must be enhanced to better enable buyers and sellers to judge the competitiveness of their trades.

(2) An increase of $9,353,000 for Market Protection and Promotion ($15,880,000 available in 1999) consisting of:

(a) An increase of $131,000 and one staff year to continue implementation of the Organic Certification program.

The organic industry today is valued at over $3.5 billion, and is growing at the rate of 22 percent per year. As the industry grows, the implementation of the National Organic Program becomes more complex and more critical. AMS plans to accredit state agricultural departments and private persons who will inspect participating producers and handlers to certify compliance with the organic program after the final rule is published. Once the program is implemented, state and private agencies will certify approximately 6,000 organic producers and 800 handlers. We anticipate the need for effective control and enforcement procedures to ensure the integrity of the organic label, especially for new products such as organic meat and poultry. With full program funding and staffing, AMS will monitor State programs' compliance with the national regulations, and develop a system to prevent fraudulent labeling. Beyond the domestic market, AMS recognizes the importance of access to global markets in today's economy, and will also seek to facilitate the international marketing of organic products. AMS will work to ensure the harmonization of standards by monitoring existing international organic programs and participating in the development of international agreements for organic production and products.

(b) A one-time increase of $639,000 to finalize implementation of the National Organic Program, provide extensive customer outreach, and develop an international certification program.

In the first year of implementing the National Organic Program, AMS estimates it will accredit at least 45 certifying agents (review applications, verify information, and visit sites for accreditation), review the performance of each certifying agent, enforce the Act and regulations (handle producer and handler appeals of adverse decisions by the certifying agents, and investigate alleged violations by certifying agents), review regulations and amendments to facilitate compliance by the industry, train reviewers and investigators, and develop a system for the collection and distribution of volume and price data for organic agricultural products.

In compliance with the Organic Foods Production Act of 1990, AMS will implement an international program component to develop standards and accredit foreign state certifiers. This will require accreditation of international certifying agents, representation at CODEX meetings, and coordination with the Foreign Agricultural Service. To assist organic producers and handlers in exporting their products, AMS will gather and disseminate relevant export data. Such data would include marketing strategies, market availability, United States export requirements, and foreign destination import rules. This information will make maintenance and expansion of existing organic export markets easier, and will promote new and improved export markets for domestic organic agricultural products.

Once the national organic rule has been finalized, AMS plans an extensive outreach effort to educate consumers, producers, processors, certifiers, and trading partners about the program. In doing so, AMS will utilize its organic home page extensively to distribute information on all aspects of the program. To reduce paperwork and facilitate rapid response, certifiers' applications and approvals will be handled electronically. Electronic distribution will be supplemented by a broad dissemination of program information through print and other media to the array of industry, consumers, and others with an interest in the organic program.

AMS also plans to partner with various government and non-government groups to provide information on the program. Plans are underway to work cooperatively with USDA's Extension Service, utilizing their extensive county office structure and their electronic network throughout the country. AMS will collaborate with the Foreign Agricultural Service (FAS) to ensure international distribution of the rule and supplementary materials to facilitate U.S. exports of organic products. AMS is developing a strategy to work with organic trade associations and non-government organizations in distributing materials about the program and the certification process. The National Organic Standards Board will play a critical role in developing and implementing the outreach strategy. This funding supports AMS Strategic Goal 1, facilitating the strategic marketing of U.S. agricultural products in domestic and international markets, by enhancing the Agency's ability to assist producers of organic products. User fees can be collected and utilized to offset program expenses once the National Organic Program is underway.

(c) An increase of $1,487,000 and three staff years to provide rapid risk assessments to meet the increased demands for actual residue data by the Environmental Protection Agency (EPA).

EPA uses residue data collected by the Pesticide Data Program (PDP) to conduct dietary risk assessment reviews required by the Food Quality Protection Act (FQPA). The Act established more stringent safety standards that required the EPA to review more than 9,000 tolerances for compliance and established a critical need for EPA to complete risk assessment evaluations for pesticides affecting multiple commodities in the same classification. To satisfy its data needs, EPA requested the Pesticide Data Program to develop a rapid response capability by adding commodities in the same class as those already tested, but test those commodities at a reduced sampling rate that would still be statistically valid. This type of rapid evaluation will enhance the pesticide reregistration process significantly, use minimal resources for any validations, and allow commodity changes to be considered on a quarterly basis.

The FQPA's Title III, Sec. 301(c) directs the Secretary of Agriculture to ensure improved sampling and collection of pesticide residue data, especially for foods most likely to be consumed by infants and children, including guidelines for the use of comparable analytical and standardized reporting methods. The PDP provides data on actual pesticide dietary exposure, food consumption, and pesticide usage. Without residue data, the EPA may be forced to estimate residue levels and risk. Overestimates of risk could limit the ability of USDA and farmers to develop effective risk mitigation and management strategies. Other agencies use the data to respond more quickly and effectively to food safety issues. FAS, state agencies, and grower groups also use the data to support export of U.S. commodities.

(d) An increase of $6,185,000 and eight staff years to initiate a scientifically-sound microbiological data program as part of the President's Food Safety Initiative.

The microbiology data program will collect data pertaining to food-borne pathogens and spoilage micro flora on domestic and imported fruits and vegetables. This program, part of the President's Food Safety Initiative, will establish a much needed baseline of microbiological data by which to assess the risks of contamination in the U.S. food supply. Although the domestic food supply is unmatched in both quantity and quality, additional funds are needed to respond to concerns generated by the sporadic cases of microbiological contamination resulting in food-borne disease outbreaks nationwide in recent years. The program will determine the incidence, number, and type of important food-borne microorganisms such as *E. coli*, *Listeria monocytogenes*, and *Salmonella, spp.* in the U.S. food supply, including domestically-produced and imported commodities.

In FY 1999, AMS will begin development of a microbiological data program by initiating laboratory method evaluations and developing a statistical sampling plan for a pilot program, and by initiating a pilot program using $112,000 of funding provided in fiscal year 1999. The funding requested will allow AMS to perform almost 30,000 analyses on up to 11 commodities in the 10 participating states. These 10 states represent approximately 50 percent of the U.S. population. Initially, the program will focus on fresh fruits and vegetables. The commodities to be sampled and tested will be selected based on per capita consumption and from those that are usually eaten raw (and do not have natural microbial resistance). The samples will be collected at terminal markets and chain store distribution centers. Program costs will be minimized by using the existing infrastructure of the Pesticide Data Program for statistically-reliable sampling, participating State and Federal laboratories, and data reporting capabilities.

The microbiological data program is a necessary component to food safety efforts; it provides critical exposure data necessary for conducting risk assessments. It is also unique; there is no program operating at the Federal or State level that produces microbiological data. To ensure that both the process and the content of the program are coordinated, AMS will work closely with other Federal and State agencies. We will also coordinate our efforts with other stakeholders such as the agricultural industry, interest groups, and regulatory health agencies. Public health agencies such as FDA, CDC and various State Health Departments, need statistically reliable microbiological data to assess the impact of various regulations and agricultural practices for the fresh fruit and vegetable supply. The data will help the produce industry and regulatory health agencies to identify effective processing and handling modifications in the food distribution system, which improves both the quality and wholesomeness of the food supply. In addition, the organisms isolated will be available to any research group (government, academic, or private) wishing to apply further testing such as serotyping or antibiotic resistance. Information resulting from this type of study may provide a more complete picture of the type of microbial exposure experienced by the population.

(e) An increase of $911,000 and eight staff years to develop a program that monitors pesticide residues in meat, poultry, eggs, and drinking water.

In accordance with the Food Quality Protection Act (FQPA), a funding increase is necessary to create a program that will test meat, poultry, eggs, and drinking water for pesticide residues. The EPA requires this data on pesticides to fulfill the requirements of the FQPA; AMS' database will provide that data in a usable format. Both EPA and USDA will use the data collected for FQPA risk assessment, mitigation, and management activities. There is no other source for this information, and data on meat, poultry, eggs, and drinking water is a critical component in assessing overall dietary risk.

AMS will modify existing and proven Pesticide Data Program methodologies to incorporate meat, poultry, eggs, and water, beginning with poultry. These added commodities require the development of new methodologies for difficult- to-analyze pesticides and that allow the detection of multi-pesticide classes in more than one tissue. Collecting meat and poultry samples at slaughter plants and testing the samples at a single AMS laboratory will maximize efficiency and minimize costs. In fiscal year 1999, AMS will evaluate methods and finalize a list for testing on poultry. The requested level of funding in fiscal year 2000 will provide for sampling by the Food Safety Inspection Service, acquisition of the necessary equipment, quality analysis proficiency sampling, and reengineering the PDP data system for collection of the new information.

(3) An increase of $321,000 ($2,235,000 available in 1999) and one staff year for Wholesale Market Development to address the highest priority activities in the small farms initiative which involve identifying alternative marketing strategies and enhancing marketing opportunities for small farmers.

The Small Farms Commission report, *A Time to Act: A Report of the USDA National Commission on Small Farms* (January 1998), recognized the current shift from commodity support toward market-driven production throughout all of U.S. agriculture, and recommended easing the burden this trend has placed on small farmers by facilitating marketing opportunities for those farmers.

The "Farmer Direct Marketing Action Plan," submitted to and supported by the Secretary, describes direct marketing strategies and practices AMS proposes to develop to assist small- and medium-sized farmers. Since about 80 percent of a farmer's gross sales is absorbed by farming expenses, making direct marketing easier and more productive for small farmers will enhance their returns.

The funding requested will be used to research and identify marketing strategies appropriate for small- to medium-sized producers, develop technical assistance materials, and work directly with state departments of agriculture and other organizations to assist producers in agricultural marketing activities. Emphasis will be placed on facilitating marketing opportunities for small farmers through the use of wholesale, farmers, collection, and public markets. The funding will also be used to continue outreach marketing workshops for minority, limited resource, and other small farmers. These outreach efforts will emphasize the economic benefits of improving product quality, diversifying products and expanding markets, and the understanding and use of market strategies.

This funding supports AMS Strategic Goal 1, facilitating the strategic marketing of U.S. agricultural products in domestic and international markets by enhancing marketing opportunities for small farmers, and duplicates the example set by the President's budget in effectively implementing the policy goals and recommendations made by the Small Farms Commission. Development and testing of improved marketing practices and strategies are necessary to maintain the strength of small, family farms, increase employment opportunities in rural areas, and provide consumers with additional alternatives for their food and non-food purchases.

Agricultural Marketing Service

Marketing Services
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1998 and Estimated 1999 and 2000

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$179,738	2	$182,000	2	$185,000	2
Alaska	11,000	--	12,000	--	12,000	--
Arizona	467,631	8	466,000	8	477,000	8
Arkansas	400,456	6	410,000	6	414,000	6
California	3,687,708	23	3,958,000	23	5,733,000	23
Colorado	433,958	7	466,000	7	519,000	6
Delaware	11,000	--	12,000	--	12,000	--
District of Columbia	18,075,711	156	17,879,000	154	21,463,000	165
Florida	1,396,436	9	1,495,000	9	2,054,000	11
Georgia	1,110,864	16	1,112,000	16	1,137,000	16
Hawaii	11,000	--	12,000	--	12,000	--
Idaho	206,033	2	209,000	2	213,000	2
Illinois	651,198	12	649,000	12	1,086,000	14
Indiana	18,000	--	19,000	--	19,000	--
Iowa	2,070,830	33	2,070,000	33	2,117,000	33
Kansas	380,566	6	383,000	6	391,000	6
Kentucky	207,247	2	211,000	2	215,000	2
Louisiana	284,600	5	288,000	5	293,000	5
Maine	12,000	--	13,000	--	13,000	--
Maryland	1,376,919	20	1,378,000	20	1,424,000	20
Massachusetts	397,244	6	396,000	6	407,000	6
Michigan	1,148,466	9	1,371,000	11	1,872,000	11
Minnesota	411,348	6	418,000	6	556,000	8
Mississippi	126,037	2	129,000	2	205,000	3
Missouri	818,711	14	655,000	14	659,000	14
Montana	115,543	2	115,000	2	118,000	2
Nebraska	367,576	6	367,000	6	508,000	8
Nevada	14,000	--	15,000	--	15,000	--
New Jersey	20,000	--	21,000	--	21,000	--
New Mexico	42,000	--	45,000	--	45,000	--
New York	1,484,418	10	2,009,000	14	2,808,000	16
North Carolina	508,738	8	514,000	8	1,071,000	15
Ohio	629,695	5	815,000	6	1,140,000	8
Oklahoma	274,807	4	278,000	4	283,000	4
Oregon	236,861	3	238,000	3	243,000	3
Pennsylvania	535,932	9	537,000	9	548,000	9
Puerto Rico	12,000	--	13,000	--	13,000	--
South Carolina	108,538	2	111,000	2	112,000	2
South Dakota	376,098	6	377,000	6	449,000	7
Tennessee	2,089,748	38	2,978,000	40	3,005,000	40
Texas	1,518,788	17	1,880,000	17	2,297,000	17
Utah	31,000	--	33,000	--	33,000	--
Virginia	2,264,109	9	2,391,000	9	3,695,000	17
Washington	1,248,617	11	1,403,000	11	1,742,000	11
West Virginia	20,138	--	21,000	--	21,000	--
Wisconsin	269,736	5	304,000	5	350,000	5
Wyoming	173,327	3	173,000	3	177,000	3
Subtotal, Available or Estimate	46,236,370	482	48,831,000	489	60,182,000	528
Unobligated balance	506,630					
Total, Available or Estimate	46,743,000	482	48,831,000	489	60,182,000	528

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Goal 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.

Goal 2: Ensure fair and competitive agricultural marketing through marketing tools and regulations.

Current Activities:

The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on farm products in specific markets and marketing areas. This information is supplied to producers, processors, distributors, and others to assist them in the orderly marketing and distribution of farm commodities.

Selected Examples of Recent Progress:

1. Market News Information System:

   AMS has developed and implemented a Market News database system to improve the gathering, reporting, and historical retrieval of Market News data. The database system includes the integration of all Market News field offices into the AMS wide-area network. Significant improvements in reliability, efficiency, effectiveness, and timeliness have been realized because of a standard nationwide set of office automation capabilities, including electronic mail. Field offices can electronically transmit their data to the nationwide database, increasing our ability to provide Market News data on a more timely and automated basis.

2. Market News Communication System:

   AMS has successfully designed, developed, and deployed a communications system linking all Market News offices for the purpose of rapid, reliable, and error-free exchange and dissemination of market reports. The system relies on the AMS wide-area network and high speed dial-up capabilities to efficiently facilitate the movement of time-sensitive reports, to destinations such as the Internet and private secondary disseminators of market information.

3. Year 2000:

   To ensure full Year 2000 compliance, AMS is converting all Market News Information Systems and Market News Communications Systems from non-compliant software and hardware to Year 2000 certified compliant systems. The completion date for fiscal year 2000 compliance is March of 1999.

4. International Cooperation and Reporting:

   During fiscal year 1998, AMS program staff held meetings with officials from Canada, Mexico, Japan, Ukraine, Russia, Uzbekistan, Chile, Colombia, Panama, Bulgaria, Bangladesh, China, and the European Union with the purpose of furthering an exchange of market information. AMS conducted U.S.-based "train-the-trainer" programs for market information specialists and wholesale market

officials from Panama, Colombia, Chile, and Russia. AMS briefed U.S. exporters shipping poultry products to Croatia/Bosnia and the Czech Republic on the fundamentals and benefits of the USDA program. AMS also participated in international dairy conferences in Europe and met with industry contacts in Ireland, Germany, Poland, and Denmark to explain the international market news program and to solicit cooperation.

5. Market Assistance:

AMS has continued its support of the Foreign Agricultural Service (FAS) emerging markets program. We are joining with private sector representatives in assessing the distribution channels for refrigerated products in the Philippines and Thailand, with regard to their importing perishable U.S. agricultural products. AMS has also made plans to participate in similar assessments in Brazil and the Dominican Republic in early 1999.

Consultations and workshops for the export transportation of high-value products and livestock were conducted in the States of California, Florida, Georgia, Hawaii, Michigan, Montana, Oregon, Pennsylvania, Tennessee, Washington, and Wisconsin. In addition, several industry requests for boxes of AMS publications were fulfilled for use during trade show, community college, and port authority seminars on export marketing.

At FAS' request, importer workshops were conducted in Indonesia and Vietnam, and AMS participated in an Economic Research Service bilateral review of the food distribution systems of Mexico and the United States. This study was funded by the FAS emerging markets office.

AMS received international visitors who are concerned with marketing from Bangladesh, China, Colombia, India, the Ivory Coast, the Netherlands, Panama, and Russia.

6. New Market Reports:

In response to requests from the public, AMS began shipping point reports on the following commodities from the indicated origins:

- Argentina apples and pears
- Spain clementines
- Southern California cucumbers
- Tennessee tomatoes
- Wisconsin onions

AMS expanded reports on nest run and graded loose eggs to include actual selling prices of future-priced (based upon future market value) loads. The Midwest Region Broiler/Fryer and Western Region Broiler/Fryer reports and the Midwest Egg Review were expanded by consolidating several local area reports. In response to customer requests and to create a more user-friendly format, the poultry subscription report was divided into the Broiler/Fryer and Turkey Market News reports.

Regional butter market reports were revised to better reflect market conditions. In addition, Dairy Programs initiated coverage of new dairy product cash markets on the Chicago Mercantile Exchange, both in the printed report and on the Applied Voice Technology System.

AMS continues to adjust program operations to maintain and expand reporting on markets of national significance.

7. Streamlining Efforts and Service Improvements:

In fiscal year 1998, AMS completed development of and formally opened the Customer Service Center in Fresno, California, in order to disseminate standardized reports from a single location, more efficiently maintain subscription lists, and handle special data requests. The establishment of the Customer Service Center provides market reporters across the nation with the opportunity to concentrate more fully on accurately reporting markets. Publication of most local and national fruit and vegetable market reports was transferred to the Customer Service Center in fiscal year 1998. Numerous reports were consolidated and put in more user-friendly formats.

8. Dissemination of Market Reports by Internet:

Efforts to facilitate report access through the Internet continue. AMS has established an Internet home page for access to our Market News reports. Users can access all current reports, as well as use search engines to retrieve recent historical data from the 60-day archive. The home page has been modified to include hot links to several other Internet sites that carry market information.

Most published (printed) fruit and vegetable reports were added in portable document format (pdf) in fiscal year 1998. The first fruit and vegetable report available by electronic mail, the National FOB Review, was implemented in fiscal year 1998. The Dairy Program also added the "Dairy Market Statistics" report that was previously only available through subscription.

9. Federal-State Reporting:

Livestock and Grain Market News increased State livestock auction market coverage by expanding Federal/State cooperative agreements with North Carolina and Pennsylvania. Additional livestock auctions are now included in the Market News Communication System, which provides nationwide coverage to the livestock industry. Additional auctions were also added in South Dakota, North Dakota, Iowa, and Montana.

INSPECTION, GRADING, AND STANDARDIZATION

Current Activities:

AMS continues to provide quality grade standards for commodities as requested by industry and consumer groups. The Agricultural Marketing Act of 1946 directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices." Use of USDA's federal grading program is strictly voluntary, with users paying for the cost of the service.

There are 577 quality grade standards in place for poultry, eggs, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, and livestock. These food and fiber standards are widely used by private industry in domestic and international trading, as the basis for futures market contracts, and as the benchmark for purchase specifications in most private contracts.

The shell egg surveillance program establishes the requirements for monitoring the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all eggs. Most inedible shell eggs are used in animal feed; the remainder are destroyed.

Selected Examples of Recent Progress:

1. Shell Egg Surveillance:

As a result of plants closing and consolidating, the number of shell egg handlers inspected at least quarterly in fiscal year 1998 decreased from 721 in fiscal year 1997 to 698, and the number of hatcheries inspected annually decreased from 417 in fiscal year 1996 to 408 in fiscal year 1998.

Outbreaks of salmonellosis caused by *Salmonella enteritidis (Se)* in shell eggs continued as a human health issue during fiscal year 1998. Where requested, AMS continues to cooperate with the Food and Drug Administration (FDA), the Food Safety and Inspection Service (FSIS), and State agencies to control the movement of eggs from infected flocks, once identified, to processing establishments for pasteurization rather than to fresh egg markets.

2. Grading and Standardization:

a. Cotton Classing:

AMS classified 18.7 million samples of cotton under the grower classing program in fiscal year 1998, with all cotton classed by the high volume instrument (HVI) method. In addition, classification of 274,757 samples was provided under the Cotton Futures and Cotton Standards Acts. Classification data continues to be provided electronically via telecommunication to most growers or their agents.

Purchasers of cotton, primarily merchants and manufacturers, increased by 10 percent their use of AMS' central database to obtain classing data in fiscal year 1998. The Farm Service Agency also used this system to obtain quality information for loan purposes.

Fees and Charges in Effect:

Service Performed	FY 1998 Fees a/
Cotton grading	$1.40 per sample for HVI classing

a/ This is the base fee. There is a five cents per sample discount if producers are billed through voluntary central agents (e.g., cotton gins and warehouses).

b. Tobacco Grading:

Approximately 96 percent (1.6 billion pounds) of all tobacco domestically produced in fiscal year 1998 was graded by Federal tobacco inspectors and sold at auction markets. In addition, AMS reinspected about 322 million pounds of tobacco pledged as collateral by growers under the Commodity Credit Corporation loan program.

The Dairy and Tobacco Adjustment Act of 1983 requires that all tobacco (except cigar and oriental types) imported into the United States be inspected to ascertain the type and quality of imported tobacco. The imported tobacco inspection program was initiated in 1984 and in 1992 it was converted to the metric system. During fiscal year 1998, AMS inspected approximately 94 million kilograms of imported tobacco.

The imported tobacco pesticide testing and certification program, initiated in 1986, required that all flue-cured and burley tobacco offered for importation into the United States be free of prohibited pesticides. A total of 129 million kilograms of imported flue-cured and burley tobacco was tested for pesticides during fiscal year 1998.

Fees and Charges in Effect:

Service Performed		FY 1998 Fees
Permissive inspection	Regular time	$32.40 per hour
	Overtime	38.70 per hour
	Sundays and Holidays	48.45 per hour
Domestic tobacco grading		.83 per hundred pounds
Imported tobacco grading		.99 per hundred kilograms
Imported tobacco pesticide Testing and certification:		
A. Self-certification (If importer certifies that tobacco is within pesticide residue tolerance)		.77 per hundred kilograms
B. Non-certification (If importer does not certify that the tobacco is within pesticide residue tolerance)		1.54 per hundred kilograms
Permissive certification of Export Tobacco		.25 per hundred pounds

c. Poultry and Egg Grading:

Approximately 90 percent of poultry grading services are provided on a resident basis. In most of these instances, a full-time grader is stationed at the plant requesting service. The remaining 10 percent of poultry grading services is provided on a non-resident (lot grading) basis. During fiscal year 1998, AMS provided resident service in 129 poultry plants and 138 shell egg plants. A total of 14.4 billion pounds of poultry and 1.2 billion dozen shell eggs was graded during the year. This represents 62 percent of the turkeys slaughtered, 38 percent of the broilers slaughtered, and 31 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges in Effect:

Service Performed	FY 1998 Hourly Fees
Non-Resident Plant	
Regular Time	$38.96
Saturday, Sunday, Holiday	43.24

Resident Plant	27.86-39.54*

* Depending on the volume of product handled in the plant.

d. Meat Grading and Certification:

During fiscal year 1998, meat grading and certification services were provided to approximately 330 meat packing and processing, and other food establishments nationwide. A total of 21 billion pounds of red meat (beef, lamb, veal, and calf) were graded during the year. This figure represents 95.6 percent of steers and heifers, 88.8 percent of lamb, and 22.6 percent of veal and calf commercially slaughtered in the U.S. In addition, over 15 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements in fiscal year 1998.

Fees and Charges in Effect:

Service Performed	FY 1998 Hourly Fees
Commitment grading	$39.80
Non-commitment grading	42.20
Overtime grading	47.80
Holiday grading	79.60

e. Livestock Grading:

In fiscal year 1998, according to contract specifications, AMS inspected and graded approximately 16 million pounds of livestock delivered to settle futures contracts for the Chicago Mercantile Exchange.

Fees and Charges in Effect:

Service Performed	FY 1998 Hourly Fees
Base grading	$29.40
Overtime grading	32.80
Holiday grading	58.80

f. Processed Fruit and Vegetable Grading:

In fiscal year 1998, AMS graded 14.3 billion pounds of processed fruits and vegetables at 318 processing plants, 15 field offices, 1 suboffice, and 15 inspection points. In addition, AMS developed a Qualified Through Verification (QTV) program based upon HACCP principles and is currently conducting a QTV program with several firms. The QTV program was largely developed to meet the needs of the Fresh Cut Produce industry. AMS is also doing quality and sanitation audits for Sysco Corporation, and Alliant Foodservice, Inc. (formerly known as Kraft).

Fees and Charges in Effect:

Service Performed	FY 1998 Hourly Fees		
	Base	Holiday	Overtime
Lot inspection	$41.00	$82.00	$61.50
Yearly contract (in-plant)	34.00	68.00	51.00
Requested Additional Graders (in-plant)	41.00	82.00	61.50
Seasonal contract (in-plant)	42.00	84.00	63.00

g. Fresh Fruit and Vegetable Grading:

Grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and in Puerto Rico. In fiscal year 1998, approximately 85 billion pounds of fresh fruits, vegetables, and specialty crops were graded. Grading services were provided by approximately 5,500 federally-supervised and licensed State employees at shipping point and cooperative market locations, and by approximately 200 Federal employees at 36 federal markets.

Fees and Charges in Effect:

Service Performed	FY 1998 Fees
Quality and condition inspections of one to four products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
--Over a half carlot equivalent product	$86.00
--Half carlot equivalent or less of each product	$72.00
--For each additional lot of the same product	$14.00
Condition only inspections of one to four products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
--Over a half carlot equivalent of each product	$72.00
--Half carlot equivalent or less of each product	$66.00
--For each additional lot of the same product	$14.00
Quality and condition and condition only inspections of five or more products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
--For the first five products	$305.00
--For each additional product	$43.00
--For each additional lot of any of the same product	$14.00
Quality and condition and condition only inspections of products each in quantities of 50 or less packages unloaded from the same land or air conveyance:	
--For each product	$43.00
--For each additional lot of any of the same product	$14.00

Dock-side inspections of an individual product unloaded directly from the same ship:

--For each package weighing less than 15 pounds	1.1 cents
--For each package weighing 15 to 29 pounds	2.2 cents
--For each package weighing 30 or more pounds	3.3 cents
--Minimum charge per individual product	$86.00
--For each additional lot of the same product	$14.00
Inspection performed for other purposes during the grader's regularly scheduled work week (hourly)	$43.00
Overtime or holiday premium rate (per hour additional) for all inspections performed outside the grader's regularly scheduled work week (hourly)	$21.50
Inspections performed under 40 hour contracts during the grader's regularly scheduled work week (hourly)	$40.00
Rate for billable mileage (per mile)	$.80

h. Dairy Products Grading:

Dairy products grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. An AMS grade is required on all products sold to the Commodity Credit Corporation under the dairy price support program. Upon request, AMS also grades dairy products sold in commercial channels. In fiscal year 1998, AMS graded approximately 970 million pounds of dairy products, and conducted 1,132 dairy plant inspections to assure sanitation of processing facilities.

Fees and Charges in Effect:

Service Performed	FY 1998 Hourly Fees
Continuous resident service	$51.00
Product grading	56.00
Night differential product grading	61.60
Holiday, Saturday, Sunday	84.00

i. Standardization:

Domestic and international standards are developed for use in grading, acceptance, and certification services for the food and fiber industries. Before standards are implemented, studies are conducted and proposed standards are announced. Public comments are then solicited to verify that quality grade standards will facilitate commerce. The cost of developing and revising these standards is paid by the commodity groups that use them. In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have, to a great extent, become the basis for international harmonization of food grades recognized by Codex Alimentarius and the Economic Commission for Europe. Consequently, U.S. food grade standards are likely to play an integral part in NAFTA and GATT.

In fiscal year 1998, 149 standards were reviewed, including 21 for cotton products, 14 for tobacco, 10 for fresh fruits and vegetables and 66 for processed fruit and vegetable products, 15 for poultry, 20 for livestock and meat, and 3 for dairy products. As a result, 3 new standards were

established (1 livestock and 2 poultry)--1 tobacco, 3 fresh fruit and vegetable, 4 processed fruit and vegetable, and 6 poultry--were revised. As in fiscal year 1997, AMS is collecting fees for standards activities as part of the grading fees. AMS reimburses the Treasury for standards costs. Since fees cannot be collected for standards where grading services are not requested, such as pork, wool, and mohair, all standards activities related to those industries have stopped.

j. Voluntary Seed Testing:

AMS offers seed inspection and certification services to interested parties for a fee. Most of the users of this service are exporters of seed. During fiscal year 1998, AMS issued 1,425 Seed Analysis Certificates.

3. Plant Variety Protection Act:

The Plant Variety Protection Act (PVPA) program is voluntary and self supporting. The PVPA provides legal protection to developers of new varieties of plants which are sexually reproduced or tuber-propagated. Varieties of approximately 100 species of plants are currently protected under the PVPA. Each developer of a new variety is assessed a fee of $2,750 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates. The current fees became effective in April of 1995. A modest fee increase will be requested of the Plant Variety Protection Advisory Board in fiscal year 1999.

AMS received 390 applications for protection of new varieties of seed reproduced plants in fiscal year 1998. A total of 1,249 applications, including some from previous years, were pending action at the end of fiscal year 1998. During the fiscal year, AMS conducted searches on 644 applications to determine whether the plant constituted a new variety and issued 116 certificates of protection. At the end of fiscal year 1998, 3,226 certificates were in force. Protection expired on 27 varieties during the year.

MARKET PROTECTION AND PROMOTION

Current Activities:

AMS administers several laws under this activity, including the Agricultural Marketing Act of 1946; the Food, Agriculture, Conservation, and Trade Act of 1990; the Federal Seed Act; the Plant Variety Protection Act; research and promotion acts for beef, cotton, dairy products, eggs and egg products, fluid milk, honey, pork, soybeans, watermelon, kiwifruit, mushrooms, potatoes, popcorn, and a general Commodity Promotion, Research, and Information Act; the Export Apple and Pear Act; and the Export Grape and Plum Act. These laws regulate various marketing activities and the administration of each includes one or more of the following: collection of pesticide residue data and recordkeeping; issuance, suspension or revocation of licenses or registration; collection and testing of seed samples; audits of books and records; investigation of complaints and violations; settlement of disputes; and legal protection to developers of new varieties of plants which reproduce sexually.

Selected Examples of Recent Progress:

1. Pesticide Recordkeeping Program:

AMS entered into 35 cooperative agreements in fiscal year 1998 with State pesticide regulatory agencies/Indian Tribes to conduct educational and /or compliance work. The main compliance activity consists of conducting inspections of certified private applicators' restricted use pesticide records. In addition, AMS conducted compliance programs utilizing federal inspectors in four States.

These States had indicated they would not enter into a cooperative program with AMS. AMS continues to emphasize education to encourage compliance with the regulations. AMS has supported increased educational programming through funding the State Cooperative Extension Services, distribution of educational materials to agricultural organizations who represent the regulated community, and distributing educational materials through direct mailings.

2. Pesticide Data Program:

USDA implemented the Pesticide Data Program (PDP) beginning with fresh fruits and vegetables in May of 1991, which was extended to processed commodities in 1994, grain commodities in 1995, milk from January 1996-October 1998, and acute single-serving dietary risk assessment studies in 1997. Each product type has a different sampling system based on product marketing and a residue testing profile based on EPA's data needs which are different for each product type. Pesticide residue data are provided to the Environmental Protection Agency (EPA) for use in dietary risk assessments used in the pesticide registration process, and to other Federal and State agencies for use in determining policies intended to safeguard the public health. The program was developed to communicate statistically reliable information on pesticide residues in food near the point of consumption, to improve dietary risk assessment procedures, communicate pesticide information to the public, support the export of U.S. commodities based on national statistical representations, and examine pesticide residue issues which may affect good agricultural practices related to integrated pest management objectives. PDP is federally sponsored and relies on pesticide residue data obtained through participating States.

In response to the 1993 National Academy of Science report, "Pesticides in the Diets of Infants and Children," EPA requested and USDA implemented testing of additional high consumption foods for infants and children. PDP is now a critical component of the 1996 Food Quality Protection Act, which directs the Secretary of Agriculture to provide improved data collection of pesticide residues.

Two replacement commodities, peppers and cucumbers, were added early in 1999 to the 35 commodities have been included in PDP's sampling/testing profile over the past 7 years. At least 2 years of pesticide residue data are collected for fresh commodities and 1 year for processed products. PDP provides comparative pesticide residue data between fresh versus processed commodities, which may represent different commodities as well as different markets. PDP also provides an in-depth pesticide residue comparison for selected domestic versus imported commodities.

About 9,200 samples were tested in fiscal year 1998 resulting in more than 59,000 analyses. State and Federal laboratories perform analyses for more than 100 pesticides using multi- and specific-residue methods. Samples are prepared for testing by emulating consumer practices. Participating laboratories adhere to uniform standard operating procedures for sample collection, analysis, and electronic transfer of data, based on EPA's Good Laboratory Practices Guidelines. Annual Data summaries were published from 1991-1997. Of the 8,177 samples collected and analyzed in 1997, about 57 percent of the fruit and vegetable samples, 15 percent of the milk, 80 percent of the wheat, and 87 percent of the soybean samples tested had at least one pesticide residue. Post-harvest applications accounted for 24 percent of the residue detections. There were 50 different pesticide residues detected in fruit and vegetables, 5 in milk, 13 in wheat, and 6 in soybeans.

3. Federal Seed Program:

AMS has cooperative agreements with each State to regulate interstate commerce of agricultural and vegetable seeds with regard to labeling. Under these agreements, the States refer apparent violations of the Federal Seed Act to AMS for verification and appropriate action. In cooperation with State agencies, AMS conducted field tests on over 2,000 samples at eight different locations to determine trueness-to-variety of seed in interstate commerce. In fiscal year 1998, AMS received 507 new

complaints from 24 States, resulting in 589 cases. AMS tested 1,607 regulatory seed samples from 26 States and tested 228 mail order seed samples from 12 seed companies.

During fiscal year 1998, 93 Federal Seed Act cases were administratively settled with penalty assessments totaling $44,775. The penalty assessments ranged from $600 to $17,150. To promote uniformity in testing inspection, AMS conducted two seed analyst schools.

4. Research and Promotion Programs:

AMS provides administrative oversight to a number of industry-funded commodity research and promotion programs. Industry research and promotion boards collect assessments from producers, and sometimes importers, processors, and handlers, to carry out programs aimed at strengthening the demand for and improving the quality of beef, cotton, dairy products, eggs and egg products, fluid milk, honey, mushrooms, popcorn, pork, potatoes, soybeans, and watermelons. It is the responsibility of AMS to review and approve the budgets and projects such as paid advertising, consumer education, industry relations, industry information, retail promotion, Food service promotion, export promotion, market research, production research, nutrition research, public relations, and project evaluation proposed by the boards. The industry reimburses AMS for the costs of administrative oversight activities.

Established in 1966, the Cotton Research and Promotion Program is completing its 32nd year of work directed toward strengthening cotton's competitive position and expanding domestic and foreign markets for U.S. produced cotton. This program, administered by the Cotton Board, is funded by a mandatory assessment of $1 per bale, with a supplemental assessment not to exceed one percent of the value of lint of each bale. The Cotton Research and Promotion Act directs the Cotton Board to contract with an organization or association whose governing body consists of cotton producers selected by cotton-producer organizations certified by the Secretary to conduct the actual research and promotion projects. The contracting organization is Cotton Incorporated. In an effort to expand the domestic market for cotton, Cotton Incorporated has introduced new "The Fabric of Our Lives" commercials targeted to youth; expanded the market for cotton in non-traditional markets, specifically cotton carpets and rugs; enhanced consumer promotion efforts in Mexico; and conducted research on fabric qualities and cotton production methods to better control producers' agricultural costs. For fiscal year 1998, assessment collections totaled $58 million--approximately $22 million from imported cotton and the cotton content of imported products, and $36 million from domestically-produced cotton.

The Beef Promotion and Research Order, which became effective in July of 1986, provides for programs designed to maintain and expand domestic and foreign markets for beef. Project areas include promotion, research, consumer information, industry information, and producer communications. "Beef, It's What's for Dinner," has been the focus for advertising the program in recent years. In 1999, cooperative advertising with precooked branded beef items will be used to focus on current eating trends and the consumer desire for convenience. Beef exports have increased sharply during the past decade. Foreign promotion efforts have been formed in Japan, China, Korea, and other Far East countries, as well as in Mexico. In the research area, a major gene mapping project has been funded which may lead to more tender beef. Various research projects have also been funded which have led to increased food safety in the packing plants. Consumer information projects range from educational materials for schools to nutrition information for doctors and dieticians. An independent evaluation of the activities carried out indicates a $5 return to producers for each $1 expended. In 1998, importers paid about $7.1 million of the $83.3 million in assessments collected. Assessments are split between the National program and State programs. The National Beef Promotion and Research program received $45.2 million of the assessments, while qualified State beef council programs received the remaining $38.1 million.

The Pork Promotion, Research, and Consumer Information Order, which became effective in September of 1986, provides for programs designed to maintain and expand domestic and foreign markets for pork. Project areas include promotion, research, and consumer information. "Pork, the Other White Meat," has been the focus of the promotion and advertising campaigns. Two new pork cuts, "America's Cut" and "Chef's Prime", have been developed and promoted. Exports have increased significantly during the past decade. Japan and other Far East countries are major export markets. A variety of research projects have been funded, including nutrition, new product development, and food safety. For example, research has shown that pork is much leaner than it used to be. This information has been helpful in emphasizing the leanness of pork in consumer information materials directed at school-age children, doctors and dieticians, and the general public. Approximately $3.8 million of the $49.5 million assessments collected in 1998 was from importers.

The Soybean Promotion, Research, and Consumer Information Order, which became effective on July 9, 1991, provides for programs designed to maintain and expand domestic and foreign markets for soybeans. Project areas include promotion, research, consumer information, industry information, and producer communications. A major share of the budget is devoted to export since nearly 50 percent of soybean production is exported. Efforts are expended to increase use of soybeans as human food and animal feed, as soy diesel and ink, and as a variety of other uses such as adhesives, paints, and plastics. Research efforts are currently underway to produce a new soybean with increased value to the producer and the consumer. An independent evaluation of the activities carried out indicates an $8 return for each $1 expended. The States collect the assessments, retain half, and forward half to the national program. In 1998, the national program's share was about $40.8 million.

The Honey Research, Promotion, and Consumer Information Order, issued by the Secretary of Agriculture on July 21, 1986, provided for the establishment of the Honey Board. Producers and importers may apply for an exemption from paying assessments if they produce less than 6,000 pounds of honey per year and such honey is distributed directly to retail outlets. A producer or importer who consumes honey at home, or who donates it rather than sells it, may also apply for an exemption. In 1998, the Board received approximately $3.4 million in assessments. About $1.7 million was collected on domestic honey and $1.7 million on imported honey. The Board also received $144,382 from the Foreign Agricultural Service (FAS). The emphasis of the Board's projects is to assure consumers that honey is a wholesome food by conducting research with specificity on honey's unique nutritional attributes and their role in consumers' health. The statute that authorizes the honey program was amended in June 1998 to: (1) set aside an annual reserve for beekeeping and production research; (2) develop purity standards and a quality assurance program; (3) change the make-up of the Board; (4) modify assessment rates and add a handler assessment; and (5) change nomination and voting requirements. AMS will conduct rule making and a referendum in fiscal year 1999 to determine which amendments will be made to the Order.

The Egg Research and Consumer Information Act, as amended, authorizes the collection of non-refundable assessments from egg producers to finance research, promotion, and education activities. Producers owning more than 75,000 laying hens pay an assessment of 10 cents per 30-dozen case of eggs. Collections totaled approximately $16 million during fiscal year 1998. Projects related to food safety in food service and high-risk health care institutions, as well as in retail establishments, continued to be given high priority by the American Egg Board. The Board established a Food Safety Director position to examine food safety issues facing the egg industry and direct future initiatives. The Board also served as Steering Committee member of the partnership for Food Safety Education. Comprised of government, industry, and consumer group representatives, the Partnership seeks to improve consumers' food handling practices and reduce the risk of food-borne illness. In addition, the Board contracted for numerous research projects to further study the role of eggs and dietary cholesterol in determining plasma cholesterol levels and in providing good nutrition.

The Dairy Production Stabilization Act of 1983 authorized a national program for dairy product promotion, research, and nutrition education as part of a comprehensive strategy to reduce milk supplies and increase consumption of milk and dairy products. This program, administered by a National Dairy Promotion and Research Board, is funded by a mandatory 15-cent per hundredweight assessment on all milk produced in the contiguous 48 States and marketed commercially. The Board's revenue from producer assessments in fiscal year 1998 was $79.2 million of the approximately $233.2 million collected. The advertising and sales promotion programs that focus on increasing consumption, mainly of fluid milk and cheese, are the major components of the Board's budget. These programs concentrate on specific target audiences. For example, milk advertising programs are focused on teen and adult audiences based upon market research results that showed the greatest potential for increased milk consumption. The Board funds dairy foods and nutrition research projects that increase the breadth of knowledge of dairy products, processes, and nutrition. The bulk of the research is conducted through six Dairy Foods Research Centers located at 12 universities throughout the country. Nutrition research is conducted through two nutrition and health research institutes that focus on nutritional benefits provided by milk and dairy products. The remainder of the funds collected is utilized by qualified State and regional promotion, research, or nutrition education programs. In an effort to expand export sales of dairy products, the Board funds the U.S. Dairy Export Council (USDEC). USDEC has signed an agreement with FAS. This agreement established cooperator status for the USDEC and enables them to receive funds for marketing and promotion activities in global markets. The export program targets the Pacific Rim countries and Mexico as the primary areas for marketing and promotion of value-added dairy products. Activities in Mexico concentrated on whey, milk powders, ice cream, and cheese; in Japan, cheese and whey proteins and derivatives; in Korea, cheese and whey proteins and derivatives; in China, whey proteins and derivatives and skim milk powder; and in other southeast Asia markets, skim milk powder and whey proteins and derivatives.

The Fluid Milk Promotion Act of 1990 authorizes a national program of advertising to strengthen the position of the dairy industry in the marketplace and to maintain and expand markets and uses for fluid milk products produced in the United States. To try to change attitudes and purchase behavior of the country regarding fluid milk, many communications disciplines are utilized, including advertising, public relations, direct mail, and brochure distribution. In November 1998, a continuation referendum was held with 53.8 percent of the fluid milk processors voting in the referendum that favored continuation of the program. These processors represented 85.4 percent of the fluid milk products processed and marketed by those voting in the referendum. The Federal Agriculture Improvement and Reform Act of 1996 extended the authority of the program to December 31, 2002. The program is funded by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages by fluid milk processors in the 48 contiguous States and the District of Columbia. Processors marketing 500,000 pounds or less per month are exempt. The Board expects to collect $105.6 million in fiscal year 1998. A National Fluid Milk Processor Promotion Board composed of 20 members, 15 representing geographic regions and five at-large members appointed by the Secretary of Agriculture, administers the program. The five at-large members currently include three fluid milk processors and two members from the general public.

Since its establishment in 1972, the National Potato Promotion Board has carried out a coordinated program of research, development, advertising, and promotion. In fiscal year 1998, the Board collected $8.6 million in assessment revenue, mostly on domestic potatoes. In cooperation with FAS, the Board promotes potatoes in the Pacific Rim countries, and is developing markets in Mexico and South America. The Board received $1.3 million in FAS funds to operate its export marketing plan. In April 1998, the Idaho Growers Shippers Association submitted a petition requesting the Secretary of Agriculture to conduct a referendum on whether to continue the national potato research and promotion program. However, in September 1998, the Secretary denied the request because the petition did not contain the required number of valid signatures. The Board's current domestic

promotion program aims to convince consumers to serve potatoes at home more often. The program will also continue to reinforce the themes of nutrition and convenience that have been successful in changing consumers' attitudes about potatoes in years past.

The Watermelon Research and Promotion Act, designed to strengthen the watermelon's competitive position in the marketplace and to establish, maintain, and expand domestic and foreign markets for watermelons produced in the United States, was implemented in March 1990. Producers, importers, and handlers are assessed under this program. For fiscal year 1998, the Board received approximately $1.1 million in domestic assessments and $240,000 in assessments on imports. The Board is aggressively pursuing its food service, retailer, and public relations programs.

The Mushroom Promotion, Research, and Consumer Information Order became effective on January 8, 1993. Producers and importers of 500,000 pounds or less of fresh mushrooms annually are exempt from assessments. Assessments to the national program during 1998 totaled approximately $2.4 million, primarily for domestic mushrooms. In January 1998, a referendum was conducted on whether to continue the mushroom promotion, research and consumer information program. The results indicated that 80 percent of those who voted favored continuance of the order, therefore the referendum was approved in March 1998. The nine-member Mushroom Council promotes mushrooms to consumers, food service operators, and the retail trade.

The Fresh Cut Flowers and Fresh Cut Greens Promotion and Information Order became effective in December of 1994. An assessment of 0.5 percent was levied on the volume of gross sales of wholesale handlers whose annual sales are $750,000 or more and who sell to retailers and exempt handlers. In June of 1997, during the required referendum, only 42% of the qualified handlers voting favored continuance of the program. Therefore, assessment obligations were terminated on July 29, 1997, and trustees were appointed to handle liquidation of the National Promoflor Council's assets. There are 14 enforcement cases still pending. The program will not be fully terminated until there is resolution of these cases.

The Kiwifruit Research, Promotion, and Consumer Information Act was enacted April 4, 1996, and authorizes a Kiwifruit Research, Promotion, and Consumer Information Order. A proposed Order was published in the *Federal Register* on October 2, 1996. AMS received 75 comments on the proposal, only two of which supported the program as proposed. One of the major objections was the requirement that 51 percent of the members of the proposed national Kiwifruit Board had to be domestic importers. Based on 1996 statistics, domestic kiwifruit would account for only 41.7 percent of the assessments to be collected under the program. On October 17, 1997, AMS published a revised proposal. The revised proposal addressed some of the commenters' concerns. AMS also notified the California Kiwifruit Commission (CKC), the proponent group for the program, that AMS would not go forward with the referendum until the CKC posted a bond for $150,000 to cover the government's implementation costs. In June of 1998, the Act was amended to remove the requirement that 51 percent of the Board members be domestic producers. On November 10, 1998, AMS published an amended proposed rule to remove the 51 percent requirement from the Order. Comments are due by January 11, 1999. If the comments are favorable, AMS will request the bond from the CKC and hold a referendum to determine if the program will be implemented.

The Popcorn Promotion, Research, and Consumer Information Act of 1994 was enacted on April 4, 1994, and authorizes the Popcorn Promotion, Research, and Consumer Information Order. In a referendum held in April of 1997, 92 percent of the processors voting, who represented 95 percent of the popcorn voters, favored implementation of the program. The Order became effective on September 1, 1997, and members of the initial Popcorn Board were appointed. Under the Order, processors of more than 4 million pounds of popcorn annually pay an assessment rate of 5 cents per hundredweight. During the program's first fiscal year, which ended on December 31, 1998, the Board expected to collect $450,000. Composed of nine popcorn processors, the Popcorn Board will use the

assessments to conduct generic programs of promotion, research, and consumer information to maintain and expand markets for popcorn.

Commodity	FY 1998 1/ Assessments Collected (Millions of Dollars)
Beef	$45.2
Cotton	58.0
Dairy	79.2
Egg	16.0
Fluid Milk	105.6
Honey	3.4
Mushrooms	2.4
Popcorn	0.5
Pork	49.5
Potatoes	8.6
Soybeans	40.8
Watermelon	1.3
Total	410.5

1/ The fiscal year for the cotton, dairy, egg, honey, mushroom, and popcorn boards coincides with a calendar year. The other boards operate under different 12-month fiscal periods.

6. National Organic Standards Program:

AMS published a proposed rule establishing national organic standards in early fiscal year 1998. The comment period for the proposed rule ended April 30, 1998. Over 275,000 public comments were received. The proposed rule itself, along with background and reference materials, was posted on the National Organic Program (NOP) website, as were transcripts of national public meetings. Public comment was accepted via the NOP's home page, fax, and mail. Comments from all sources were available on the NOP web site, making essentially the entire public record available worldwide via the Internet.

Based on the overwhelming public response, on May 8, 1998, the Secretary announced that the three most contentious issues, namely biotechnology, irradiation, and bio-solids, would not be included in the revised proposal, and that food produced with these products and/or practices would not be permitted to bear the organic label.

AMS is now reviewing and analyzing the comments, and the rule is being re-written accordingly. A revised rule will be published in fiscal year 1999.

The National Organic Standards Board (NOSB) met twice during fiscal year 1998. During these meetings the Board reviewed committee reports; continued to work on issues related to fees, peer review panels, treated seeds, and aquiculture; elected new officers; appointed committee chairpersons; and planned future activities of the Board. In addition, it took comments from interested persons regarding the proposed rule for the NOP. The Board also prepared its comments on the proposed rule to be submitted to USDA.

TRANSPORTATION SERVICES

Current Activities:

The Transportation Services program promotes and assists in the development of an efficient agricultural transportation system to help improve farm income, expand exports, and meet the transportation needs of rural America. AMS provides assistance to State and local decision-makers and to farmers and shippers in regulatory, policy, and legislative matters. AMS conducts economic studies of domestic and international transportation issues and provides technical assistance and information on agricultural transportation, rural infrastructure and access, and food distribution to producers, shippers, rural communities, carriers, government agencies, and universities.

Selected Examples of Recent Progress

Ocean Rate Bulletin

The Ocean Rate Bulletin, a monthly report for exporters that compares freight rates and services for 14 high-value agriculture products, was posted to the Internet for timely access and the capability to analyze shipping trends. Reporting was expanded to include grapefruit exported from Atlantic/Gulf ports to European markets in the Netherlands and France. Also added was information on Washington State apples exported to the Russian Far East ports.

AMS worked with a consultant to the U.S. Potato Board providing data on comparative ocean freight costs for frozen potatoes shipped from the United States, Canada, Australia, and Europe into Asia and South America. In some trade lanes U.S. rates were higher. The consultant recommended the board form a shippers' association and negotiate service contracts to achieve better rates. The Marine Digest obtained similar data from AMS for a report on exports of potatoes and onions. AMS provided FAS with data to analyze ways to lower transportation costs in order to export more pears into northeast Brazil.

Agreement on the International Carriage of Perishable Foodstuffs

AMS continues to represent U.S. interests on behalf of the State Department before the United Nations Economic Commission for Europe working party concerned with the Agreement on the International Carriage of Perishable Foodstuffs (ATP). The working party recently proposed measures to make the amendment process for technical annexes of the treaty more efficient. The U.S. position has been to keep compliance with the ATP voluntary in the United States although it is mandatory in Europe, while allowing minor amendments of the annexes that do not threaten U.S. trade interests. The ATP requires that ground transport equipment used to move perishable products between countries in Europe be inspected, tested, certified, and marked to ensure that refrigerated storage space is properly insulated and capable of maintaining prescribed temperatures. AMS provides for the voluntary certification of U.S. equipment exported to Europe, and has certified 261 refrigerated trailers and containers to date.

Based on this ATP experience and the compilation of several handbooks on transportation of perishables, AMS was asked by the Food Safety and Inspection Service to review possible voluntary industry guidelines as well as review their draft proposed rule for the sanitary transportation and storage of meat, poultry, and egg products in accordance with the National Food Safety Initiative and the Sanitary Food Transportation Act.

Exporter Assistance Efforts

A focus group of freight forwarders was conducted in cooperation with Cornell University and FAS to determine the major barriers in exporting agricultural products, what information USDA should provide to

facilitate exports, and how cooperation between USDA and freight forwarders may help increase the number of companies exporting agricultural products. An earlier study by Cornell revealed that almost 87 percent of agricultural exporters use freight forwarders' services.

AMS participated in the National Custom Brokers and Forwarders Annual Conference with FAS and posted the Directory of Freight Forwarders to the Internet so it can be easily accessed and updated. In response to popular demand, the Agricultural Export Transportation Handbook was revised, reprinted, and posted to the Internet. Additional copies of the Business of Details, Exporting High Value U.S. Agricultural Products video and guidebook were distributed to various exporter groups and individuals. The Guide for Livestock Exporters and the related Every Link in the Chain video were also reprinted, distributed in English, and reproduced in Spanish. Many who received the guide and video responded with positive evaluations and comments which will facilitate future updates.

Grain Transportation Information

Since being posted to the Internet last year, the Grain Transportation Report has been accessed at a rate of over 330 hits per week. Meanwhile, the number of hard copies distributed has remained steady. AMS is also offering availability by e-mail as well as fax to speed delivery and reduce mailing costs. At grain industry meetings, AMS has received favorable feedback on the data, and it has been included as a teaching tool in some curricula.

Maritime Research

An analysis of the Impacts of the Transpacific and Transatlantic Ocean Liner Conferences on United States Exports was published. Research indicated that the regulatory system under the Shipping Act of 1984, which will be replaced by the Ocean Shipping Reform Act on May 1, 1999, added an estimated 11.4 percent to the transportation cost of exporting, inhibited U.S. export trade, and that exporters would benefit from deregulation of ocean container shipping. Beginning in early 1999, workshops are planned by AMS in Oregon, California, Georgia, and Florida to review favorable options provided for U.S. exporters under the new law.

AMS has assisted FAS in assembling data on the Year 2000 readiness of the maritime and trucking industries in cooperation with the Department of Transportation. Canada receives some imports intermodally through U.S. ports and a large percentage by truck from the U.S. interior, making potential impacts of the Year 2000 problem a matter of bilateral concern.

AMS is working with ERS on a workshop on transportation technology and its contribution to increased U.S. agricultural trade. The workshop will take place in 1999.

Trucking Research

AMS continues to work with the American Trucking Association's Agricultural Trucking Conference to gather information for a study on the movement of fruit and vegetable shipments from California to Midwestern and Eastern markets, and to answer some of the questions as to why so many truckers are abandoning perishable produce freight in favor of dry freight. The produce industry has had to deal with a shortage of refrigerated trucks, a shortage of drivers, and high freight rates. AMS is also working with the Border Trade Alliance in support of efficient cross-border trucking as part of NAFTA.

Technical Assistance on Rural Rail Service

As U.S. railroads abandon increasing amounts of low-density rail trackage, rural and agricultural shippers faced with a loss of rail service need information on railroad abandonment procedures and alternatives to rail line abandonment. To address this information need, AMS regularly provides technical assistance

material in the form of a Rural Rail Handbook to States, local governments, and rural shippers faced with rail abandonments on how they can retain some form of rail service.

Agricultural Leadership Role in Railroad Regulatory Proceedings

AMS is responsible for representing the interests of U.S. agriculture in regulatory proceedings before the Surface Transportation Board (STB). During fiscal year 1998, AMS represented the Department and agricultural shippers in eight regulatory proceedings before the STB, including oversight review of the Union Pacific/Southern Pacific merger, acquisition of Conrail by the CSX and NS Railroads, rail service in the Western United States, and a number of other railroad proceedings. AMS also prepared oral testimony which was delivered to the STB in a number of these proceedings. Testimony in the second hearing indicated that there had been no measurable improvement in service to agricultural shippers since the first hearing, and that these shippers were bearing the brunt of railroad service recovery in the Western United States.

Testimony in later hearings noted that although rail service provided to grain shippers had improved since the December public hearing, the STB should extend its service order, stated that the congestion problem has to be addressed before early summer or grain will again be on the ground, and recommended that certain oversight hearings be reopened so that competitive problems in Texas could be reexamined.

USDA also submitted comments on access and competition issues in the U.S. rail industry. In these comments, the Department specifically noted the consolidations that had occurred in the rail industry and the economic impact of these mergers through reduced railroad competition. Nine recommendations that would help the Board rebuild public confidence and restore a competitive environment for agricultural shippers, producers and railroads were also submitted by the Department.

On May 29, 1998, the USDA filed comments in the STB proceeding Ex Parte 627 *Market Dominance Determinations – Product and Geographic Competition.* In its filing, the Department requested the STB: (1) reduce its charges for filing rate reasonableness cases, (2) remove product and geographic competition from the market dominance test, and (3) support legislative efforts to simplify the remaining procedures to determine market dominance or support the removal of the need to prove market dominance in rate reasonableness cases.

In comments filed at later STB proceedings, the Department supported changes proposed by the STB to existing law that would institute expedited procedures for shippers to obtain alternative service from another rail carrier when the incumbent carrier could not provide service. The Department also made a number of proposals to improve rail operations in the Houston, Texas area and to improve access of agricultural shippers to Mexico. USDA also filed comments regarding the proposal of the Dakota, Minnesota and Eastern Railroad (DM&E) to extend service and construct new rail lines into the Powder River Basin of Wyoming. The Department indicated it supported the DM&E proposal because it would help improve long-term capacity constraints in the regional rail system, improve intramodal competition in the area, and transfer some of the regional freight movements from local and state highways and roads to rail.

Development of a *Long-Term Agricultural Transportation Strategy*

As part of the Department's response to the western railroad crisis and the numerous other transportation issues facing U.S. agriculture, AMS is developing a *Long-Term Agricultural Transportation Strategy (LATS)*. LATS is a combination of constituent outreach, regulatory, representation, long-term economic research, and new information products designed to help agricultural shippers anticipate and adjust to logistical problems, and also designed to frame the long-term transportation challenges facing U.S. agriculture. In addition to the regulatory filings described above, the following LATS accomplishments can be reported for fiscal year 1998.

As part of the LATS constituent outreach component, AMS held eight listening sessions on railroad service problems in Midwestern States to better understand shipper concerns about current transportation problems, especially current levels of rail service.

The Department also held a National Agricultural Transportation Summit in July, 1998 to introduce and to frame the long-term agriculture transportation issues that U.S. agriculture is expected to face in the 21st century and to provide a forum through which the Department could obtain additional input on transportation issues from agricultural stakeholders. The Secretaries of Agriculture and Transportation both participated in this event.

At the National Agricultural Transportation Summit, the Department also released an AMS publication entitled, "Agricultural Transportation Challenges for the 21st Century -- A Framework for Discussion." This report outlines the future transportation issues facing U.S. agriculture.

Finally, AMS also developed a new report entitled *Grain Transportation Prospects* to provides grain shippers with additional information by which to adjust to grain logistics problems.

Report on Modal Shares of U.S. Grain Movements

During fiscal year 1998, AMS published a report on the participation of each of the surface transportation modes in export and domestic grain movements in the United States. Information on modal shares of grain movements over time is important because it indicates change in the relative importance of trucks, barges, and railroads in these movements. The future infrastructure needs for agriculture often turn on the mode of transportation which is being relied upon by grain shippers. The report concludes that railroads are taking a declining share of domestic grain movements in the United States and that trucks are taking an increasing share of those movements.

Importance of Regional Railroads to U.S. Agriculture

Regional railroads have become an increasingly important part of the rural transportation infrastructure for agricultural interests because they have allowed a continuation of railroad services into areas in which rail lines previously would have been abandoned. AMS has completed a study with the assistance of a cooperator which will document the importance of these railroads to rural interests and to U.S. agriculture.

Congressional Hearings on Transportation Problems

In fiscal year 1998, the Secretary of Agriculture delivered testimony to a U.S. Senate committee on the impact of transportation rates and services on the international competitiveness of U.S. agricultural producers. In fiscal year 1999, the Assistant Secretary of Agriculture delivered testimony to a U.S. House committee on the impact of the Western railroad service problem on the marketing of grain.

WHOLESALE MARKET DEVELOPMENT

Current Activities:

AMS studies and promotes improvement of facilities that enable market access by the small- to medium-sized grower. The program includes wholesale, collection, farmers', and public markets in and near metropolitan areas. The program works to achieve more market access for the small grower and more nutritious foods for the urban poor, and will create economic development through increased commerce at these facilities. The program also includes broader research on agricultural marketing, with emphasis on changing marketing channels with resultant impact upon agricultural markets and facilities.

Selected Examples of Recent Progress:

1998 Farmers' Market Directory

AMS published the 1998 Farmers' Market Directory of over 2,700 registered markets.

Fort Worth Public Market, Fort Worth, TX

Downtown Fort Worth, Inc. has initiated plans to open a permanent public/farmers' market in the center of Fort Worth's downtown commercial district. To test the concept, four temporary open-air farmers' markets were initiated each Saturday in October of 1997. The Texas Department of Agriculture, Texas Agricultural Extension Service, Fort Worth Convention and Visitors Bureau, and other city businesses are collaborating in this project. A primary goal of this study is to develop a farmers' market on a permanent site in downtown Fort Worth. Specific objectives of this project include: determining facility and space requirements and conceptual designs; identifying functional and operational features of market facilities, design options and potential operating constraints; developing detailed construction cost estimates; and developing a business plan for operating the new marketing facilities.

Little Rock River Market

AMS completed a study to develop criteria for business and operational improvements at the recently-opened Little Rock River Market.

1998 Public Market Conference

AMS hosted the fiscal year 1998 Public Market Conference in Seattle, Washington. Over 350 attendees from State and local governments, farmers' market managers, public market managers, city planners, and local groups attended the three-day conference.

Reading Terminal Farmers' Market

AMS completed the Reading Terminal Farmers' Market project to study three potential farmers' market sites in Philadelphia, PA.

Farmer Direct Marketing Web Site

AMS completed a project to develop a prototype direct marketing web site for dissemination of information via the Internet.

Exporting U.S. Poultry to Poland and the Ukraine

Even though Poland and the Ukraine are growing markets for U.S. poultry products, sufficient information does not exist on possible distribution channels by which U.S. poultry exporters can take advantage of this demand. To address this information need, AMS has published and is distributing a report which provides information on transportation linkages and alternative distribution channels for U.S. poultry exporters attempting to compete in these markets.

Linking Rural Farmers to School Lunch Programs in Florida and Georgia

AMS initiated pilot projects in Florida and Georgia several years ago to determine if low-resource agricultural producers could supply school lunch programs by marketing their agricultural products directly to local school systems. In fiscal year 1998, a draft feasibility study was completed for the Florida pilot to link rural farmers in that State to the food needs of local school districts.

U.S.-Mexico Marketing Research on Horticultural Products

In fiscal year 1998, AMS initiated a project to develop background information and a program of technical exchange on the U.S. and Mexican marketing systems for horticultural products. One of the objectives of the project is to develop a better understanding of the Mexican marketing system for these products in order to assist U.S. exporters seeking to participate in Mexican markets.

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions:

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), $1,200,000.

PAYMENTS TO STATES AND POSSESSIONS

Appropriations Act, 1999	$1,200,000
Budget Estimate, 2000	1,200,000
Change in Appropriation	--

PROJECT STATEMENT
(On basis of appropriation)

	1998 Actual	1999 Estimated	Increase or Decrease	2000 Estimated
Payments for marketing services work under Section 204(b) of the Agricultural Marketing Act of 1946	$1,199,985	$1,200,000	--	$1,200,000
Unobligated balance	15	--	--	--
Total, available or estimate	1,200,000	1,200,000	--	1,200,000

Agricultural Marketing Service

Payments to States and Possessions
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1998 and Estimated 1999 and 2000

	1998
Arizona	$36,000
California	110,300
Colorado	60,000
Iowa	25,000
Maine	23,200
Maryland	53,000
Minnesota	45,000
Montana	118,000
Nebraska	108,000
New Jersey	85,300
North Dakota	110,000
Oregon	27,000
Pennsylvania	40,000
Rhode Island	60,000
Tennessee	54,685
Texas	102,160
Washington	72,000
Wisconsin	70,340
Subtotal, Available or Estimate a/	1,199,985
Unobligated balance	15
Total, Available or Estimate	$1,200,000

a/ Distribution of obligations by State not available until projects have been selected. Funds in 1999 total $1,200,000 and a funding level of $1,200,000 is proposed for 2000.

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PAYMENTS TO STATES AND POSSESSIONS

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM

Goal 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.

Current Activities

The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State Departments of Agriculture or other appropriate State agencies for 20-30 projects per year. These funds have been used by States to conduct marketing studies or assist in developing innovative approaches to the marketing of agricultural products.

For fiscal year 1999, States have been encouraged to submit proposals aimed at developing direct marketing strategies and initiatives that primarily benefit small, limited-resource farms and at partners with community-based organizations interested in pursuing local or regional food system strategies.

In fiscal year 1998, grant applications were received for 48 projects from 29 States, representing a total request for Federal funds of nearly $2.6 million. Funds were allocated among 24 projects from 18 States, totaling the $1,200,00 appropriated.

Selected Examples of Recent Progress:

Federal-State Market Improvement Program Fiscal Year 1998 Grants

Federal Funding	Participating States	Project
$36,000	Arkansas	International Market Development for Small- and Medium-Sized Producers of Value-Added Agricultural Specialty Products--Phase 3
$69,300	California	Food Quality Assurance and the World's Consumers: A Consumer Education Survey Project
$41,000	California	Improving the Level of Accuracy Reported in State-by-State Agricultural Export Statistics
$60,000	Colorado	Standardization of State Trade Directory Software
$25,000	Iowa	Sycamore Street Market Enterprise Center: A Shared-Use Commercial Kitchen
$53,000	Maryland	Mid-Atlantic Agribusiness Incubator and Local Food Processing Center Feasibility Study (Stage II)
$23,200	Massachusetts	Cooperative Opportunities for Wholesale Horticultural Products

Federal Funding	Participating States	Project
$45,000	Minnesota	Assisting Small Farmers through Direct Marketing
$28,000	Montana	Farm-to-Market Project: Local Food Processing Centers and Business Incubator Pilot Project
$90,000	Montana	Market Potential of Indian Ricegrass: A Gluten-Free Perennial Grain Crop
$28,000	Nebraska	Port and Border Crossing Marketing Issues
$80,000	Nebraska	Developing Value-Added Agricultural Opportunities for Small Farmers, Entrepreneurs, and Small Food and Meat Companies
$85,300	New Jersey	Marketing of Organic Produce in the Northeastern U.S. and Implications for Small Farms
$60,000	North Dakota	Marketplace of Ideas - A Network for Farm and Rural Diversification
$25,000	North Dakota	Internet Marketing Mall
$25,000	North Dakota	Potential for Locating Intermodal Facilities on Short Line Railroads
$27,000	Oregon	Expanding U.S. Agricultural Products Global Markets by Optimizing Refrigerated Ship Capacity
$40,000	Pennsylvania	Assessing the Viability of a Model of Community-Based Distribution and Marketing of Locally-Grown Fruits and Vegetables
$60,000	Rhode Island	Strategic Marketing Through New Farmers' Markets
$54,685	Tennessee	An Analysis of Marketing Assistance Needs and Market Development Strategies to Enhance Tennessee Agribusiness
$68,160	Texas	Enhancing the Marketing for Smoked and Processed Meat Products in Texas
$34,000	Texas	Small-Farm Rabbit Meat Production, Distribution, and Consumer Demand in South Texas
$72,000	Washington	Changes in the Food Supply Chain: Implications for Small- and Medium-Sized Firms
$70,340	Wisconsin	Alternative Red Meat Livestock Improvement
$1,199,985		Total

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriations Act, 1999 (from receipts)	$6,783,000
Budget Estimate, 2000 (from receipts)	6,894,000
Increase in Appropriation	+111,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Program Changes	2000 Estimated
Total Available	$6,783,000	$111,000	$6,894,000

PROJECT STATEMENT
(On basis of appropriation)

	1998 Actual		1999 Estimated		Increase Or	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Licensing dealers & handling complaints	$8,288,793	95	$8,607,000	97	+$111,000	$8,718,000	97
Unobligated: balance available start of period	-6,436,817	--	-6,347,475	--	+1,824,000	-4,523,475	--
Unobligated: balance available end of period	6,347,475	--	4,523,475	--	-1,824,000	2,699,475	--
Total available or estimate	8,199,451	95	6,783,000	97	+111,000 (1)	6,894,000	97

OBLIGATION LEVELS
(On basis of appropriation)

Item	1998 Actual	1999 Estimated	2000 Estimated
Appropriation (from receipts)	$8,199,451	$6,783,000	$6,894,000
Unobligated balance available, start of period	6,436,817	6,347,475	4,523,475
Total available	14,636,268	13,130,475	11,417,475
Total obligations	-8,288,793	-8,607,000	-8,718,000
Unobligated balance available, end of period	6,347,475	4,523,475	2,699,475

JUSTIFICATION OF INCREASES AND DECREASES
PACA

(1) An increase of $111,000 ($6,783,000 available in 1999) for completion of an Oracle database.

Additional funding will allow PACA to negotiate with an outside contractor to complete the development of its ORACLE database. The ORACLE database will replace two older systems, one of which is not Year 2000 compliant. A primary purpose of this contract is to ensure Year 2000 compliancy in PACA's computer operations, which will allow PACA to deliver essential services to the fruit and vegetable industry. In addition, the ORACLE contract will provide for essential associated screens and reports, which will enable PACA employees to more effectively manage information and thereby improve the quality and timeliness of services delivered.

Agricultural Marketing Service

Perishable Agricultural Commodities Act
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1998 and Estimated 1999 and 2000

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arizona	$668,608	11	$694,000	11	$704,000	11
District of Columbia	4,932,582	39	5,123,000	41	5,188,000	41
Illinois	571,355	10	593,000	10	601,000	10
New York	740,491	14	769,000	14	779,000	14
Texas	607,019	10	630,000	10	638,000	10
Virginia	768,738	11	798,000	11	808,000	11
Total Available Or Estimate	8,288,793	95	8,607,000	97	8,718,000	97

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PERISHABLE AGRICULTURAL COMMODITIES ACT

Goal 2: Ensure fair and competitive agricultural marketing through marketing tools and regulations.

Current Activities:

The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

AMS' PACA program enforces these Acts and is funded by user fees obtained from commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. Violations of the PACA are investigated and result in: (1) informal agreements between two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of licenses and/or publication of the facts; or (4) monetary penalty in lieu of license suspension or revocation.

Selected Examples of Recent Progress:

1. Perishable Agricultural Commodities Act

   a. Reduction of PACA Formal Reparation Case Backlog:

      The PACA Branch is working with the Office of the General Counsel (OGC) to reduce the backlog of PACA formal reparation cases. The branch has hired additional staff to assist in shortened procedure cases, and OGC has made the issuance of reparation decisions a high priority. As a result, the processing of formal PACA complaints has improved markedly. Over the past 2.5 years, the number of cases awaiting decision has decreased by more than 65 percent. In addition, the time that fruit and vegetable dealers must wait for decision and orders has decreased by 50 percent, from more than 14 months to 7.5 months from the time the formal file is complete. In non-hearing cases, the wait is less than 6 months and is steadily decreasing as older cases are completed.

   b. Regulations Adopted to Provide for Multi-year Licenses:

      AMS has amended the PACA regulations to provide for a 3-year license renewal period for retailers and grocery wholesalers, and provide all other licensees the option of renewing their licenses on an annual, biennial, or triennial basis. By shifting retailers and grocery wholesalers to a triennial license renewal interval beginning on November 15, 1998, we project that the revision to the regulations will decrease PACA program costs currently associated with annual license renewals. By offering multi-year renewal options to all other licensees, we anticipate a further reduction in administrative costs if those licensees choose the biennial or triennial renewal options.

   c. New Oracle Database:

      The PACA Branch is working to implement the final phase of its Business Process Review effort, which involves the design and implementation of a new on-site ORACLE database which will replace a remote database. The new database will provide all employees with quicker access to a greater amount of information, thus improving the timeliness of service delivery to customers. The

branch has signed with a contractor and is currently working with it to complete the license and prospect portions of the ORACLE database system throughout PACA.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed $60,730,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the Agency may exceed this limitation by up to 10 percent with notification to the Appropriations Committees.

Limitation on Administrative Expenses

Appropriations Act, 1999	$60,730,000
Budget Estimate, 2000	60,730,000
Change in Limitation	--

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

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

Funds For Strengthening Markets, Income and Supply
(Section 32
(Including Transfers of Funds)

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [$10,998,000] $12,443,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 1999		$5,701,865,817
Less transfers to:		
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries		-66,426,288
Food and Nutrition Service, Child Nutrition Programs		-5,048,150,000
Total Transfers		-5,114,576,288
Adjusted Base for 1999		587,289,529
Budget Estimate, 2000:		
Annual permanent appropriation	$5,664,232,791	
Less transfers to:		
Department of Commerce	-66,426,000	
Food and Nutrition Service	-4,929,268,000	
Budget Estimate, Total transfers	-4,995,694,000	
Budget Estimate, 2000		668,538,791
Increase from adjusted 1999		81,249,262

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

Item of Change	1999 Estimated	Program Changes	2000 Estimate
Commodity Purchases	$400,000,000	--	$400,000,000
Commodity Purchase Service	6,869,000	$1,715,000	8,584,000
Marketing Agreements and Orders	10,998,000	1,445,000	12,443,000
Total Available	417,867,000	3,160,000	421,027,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1998 Actual Amount	1998 Actual Staff Years	1999 Estimated Amount	1999 Estimated Staff Years	Increase or Decrease	2000 Estimated Amount	2000 Estimated Staff Years
1. Commodity Purchases:							
a. Child Nutrition Program Purchases	$400,000,000	--	$400,000,000	--	--	$400,000,000	--
b. Emergency Surplus Removal	194,774,097	--	133,900,922	--	-$18,900,922(1)	115,000,000	--
Subtotal	594,774,097	--	533,900,922	--	-18,900,922	515,000,000	--
2. Disaster Relief	15,200,000	--	--	--	--	--	--
3. Administrative Funds							
a. Commodity Purchase Services	6,175,767	40	6,869,000	42	+1,715,000	8,584,000	42
b. Marketing Agreements & Orders	10,189,472	117	10,998,000	123	+1,445,000	12,443,000	131
Subtotal	16,365,239	157	17,867,000	165	+3,160,000(2)	21,027,000	173
Total obligations	626,339,336	157	551,767,922	165	-15,740,922	536,027,000	173
Recovery of Prior Year Obligations	-11,455,285	--	--	--	--	--	--
Unobligated balance available, start of year	-233,868,235	--	-131,966,602	--	-35,521,607	-167,488,209	--
Unobligated balance available, end of year	131,966,602	--	167,488,209	--	+132,511,791	300,000,000	--
Total, Available or Estimate	512,982,418	157	587,289,529	165	+81,249,262	668,538,791	173

OBLIGATION LEVELS
(On basis of adjusted appropriation)

	1998 Actual	1999 Estimated	2000 Estimated
Appropriation or estimate....	$5,730,107,608	$5,701,865,817	$5,664,232,791
Unobligated balance available, start of year ..	233,868,235	131,966,602	167,488,209
Recovery of Prior Year obligations	11,455,285	--	--
Total available	5,975,431,128	5,833,832,419	5,831,721,000
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs.....	-5,151,391,000	-5,048,150,000	-4,929,268,000
Department of Commerce...	-65,734,190	-66,426,288	-66,426,000
Total Transfers	-5,217,125,190	-5,114,576,288	-4,995,694,000
Total available after transfers	758,305,938	719,256,131	836,027,000
Less total obligations	-626,339,336	-551,767,922	-536,027,000
Unobligated balance available, end of year	131,966,602	167,488,209	300,000,000

JUSTIFICATION OF INCREASES AND DECREASES
Section 32

(1) A decrease of $18,900,922 for emergency surplus removal purchases. The budget estimate reflects a five-year average of emergency surplus removal purchases. Actual buys will be based on actual needs.

(2) An increase of $3,160,000 ($17,867,000 available in 1999) in administrative expenses consisting of:

(a) An increase of $215,000 in Commodity Purchase Services for SBA certification of small and disadvantaged firms.

AMS is required to pay an allocated amount to the Small Business Association (SBA) for the costs that the agency incurs in certifying firms for the 8(a) program. Legally, firms under the Small and Disadvantaged Businesses Program can no longer be self-certified; their status must be centrally certified by the SBA. SBA is charging agencies for the cost of this work. AMS is continuing to work to ensure participation in the program by economically disadvantaged, minority, and women-owned, or 8(a), businesses.

This funding supports AMS Strategic Goal 1, facilitating the strategic marketing of U.S. agricultural products in domestic and international markets, by increasing the efficiency of efforts to stabilize market conditions through the Commodity Purchase Services program.

(b) An increase of $1,500,000 for modernization and replacement of Processed Commodities Inventory Management System (PCIMS) equipment.

The increase for the Processed Commodities Inventory Management System (PCIMS) is part of an effort to begin re-engineering the PCIMS in FY 2000.

PCIMS is a mission-critical system that supports the commodity programs operations for the Agricultural Marketing Service (AMS), the Food and Nutrition Service (FNS), and the Farm Service Agency (FSA). The system is used by AMS, FNS, and FSA to plan, procure, order, allocate, distribute, and account for more than $1 billion of domestic and $562 million of foreign commodities each year. It combines the processed commodities operations of the three agencies into a single tri-agency system, maximizing USDA's purchasing power and funds control for domestic feeding programs. It contains an accounting and reporting subsystem for tracking and reconciling appropriate funds as purchases are made.

Developed in the mid-1980's and implemented in the early 1990's, PCIMS is nearing the end of its original 15-year life cycle. The project scope has been expanded several times over the years and new functions have been added as the project has grown. Business process re-engineering (BPR) efforts are currently underway within the three agencies to improve cost efficiency, streamline the system processes, support customer-driven electronic commerce, ensure compliance with Departmental standards, and determine which practices could best be used to enhance PCIMS. A tri-agency project plan to coordinate all BPR efforts is being developed.

Studies have indicated considerable cost savings would materialize under a modernized system. Research and analysis will be completed in fiscal year 1999 to determine the hardware and software needed for modernization. A feasibility study will be conducted to determine the technological choices available for updating the system. The selected concept will be pilot-tested prior to system-wide implementation. It will take approximately two years to complete the modular or phased-in implementation.

This funding supports AMS Strategic Goal 1, facilitating the strategic marketing of U.S. agricultural products in domestic and international markets, by helping to ensure participation of a wide array of businesses in the Commodity Purchase program.

(c) An increase of $1,445,000 and eight staff years for Marketing Agreements and Orders to improve enforcement of Section 8e marketing regulations, improve administration of peanut programs, and develop an economic database.

This increase will allow the program to improve enforcement of Section 8e marketing regulations on imported fruits and vegetables, improve administration of peanut import regulations and the non-signer peanut program, and develop an integrated database which will provide access to time-sensitive data from economic analyses that support marketing order rule making and commodity procurement activities.

Section 8e requires imported commodities to meet the same or comparable minimum quality requirements as domestically produced commodities. The fruit and vegetable industry has expressed concern about the lack of full enforcement of 8e regulations. AMS will strengthen enforcement by providing on-site surveillance, checking 8e commodities at

major ports of entry to ensure that they have been inspected, verifying Customs procedures, and providing information to importers and customs brokers.

The peanut import and peanut non-signer programs were initiated by statute, but were not provided with increased funding. The expansion of responsibilities in rule making for the peanut programs and the addition of assessment collection responsibilities for the peanut non-signer program are generating increased costs. Additional funds are needed to increase compliance actions, reconcile inspection certificates with Customs data, and continue effective oversight of the peanut marketing agreement, which authorizes quality and handling regulations governing 95% of the domestic peanut production.

The economic analysis database will incorporate a broader range of data and make it available on a more timely basis. The economic analysis staff will be able to cut the time needed to provide analytical support to commodity procurement and marketing order administration programs and undertake additional analyses. With the database, the time required to conduct analyses will be reduced by half, so output will double over FY 1998 levels.

Additional staff will be needed at the headquarters office for improved enforcement and administration activities. Database development will be provided through the contracted services of programmers and network specialists.

This funding supports AMS Strategic Goal 2, ensuring fair and competitive agricultural marketing through marketing tools and regulations, by increasing the effectiveness of enforcement of Marketing Agreements and Orders.

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative Funds
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1998 Actual and Estimated 1999 and 2000

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	$687,125	7	$742,000	8	$752,000	8
District of Columbia	14,930,480	141	16,318,000	148	19,456,000	156
Florida	229,584	3	248,000	3	252,000	3
Oregon	395 974	4	427,000	4	433,000	4
Texas	122,076	2	132,000	2	134,000	2
Total, Available or Estimate ..	16,365,239	157	17,867,000	165	21,027,000	173

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

SECTION 32

Current Activities:

AMS directs the purchase of particular commodities in order to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic feeding programs. Purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in food assistance programs and can be used to assist individuals in meeting the Dietary Guidelines for Americans. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, ensures the proper storage of commodities when needed, and assists in their distribution.

The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services activity in the Section 32 program. Section 32 funds are also used for the administration of marketing agreements and orders which are used to establish orderly marketing conditions for certain commodities.

AMS also maintains a government wide food specification program to reduce government food purchase costs by standardizing contract specifications. For example, specifications for all frozen red meat products have been converted to "Institutional Meat Purchase Specifications," and these commercial specifications are used throughout the meat industry.

Selected Examples of Recent Progress:

1. Commodity Purchases:

   In fiscal year 1998, AMS purchased $595 million worth of commodities with Section 32 funds. FNS distributed 831 million pounds of commodities through its nutrition programs. More than 582 million pounds of these commodities were used to fulfill the National School Lunch Program's commodity subsidy of 15 cents per meal for the school year ending June 30, 1998. The remaining 249 million pounds of commodities were used for emergency surplus removal and donated to schools and other institutions. AMS also purchased $195 million (representing approximately 408 million pounds) of commodities using funds appropriated to FNS.

   Special surplus removal purchases (bonus buys) are acquired in addition to commodities used to fulfill commodity entitlements. For fiscal year 1998, the Secretary authorized funds for the continuation of several bonus programs that began in fiscal year 1997. Several new bonus purchases were initiated in 1998 to assist livestock and turkey producers and fishermen due to large surpluses of red meats and turkeys and the loss of exports to Asia. As shown in the following chart, producers of several fruit and vegetable products also received assistance through bonus purchases in fiscal year 1998:

Contingency Fund Expenditures FY 1998

PRODUCT	FUNDS
Salmon	$12,000,000
Turkey	48,100,000
Beef	25,500,000
Pork	29,800,000
Bison	1,300,000
Navy Beans	4,700,000
Freestone Peaches	5,800,000
Prunes	12,200,000
Fresh Grapefruit	600,000
Grapefruit Juice	2,500,000
Fresh Pears	1,100,000
Blueberries	5,000,000
Raspberries	400,000
Blackberries	300,000
Oranges	700,000
Apricots	3,600,000
Raisins	6,900,000
Cherries	6,800,000
Walnuts	4,900,000
Apple Products	19,700,000
Fig Products	2,900,000
Total	$194,800,000

In addition to the above expenditures, programs authorized for freestone peaches, walnuts, apricots, lamb, salmon, and bison are being continued into fiscal year 1999.

Small Business Participation

During the year AMS focused significant resources on outreach efforts to increase participation by small, disadvantaged, and women-owned firms in the commodity programs. These efforts included identification of those firms that could potentially participate in AMS programs, education, and exploration of new contracting methods. In August, AMS conducted a commodity procurement outreach workshop to identify barriers limiting small business participation in the commodity purchase programs. The workshop was represented by small, disadvantaged, and women-owned firms from across the Nation.

Business Process Re-engineering Initiatives

AMS is continuing the implementation of Business Process Re-engineering initiatives developed in 1996. The Commodity Procurement Home Page was expanded along with its role as a major vehicle for disseminating information on commodity purchases and how to sell commodities to USDA. Electronic access to this information has increased efficiency, reduced time and costs associated with mailing solicitations, greatly expanded industry knowledge of commodity purchases, and increased supplier interest.

Year 2000

Information systems supporting the commodity purchases program were converted to comply with Year 2000 requirements. Testing of these systems was completed in fiscal year 1998.

Processed Commodities Inventory Management System (PCIMS)

PCIMS is a mission-critical system that supports the commodity programs operations for the Agricultural Marketing Service (AMS), the Food and Nutrition Service (FNS), and the Farm Service Agency (FSA). The system is used by AMS, FNS, and FSA to plan, procure, order, allocate, distribute and account for more than $1 billion of domestic and $562 million of foreign commodities each year. PCIMS combines the processed commodities operations of the three agencies into a single tri-agency system, maximizing USDA'S purchasing power and funds control for domestic feeding programs. It contains an accounting and reporting subsystem for tracking and reconciling appropriate funds as purchases are made.

Studies have indicated considerable cost savings would be realized under a modernized computer processing system. Research and analysis will be completed in fiscal year 1999 to determine the hardware and software needed for modernization of PCIMS.

AMS is currently building a Domestic Electronic Bid Entry System (DEBES) for the PCIMS system that will allow commodity vendors to submit bids through the Internet. DEBES will be a client-server application created for use by FSA and AMS commodity procurement branches to perform bid opening, reporting, and miscellaneous maintenance functions. The bid data will be encrypted for storage on a USDA internal database. This bid data will remain encrypted until the published bid opening time. FSA and AMS personnel will perform bid opening, at the published opening time, which will decrypt the bids submitted by the vendors. Bid data will then be available for upload into PCIMS for Linear Program bid evaluation and award processing. This application will perform bid opening, reporting, and miscellaneous maintenance functions, reducing processing time by 40 percent.

This year, AMS has begun developing necessary improvements to the change control tracking system. The purpose of the change control tracking system is to ensure an orderly and reliable control of software products produced in the software development process and to provide an effective mechanism for incorporating software changes, both during development and during program use. The current system does not adequately meet these requirements, electronically, without manual intervention. Some of the benefits of the improvements will be: establishing a production configuration (identification) for computer programs, maintaining configuration control over all changes to production software, providing traceability, and measuring the quality of system performance.

Disaster Relief

In fiscal year 1998, $15.2 million was used to provide disaster relief to victims of drought in the Republic of the Marshall Islands and the Federated States of Micronesia. Assistance was given under Section 413 (b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C.518(b)).

2. Food Quality Assurance Program:

During fiscal year 1998, 6 Commercial Item Descriptions (CIDs) were developed, coordinated, and approved, including 3 for fruit and vegetable products and 3 for poultry products. AMS revised 28 CIDs, which included 14 for fruits and vegetables and 14 for poultry. In addition, 34 food documents were coordinated, including 17 for fruit and vegetable products and 17 for poultry products. There were also 3 food product descriptions canceled for poultry.

3. Marketing Agreements and Orders:

a. Dairy:

Milk marketing orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This program sets minimum prices which handlers must pay for milk. Minimum price levels reflect supply and demand conditions in the markets and assure consumers of an adequate supply of pure and wholesome milk. Approximately 103 billion pounds of milk valued at $15 billion (minimum price basis adjusted for butterfat content) were delivered to plants in 31 market areas in fiscal year 1998. This production represented an estimated 66 percent of all Grade A milk marketed by U.S. dairy farmers.

In fiscal year 1998, AMS collected and transferred to FSA approximately $22.5 thousand in dairy producer assessments pursuant to the Agricultural Act of 1949, as amended. Such assessments reflect the continued compliance activities of AMS to assure the integrity of the program. Effective with milk marketed on May 1, 1996, the mandatory assessment was repealed P.L. 104-127, by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Bill).

During fiscal year 1998, AMS continued the process to implement the 1996 Farm Bill requirement to consolidate the current Federal milk marketing orders into 10 to 14 orders by April 14, 1999. A proposed rule suggested the consolidation of the current 31 orders into 11 orders, a replacement for the basic formula price, two options for a Class I price structure, minor classification revisions, and the streamlining of order provisions. An informational packet describing the contents of the proposed rule was mailed to over 20,000 interested parties, Congress, each State Governor and Department of Agriculture Secretary or Commissioner and the ten Small Business Administration offices. The proposed rule was also made available to the general public on a compact disc and via the Internet. Four listening sessions were held in Atlanta, Georgia; Liverpool, New York; Dallas, Texas; and Green Bay, Wisconsin to facilitate the receipt of comments on the proposed rule. Feedback requested on the proposed rule resulted in nearly 4,500 comments being filed with the Department. All comments have been made available to the public on a compact disc. In total, 16 rule making documents concerning suspension, revision, termination, and amendatory actions of Federal order provisions were issued, meeting completion goals 80 percent of the time.

b. Fruits and Vegetables:

Business Process Re-engineering (BPR):

The Marketing Order Administration Branch (MOAB), Fruit and Vegetable Programs, Agricultural Marketing Service (AMS), is primarily responsible for administering 36 active marketing agreement and order programs.

On May 1, 1997, MOAB headquarters offices were reorganized by process rather than program. The reorganization is a key recommendation of MOAB's BPR project to redesign MOAB work processes in order to improve operations and expand services. This reorganization features five field offices (including one in Washington, D.C.), an office of the Chief, and four headquarters teams: one for rule making, another for program services, a third for compliance, and an administrative support unit. The BPR created savings and improved service to customers by streamlining MOAB's work processes and eliminating unnecessary levels of review, redefining employee responsibilities to ensure that services are delivered when needed, and improving internal and external customer satisfaction and working relationships. Other improvements include streamlining the processes for marketing

order administrative committee budget approvals and reviews, compliance plans, rule making, violation referrals, and eight other core processes.

National Conference:

On October 29, 1998, MOAB held a very successful conference in Denver, Colorado, for managers and chairpersons of 23 marketing order committees. The AMS Administrator presented the priorities of AMS. Other presenters included the Colorado Commissioner of Agriculture; AMS Deputy Administrator for fruit and vegetables; Almond Board of California CEO; and a Foreign Agricultural Service representative. In addition, the conference addressed issues related to inspection, compliance, and the evaluation of promotion and advertising programs.

Compliance:

MOAB has obtained the Office of General Counsel's concurrence for a new streamlined procedure permitting AMS to settle compliance cases. Under the new procedure, AMS has the authority to enter into settlement negotiations for penalty amounts on the condition that the violator pay in full any outstanding assessments owed for violations of Fruit and Vegetable Federal Marketing Orders and Agreements, Section 8e requirements, and the Export Fruit Acts. AMS has found this to be a more effective way of resolving cases. Formal disciplinary proceedings can take up to two years and are costly for USDA and the violator. Using stipulation agreements to improve compliance resolves cases in a quicker and less expensive manner. In addition to promoting quick resolution of many compliance cases, it also provides a method for AMS to consider the special circumstances of small businesses.

MOAB has conducted six broker/U.S. Customs Service presentations to more than 180 people. Ports visited were Buffalo, Champlain, Detroit, Miami, Newark, and Philadelphia. MOAB has also successfully interfaced its database with the Processed Products Branch inspection database, allowing MOAB to reconcile inspection data and information on imported commodities.

MOAB successfully implemented a new database for tracking non-signer peanut handler dispositions and manually billing non-signer handlers for assessments. Handlers are complying with new handler acquisition forms.

Rule making:

MOAB met its time frames for rulemaking 94 percent of the time in fiscal year 1998, thus exceeding its 85 percent standard and providing excellent customer service.

Proposed Order Termination:

Marketing Order No. 967 for Florida Celery (proposed October 9, 1998).

Promulgations/Amendments:

Tart Cherries. The new tart cherry marketing order was established on September 24, 1996. Marketing Order No. 930 covers tart cherries grown in the States of Michigan, New York, Pennsylvania, Oregon, Utah, Washington and Wisconsin. The order authorizes regulations on quality standards, market research and development projects, including paid advertising and volume regulations to stabilize supplies and prices in years of excess production. The Cherry Industry Administrative Board (Board) is responsible for local administration of the program.

On December 1, 1998, AMS held a public hearing in Grand Rapids, Michigan, on proposals to amend the marketing order for tart cherries grown in Michigan, New York, Pennsylvania, Oregon, Utah, Washington, and Wisconsin. The hearing continued on December 3, in Salt Lake City, Utah. The Board submitted proposals to clarify how Board membership is apportioned among various marketing organizations in the cherry industry, and to simplify the calculation the Board uses to recommend volume regulations for its crop. Proposed amendments must be supported by evidence at a public hearing, and cannot become effective until approved by producers and processors voting in a referendum.

Walla Walla Onions. On November 19, 1998, the *Federal Register* published a Secretary's Decision on proposed amendments to the marketing agreement and order for sweet onions grown in the Walla Walla Valley of Southeast Washington and Northeast Oregon. The proposed amendments, supported by evidence presented at an April 1998 hearing, would broaden the scope of the order by adding authority for grade, size, quality, maturity, and pack regulations, mandatory inspection, marketing policy statements, and minimum quantity exemptions. In addition, a proposal is included to change the name of the committee that is responsible for local administration of the order from the Walla Walla Sweet Onion Committee to the Walla Walla Sweet Onion Marketing Committee. These proposals are intended to improve the operation and functioning of the marketing order program. Producers voted on the proposed amendments in a referendum conducted from November 25, 1998, through December 10, 1998. The results of the vote will be announced in early 1999.

Pistachios. On August 20-23, 1996, the Department conducted a promulgation hearing to consider a new marketing order to cover pistachios grown in the States of California, Arizona, Utah, and Nevada. The proposed program would establish mandatory quality and inspection requirements and include authority for container, pack, and labeling requirements. If implemented, a 10-member administrative committee would locally administer the order. Briefs on the hearing record were due by October 31; three briefs were received.

Based on a review of the hearing evidence and the arguments contained in the post-hearing briefs, AMS announced plans on April 9, 1997 to reopen the hearing to take additional evidence relating to the economic and marketing conditions that justify the need for a pistachio marketing order as well as the economic impact of the proposed order on the industry. Industry comments on the plan were initially requested by May 9, 1997, however, this deadline was subsequently extended to September 1, 1997. In July 1997, the California Pistachio Commission and the Western Pistachio Association requested that AMS delay a decision on whether to continue the hearing until January 1998. This would provide sufficient time for the pistachio industry to develop additional economic analysis needed to complete the record. On October 3, 1997, AMS issued a press release extending the comment period on whether to reopen the hearing on a proposed pistachio marketing order until January 31, 1998. As of the end of December 1998, the industry has not formally filed a request to file additional materials and possibly re-open the hearing. However, industry sources indicate that the industry may ask AMS to terminate the current promulgation proceeding and institute a new proceeding.

Litigation:

On June 25, 1997, the Supreme Court issued a decision upholding the constitutionality of generic advertising programs funded by handlers of California nectarines and peaches in the case *Glickman v. Wileman*. On September 12, the Supreme Court denied two petitions for rehearing and remanded the case to the Ninth Circuit for disposition. The Department instituted legal action to seek recovery of back assessments from Wileman and the other defendants placed in trust pending the outcome of the case. On February 17, 1998, the U.S. District Court ordered that a

final accounting be completed on the amount of outstanding assessments owed beginning with the 1987-88 crop year and continuing through the 1997-98 crop year, and that the funds be remitted to the California Tree Fruit Agreement (CTFA). On March 31, 1998, the U.S. Attorney forwarded $6,989,894.68 to CTFA that was formerly held in the registry. USDA is working with CTFA to identify appropriate uses for the money and/or possible refund.

On October 5, 1998, the Supreme Court denied Cal-Almond's petition for certiorari. The petition had been filed with the Supreme Court in response to the Ninth Circuit Court of Appeals denial of Cal-Almond's petition for rehearing of the June 27, 1997, Supreme Court First Amendment decision in *United States Department of Agriculture v. Cal-Almond, Inc.* In a hearing held on October 5, 1998, subsequent to the announcement of the Supreme Court's decision, a U.S. District Court Judge in Fresno, California, was informed of the decision; however, took no action in several cases involving 15(A) petition cases filed by Cal-Almond, Inc. and others disputing the almond marketing order advertising program. Another Court hearing to resolve these issues is set for January 11, 1999. At issue is the collection of over $2 million in assessments held in escrow accounts pending the Supreme Court decision.

On September 10, 1998, a U.S. District Court Judge for the Western District of Michigan dismissed a suit filed by the Cherry Industry Association and Amos Farms that had challenged USDA's compliance with the Regulatory Flexibility Act (RFA). The suit, filed on September 24, 1997, asserted that USDA had violated the RFA because USDA certified that the final order establishing the new program incorrectly concluded that the final rule *"will not have a significant economic impact on a substantial number of small businesses and thereby avoid a more detailed ... regulatory flexibility analysis."* However, in dismissing the case, the Judge concluded that the plaintiffs had not first exhausted their administrative remedies under the Administrative Procedure Act. The Judge also cited the plaintiff's numerous missed deadlines for filing briefs and other Court documents.

Peanut Imports:

AMS finalized a peanut import regulation on June 19, 1996, but the order was first used on January 1, 1997, when the 1997 Mexican peanut quota period opened. The rule requires that all imported peanuts intended for human consumption be sampled, inspected, and certified as meeting the same quality requirements as are applied to domestically produced peanuts under the Peanut Marketing Agreement (Agreement). Quality requirements cover kernel size, damage, moisture, foreign material content, and minimum aflatoxin content not exceeding 15 parts-per-billion. Aflatoxins are toxins produced by *Aspergillus flavus* mold which is a known carcinogen. The rule also establishes certain handling requirements which are consistent with Agreement requirements. Importers are required to report certification of edibility for all peanut lots and disposition of inedible peanut lots to AMS.

MOAB continued to improve its system to effectively monitor importer compliance for imported peanuts. This requires a close review of more than 3,000 peanut inspection certificates annually. In 1998, the North American Free Trade Agreement and the General Agreement on Tariffs and Trade provided for duty-free entry of approximately 105 million pounds of foreign-produced peanuts. The treaties provide for approximately 10 million pound increases in 1999 and 2000, and renegotiation for subsequent years.

2000 Explanatory Notes
Animal and Plant Health Inspection Service

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Purpose Statement

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of Reorganization Plan No. 2 of 1953 and other authorities. The mission of the Agency is to lead the way in anticipating and responding to issues involving animal and plant health, conflicts with wildlife, environmental stewardship, and animal well-being. Together with our customers and stakeholders, we promote the health of animal and plant resources to facilitate their movement in the global marketplace and to ensure abundant agricultural products and services for U.S. customers. The mission is carried out under the major areas of activity, as follows:

Pest and Disease Exclusion--APHIS carries out inspections at U.S. ports-of-entry to prevent the introduction of foreign plant and animal pests and diseases which are harmful to our country's agriculture. APHIS develops and conducts preclearance programs to ensure that foreign agricultural products destined for the United States do not present a risk to U.S. agriculture. APHIS engages in cooperative programs to control pests of imminent concern to the United States and to strengthen foreign plant protection and quarantine organizations. APHIS also certifies plants and plant products for export and regulates imports and exports of designated endangered plant species. APHIS assists U.S. exporters and the Foreign Agricultural Service in revising foreign plant and animal import regulations to encourage and increase U.S. agricultural exports.

The statutory authority supporting this program area is contained in 7 U.S.C. 147a-147b, 148, 149, 150-150g, 151-164a, 166, 450, 1531-1542, 1581-1610, and 2801-2814; 18 U.S.C. 42; 19 U.S.C. 1306; and 21 U.S.C. 102-105, 111-120, 121-123, 127, 131, 135- 135b, 136, 136a-f, 612-614, 618, and 620; 45 U.S.C. 71-74 and 46 U.S.C. 3901-3902. The principal legislative authorities for these activities include the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; the Plant Quarantine Act of 1912; the Mexican Border Act of 1942; and Sections 12-14 of the Federal Meat Inspection Act. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973. The Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990 as amended by Section 1203 of the 1991 Budget Reconciliation Act authorizes user fees for agricultural quarantine inspection, import-export inspection, and veterinary diagnostics. The 1996 Farm Bill (P.L. 104-27) amends the provision for the agricultural quarantine inspection user fees in excess of $100 million in each of the Fiscal Years from 1996-2002 shall be available to the Agency for purposes without further appropriation.

Plant and Animal Health Monitoring--The plant and animal health monitoring programs are largely cooperative efforts involving the Federal and State governments, and industry. APHIS conducts programs to prevent communicable plant and animal diseases of foreign origin from entering the United States. Upon entrance into this country, the pests and diseases are rapidly diagnosed. The Agency also carries out surveys in cooperation with the States to detect harmful plant and animal pests and diseases. The programs also help determine if there is a need to establish new pest or disease eradication programs.

This statutory authority for this work is contained in 7 U.S.C. 391, 450, and 1622; and 21 U.S.C. 111-112, 114, 114b-114c, 114d-1, 117, 127, 134e, 608, 610, and 620. Principal legislation authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Act of June 17, 1930;

Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; and Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; P.L. 99-198 of December 23, 1985.

Pest and Disease Management--In cooperation with the States, APHIS conducts programs to detect, prevent, and eradicate pests and diseases which are harmful to agriculture. The Agency monitors and regulates interstate shipments of plants, livestock, and related materials to prevent the spread of disease and the distribution of impure, unsafe, and nonefficacious materials and products. Through the Animal Damage Control program, APHIS protects agriculture from detrimental animal predators through identification, demonstration, and application of the most appropriate methods of control.

The statutory authority for this work is contained in 7 U.S.C. 147a-b, 148-148f, 150- 150gg, 281-286, 429, 426-426-b, 450-450f, 851-855, 1624, 2801-2814, and 3801-3813; and 21 U.S.C. 115-130, and 134-134h. Principal legislative authority for these activities is contained in the Animal Industry Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; the Animal Damage Control Act of 1931; Act of September 21, 1944; Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; P.L. 92-629 of January 3, 1975; the Swine Health Protection Act of October 17, 1980; Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; P.L. 99-198 of December 23, 1985; and the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990.

Animal Care--The Agency conducts regulatory activities which ensure the humane care and treatment of animals and horses as required by the Animal Welfare Act (AWA) of 1966 as amended (7 U.S.C. 2131-2159), and the Horse Protection Act of 1970 as amended (15 U.S.C. 1821-1831). These activities include inspection of certain establishments which handle animals intended for research, exhibition, and sale as pets, and monitoring of certain horse shows.

Scientific and Technical Services--APHIS develops methods to control animals and pests that are detrimental to agriculture, wildlife, and public safety. The Agency's regulatory structure brings the benefits of genetic research to the marketplace, while protecting against the release of potentially harmful organisms into the environment. APHIS also conducts diagnostic laboratory activities that support the Agency's veterinary disease prevention, detection, control, and eradication programs. The Agency also provides and directs technology development in coordination with other groups in APHIS to support plant protection programs of the Agency and its cooperators at the State, national, and international levels.

The statutory authority supporting this work is contained in 7 U.S.C. 150aa-150jj, 426, 427, 427i, and 430; and 21 U.S.C. 151-159. The principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; the Virus- Serum-Toxin Act of March 14, 1913; and the ADC Act of 1931. Authority to collect user fees for veterinary diagnostics is contained in Section 2509 of the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990.

There were 5,163 permanent full-time employees and 1,630 other than permanent full-time employees as of September 30, 1998. Of the total, 865 permanent full-time employees and 25 other than permanent full-time employees work in the Washington D.C. metropolitan area. Field activities are managed on a national basis through 13 regional offices and 417 field offices, including area offices, work stations,

technical centers, and animal import centers. APHIS is in the process of consolidating its current regional offices into two regional hubs. The eastern hub in Raleigh, North Carolina, is scheduled to open in June 1999, and the western hub in Fort Collins, Colorado, in June 2001. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. APHIS performs work in the 50 States, Guam, Puerto Rico, Virgin Islands, Mexico, Central America, South America, the Caribbean, Western Europe, Australia, Asia, and Africa.

OIG Reports

#50099-11-FM, 3/6/98, Review of Controls in Payroll/Personnel and Time and Attendance Systems

#50601-3-AT, 3/31/98, USDA Radioactive Material/Waste Management

#33099-002-CH, 7/7/98, Monitoring of Registered Animal Carriers

#33099-2-FM, 5/28/98, Management/Control of Computer Software, Ft. Collins

GAO Reports

#AIMD-98-11, 1/9/98, Fed. User Fees, Budgetary Treatment, Status and Emerging Management Issues

#GGD-98-30,2/24/98, Unfunded Mandates: Report Act has had Liffle Effect on Agencys' Rulemaking Actions

#RCED-98-109-R, 4/24/98, USDA: Status of USDA's Reorganization

#T-AIMD-98-167, 6/3/98, Year 2000 Computing Crisis: USDA Faces Tremendous Challenges in Ensuring that Vital Public Services are Not Disrupted

#GGD-98-161,8/4/98, Federal User Fees: some Agencies do not Comply with Review Requirements

#GGD-98-126, 9/325/98, Federal Rulemaking: Agency's often Publish Final Actions without Proposed Rules

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff Years

1998 Actual and Estimated 1999 and 2000

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Appropriated:						
Salaries and Expenses	$341,715,385	3,515	$337,803,000	3,550	$340,445,000	3,555
Agricultural quarantine inspection user fees 1/	140,581,275	2,000	143,514,000	2,128	148,377,000	2,128
Emergency transfers (CCC)	30,991,288	88	95,363,736	11	–	–
Grasshopper no-year	961,563	8	235,866	2	–	–
Buildings and Facilities	19,646,691	–	7,700,000	–	7,200,000	–
Net	533,896,202	5,611	584,616,602	5,691	496,022,000	5,683
Obligations under other USDA Appropriations:						
Agricultural Marketing Service: for administrative support	5,719,000	63	5,719,000	63	5,719,000	63
Agricultural Research Service: for user fee activity	7,000	–	7,000	–	7,000	–
Agricultural Research Service: for wildlife services support	51,202	–	52,000	–	52,000	–
Food Safety and Inspection Service: for adminsitrative and technical assistance	125,000	–	125,000	–	125,000	–
Foreign Agricultural Service: for technical support	11,170	–	12,000	–	12,000	–
Forest Service: for administrative and technical support	173,830	–	174,000	–	174,000	–
Forest Service: for wildlife services support	33,143	–	34,000	–	34,000	–
Grain Inspection, Packers and Stockyards Administration: for administrative support	1,434,000	30	1,434,000	30	1,434,000	30

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Grain Inspection, Packers and Stockyards Administration: for facilities support	9,315	--	9,400	--	9,400	--
Office of the Inspector General: for facilities support	23,250	--	24,000	--	24,000	--
Office of Chief Financial Officer: in support of FISVIS initiative	160,055	2	76,000	1	79,000	1
Office of Chief Financial Officer, Financial Services Division: for technical support	74,304	1	76,000	1	79,000	1
Office of Chief Financial Officer, National Finance Center: for technical support	69,910	1	70,000	1	70,000	1
Total, Other Agriculture appropriations	7,891,179	97	7,812,400	96	7,818,400	96
Total, Agriculture Appropriations	541,787,381	5,708	592,429,002	5,787	503,840,400	5,779
Other Federal Funds:						
Bureau of Indian Affairs: for technical support	15,000	--	15,000	--	15,000	--
Department of Defense: for employee services training	86,000	--	86,000	--	86,000	--
Department of Energy: for wildlife services support	764,269	--	765,000	--	765,000	--
Department of the Interior: for wildlife services support	142,777	--	143,000	--	143,000	--
Department of the Interior, Bureau of Land Management: for wildlife services support	40,000	--	40,000	--	40,000	--
Department of the Interior, U.S. Fish and Wildlife Service (FWS): for wildlife services support	304,273	--	305,000	--	305,000	--
FWS: for wolf recovery	100,000	--	100,000	--	100,000	--

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Department of Transportation: for wildlife services support	64,410	–	65,000	–	65,000	–
Tennessee Valley Authority: for wildlife services support	110,320	–	111,000	–	111,000	–
U.S. Geological Survey: for wildlife services support	32,300	–	33,000	–	33,000	–
U.S. Air Force: for wildlife services support	176,393	–	177,000	–	177,000	–
U.S. Army: for brown tree snake control	1,000,000	–	1,000,000	–	1,000,000	–
U.S. Army for other wildlife services support	120,071	–	121,000	–	121,000	–
U.S. Army, Corps of Engineers: for wildlife services support	164,822	–	165,000	–	165,000	–
U.S. Marine Corps: for wildlife services support	28,302	–	29,000	–	29,000	–
U.S. Navy: for preclearance activities	57,000	–	57,000	–	57,000	–
U.S. Navy: for wildlife services support	942,530	–	943,000	–	943,000	–
Total, Other Federal Funds	4,148,467	–	4,155,000	–	4,155,000	–
Total, Federal Funds	545,935,848	5,708	596,584,002	5,787	507,995,400	5,779
Reimbursements:						
Funds from States and local entities for animal damage control activities	14,436,310	392	14,725,000	422	15,000,000	445
Import-Export user fees	13,935,000	86	13,174,000	87	13,174,000	87
Phytosanitary certificate user fees	4,528,648	12	4,791,000	14	4,887,000	–
Reimbursable Overtime	13,630,000	–	14,474,000	–	15,054,000	–
Product Certificates	546,900	3	532,000	3	542,000	3
Truman Animal Import Center	1,000,000	3	500,000	1	–	–
Veterinary Diagnostics User Fees	1,676,000	36	1,809,000	37	2,149,000	37

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Trust Funds:						
Miscellaneous Contributed Funds	13,943,000	102	13,943,000	110	13,943,000	110
Total, Non-Federal Funds. .	63,695,858	634	63,948,000	674	64,749,000	682
Total, Animal and Plant Health Inspection Service. .	609,631,706	6,342	660,532,002	6,461	572,744,400	6,461

1/ Of the amounts shown above, the following is available from annual appropriations: 1998: $88,000,000; 1999: $88,000,000; and 2000: $95,000,000.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1998 and Estimated 1999 and 2000

Grade	1998			1999			2000		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6.....	1	0	1	1	0	1	1	0	1
ES-5.....	3	0	3	3	0	3	3	0	3
ES-4.....	2	5	7	3	4	7	3	4	7
ES-3.....	1	0	1	0	0	0	0	0	0
ES-2.....	0	2	2	2	2	4	2	2	4
ES-1.....	2	0	2	0	0	0	0	0	0
GS-15.....	43	31	74	44	32	76	44	32	76
GS-14.....	149	135	284	151	136	287	151	136	287
GS-13.....	188	289	477	189	300	489	189	300	489
GS-12.....	144	602	746	146	607	753	146	607	753
GS-11.....	68	819	887	71	825	896	71	825	896
GS-10.....	2	6	8	2	6	8	2	6	8
GS-09.....	42	855	897	44	863	907	44	863	907
GS-08.....	15	234	249	15	241	256	15	241	256
GS-07.....	106	373	479	108	398	506	108	398	506
GS-06.....	61	246	307	61	252	313	61	252	313
GS-05.....	30	609	639	31	628	659	31	628	659
GS-04.....	5	197	202	5	211	216	5	211	216
GS-03.....	0	29	29	0	29	29	0	29	29
GS-02.....	3	1	4	3	1	4	3	1	4
Other Graded Positions..	8	505	513	9	512	521	9	512	521
Ungraded Positions..	3	147	150	3	149	152	3	149	152
Total Permanent Positions...	876	5,085	5,961	891	5,196	6,087	891	5,196	6,087
Unfilled Positions End-of-Year..	0	0	0	0	0	0	0	0	0

Grade	1998			1999			2000		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Total Permanent Employment End-of-Year..	876	5,085	5,961	891	5,196	6,087	891	5,196	6,087
Staff-Years Ceiling.....	931	5,411	6,342	948	5,513	6,461	948	5,513	6,461

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
CLASSIFICATION BY OBJECTS
1998 AND ESTIMATED 1999 AND 2000

		1998	1999	2000
Personnel Compensation:				
	Washington, D.C.	40,680,379	41,559,000	43,087,000
	Field	204,188,904	198,598,000	216,270,000
12	Personnel benefits	59,943,212	59,319,000	63,718,000
13	Benefits for former personnel	671,086	644,000	671,000
	Total pers. comp. & benefits	305,483,581	300,120,000	323,746,000
Other objects:				
21	Travel	18,153,081	17,778,000	17,766,000
22	Transportation of things	4,266,882	4,156,000	4,061,000
23.1	Rent payments to GSA	193,850	189,000	189,000
23.2	Rent payments to others	5,979,099	5,829,000	5,843,000
23.3	Communications, utilities, and misc. charges	10,941,934	10,668,000	10,693,000
24	Printing and reproduction	1,283,722	1,263,000	1,268,000
25.1	Advisory and assistance services	1,481,554	1,426,000	1,238,000
25.2	Other services	50,104,960	46,208,000	41,882,000
25.3	Purchases of goods and services from Government Accounts	14,979,138	14,416,000	12,514,000
25.4	Operation and maintenance of facilities	2,496,646	2,403,000	2,086,000
25.5	Research and development contracts	–	–	–
25.6	Medical care	127,648	123,000	107,000
25.7	Operation and maintenance of equipment	2,248,467	2,164,000	1,878,000
25.8	Subsistence and support of persons	1,823,353	1,755,000	1,523,000
26	Supplies and materials	20,197,058	19,526,000	19,884,000
31	Equipment	16,977,776	13,895,000	13,784,000
32	Land and structures	–	–	–
41	Grants, subsidies, and contributions	22,699,600	22,619,000	22,618,000

		1998	1999	2,000
43	Interest and dividends	34,288	34,000	34,000
	Total, other objects	176,813,079	164,452,000	157,368,000
Total, Direct Obligations		482,296,660	464,572,000	481,114,000
Position Data:				
	Average Salary, ES positions	109,400	111,600	113,800
	Average Salary, GS positions	33,400	34,700	36,100
	Average Grade, GS positions	9.36	9.38	9.38

PASSENGER MOTOR VEHICLES

The 2000 Budget Estimates propose the purchase of 170 replacement passenger motor vehicles.

The passenger motor vehicles of the Service are used by veterinarians, animal health technicians, plant protection and quarantine officers, inspectors, wildlife biologists, and other technical personnel in the performance of their duties. APHIS personnel use passenger motor vehicles during their daily activities to travel between individual ranches, farms, orchards, nurseries, ports, and other commercial firms. Use of common carriers is not feasible because of the need to travel in mostly rural areas. Comparative cost studies have shown that it is more economical to use Government owned vehicles rather than reimburse employees for the use of privately owned cars.

The Service's policy is to pool vehicles for use as much as possible. This results in a minimum of passenger motor vehicles and reduces overall operating costs. Operators are required to maintain and submit operational data. These periodic surveys are made to determine the continued need for vehicles and their condition.

Replacement of passenger motor vehicles. APHIS proposes replacing 170 of the 679 vehicles in the Agency fleet. Of the 679 vehicles, 471 are estimated to be in operation at the beginning of FY 1999, 179 have been sold and not yet replaced, and 29 have been ordered and not yet delivered. These 471 vehicles are located in field locations and are used for pest and disease exclusion, plant and animal health monitoring, pest and disease management, animal care, and scientific and technical services programs. The control, eradication, testing, and inspection activities are essential in protecting the Nation's agriculture. All vehicles proposed for replacement have 60,000 or more miles or are more than 3 years of age.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1998, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (000)	Number of Vehicles	Percent of Total
1993 & older	236	50.1	80 or more	83	17.6
1994	30	6.4	60 - 80	94	20.0
1995	25	5.3	40-60	90	19.1
1996	78	16.6	20-40	105	22.3
1997	58	12.3	20 or less	99	21.0
1998	44	9.3			
Total	471	100.0	Total	471	100.0

AIRCRAFT

There are presently 23 aircraft in the Agency fleet, eight for domestic plant pest and disease programs, 13 for animal damage control programs and two for international plant and animal pest exclusion programs. APHIS aircraft make aerial surveys and aerial application tests, are used for insect trapping operations, and are used to demonstrate special equipment for suppression of destructive insects attacking crops.

Replacement aircraft, if purchased, would be used primarily in pest and disease management programs. These aircraft are sometimes used to supervise and observe contract planes which are newer, faster models than those the Agency has available. While this replacement authority is requested each year in the appropriation act, the aircraft are replaced only when necessary to maintain the fleet in safe and efficient operating condition.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

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

Salaries and Expenses:

For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; to discharge the authorities of the Secretary of Agriculture under the Act of March 2, 1931 (46 Stat. 1468; 7 U.S.C. 426-426b); and to protect the environment, as authorized by law, [$417,752,000] $435,445,000, of which $4,105,000 shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions: Provided, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 per cent: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $40,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only: Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious disease of pests or animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds transferred for such emergency purposes in the next preceding fiscal year shall be merged with such transferred amounts: Provided further, That appropriations hereunder shall be available pursuant to Law (7 U.S.C. 2250) for the repair and alteration of leased buildings and improvements, but unless otherwise provided the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building. In fiscal year [1999] 2000, the Agency is authorized to collect fees to cover the total costs of providing technical assistance, goods, or services requested by States, other political subdivisions, domestic and international organizations, foreign governments, or individuals, provided that such fees are structured such that any entity's liability for such fees is reasonably based on the technical assistance, goods, or services provided to the entity by the agency, and such fees shall be credited to this account, to remain available until expended, without further appropriation, for providing such assistance, goods, or services. Of the total amount available under this heading in fiscal year [1999] 2000, [$88,000,000] $95,000,000 shall be derived from user fees deposited in the Agricultural Quarantine Inspection User Fee Account.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES - CURRENT LAW

Appropriations Act, 1999	$425,803,000
Budget Estimate, 2000	435,445,000
Increase in Appropriation	+9,642,000

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000	$435,445,000
Change due to Proposed Legislation	-9,077,000
Net Request, President's 2000 Budget Request	426,368,000

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SUMMARY OF INCREASES AND DECREASES -- CURRENT LAW
(On basis of appropriation)

Item of Change	1999 Estimated	Program Changes	2000 Estimated
AQI Appropriated	$30,648,000	$3,928,000	$34,576,000
AQI User Fees	88,000,000	7,000,000	95,000,000
Fruit Fly Exclusion and Detection	22,970,000	2,234,000	25,204,000
Import/Export Inspection	6,815,000	351,000	7,166,000
Sanitary/Phytosanitary Management	7,539,000	723,000	8,262,000
Animal Health Monitoring and Surveillance	63,389,000	4,600,000	67,989,000
Animal and Plant Health Regulatory Enforcement	5,855,000	261,000	6,116,000
National Animal Health Emergency Monitoring System	0	1,218,000	1,218,000
Pest Surveillance and Detection	6,426,000	259,000	6,685,000
Boll Weevil	16,209,000	-12,889,000	3,320,000
Brucellosis	11,864,000	-2,337,000	9,527,000
Emerging Plant Pests	1,410,000	2,100,000	3,510,000
Golden Nematode	435,000	145,000	580,000
Imported Fire Ant	1,000,000	-1,000,000	0
Noxious Weeds	424,000	1,705,000	2,129,000
Wildlife Services Operations	29,997,000	-1,836,000	28,161,000
Animal Welfare	9,175,000	515,000	9,690,000
Horse Protection	361,000	23,000	384,000
Biotechnology/Environmental Protection	7,393,000	1,661,000	9,054,000
Integrated Systems Acquisition Project	3,500,000	196,000	3,696,000
Veterinary Biologics	10,345,000	210,000	10,555,000
Veterinary Diagnostics	15,622,000	1,351,000	16,973,000
Wildlife Services Methods Development	10,365,000	-776,000	9,589,000
All Other	76,061,000	0	76,061,000
Total, Available	$425,803,000	$9,642,000	$435,445,000

PROJECT STATEMENT-CURRENT LAW
(On Basis of Appropriation)

	1998 Actual		1999 Estimated		Increase or	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
1. Pest and Disease Exclusion:							
(a) Agricultural quarantine inspection (Appropriated)	$27,079,753	540	$30,648,000	572	$3,928,000	$34,576,000	622
(b) Agricultural quarantine inspection (User Fees)	140,094,753	2,000	88,000,000	2,128	7,000,000	95,000,000	2,128
(c) Cattle ticks	4,832,189	107	4,627,000	107	0	4,627,000	104
(d) Foot and mouth disease	3,941,903	9	3,803,000	9	0	3,803,000	9
(e) Fruit fly exclusion & detection	21,178,839	215	22,970,000	215	2,234,000	25,204,000	245
(f) Import/export inspection	6,609,629	146	6,815,000	146	351,000	7,166,000	149
(g) Sanitary/Phytosanitary Mgmt	7,708,447	54	7,539,000	57	723,000	8,262,000	59
(h) Screwworm	29,684,222	72	30,301,000	72	0	30,301,000	71
(i) Tropical bont tick	456,207	1	407,000	1	0	407,000	1
Total, Pest and Disease Exclusion	241,585,942	3,144	195,110,000	3,307	(1) 14,236,000	209,346,000	3,388
2. Plant and Animal Health Monitoring:							
(a) Animal health monitoring and surveillance	60,449,366	649	63,389,000	655	4,600,000	67,989,000	664
(b) Animal and plant health regulatory enforcement	5,933,875	79	5,855,000	78	261,000	6,116,000	80
(c) National animal health emergency management system	--	--	--	--	1,218,000	1,218,000	6
(d) Pest detection	6,118,653	31	6,426,000	34	259,000	6,685,000	34
Total, Plant and Animal Health Monitoring	72,501,894	759	75,670,000	767	(2) 6,338,000	82,008,000	784
3. Pest and Disease Management:							
(a) Aquaculture	562,738	5	567,000	5	0	567,000	5
(b) Biological control	8,166,595	132	8,160,000	132	0	8,160,000	130
(c) Boll weevil	16,180,814	12	16,209,000	12	-12,889,000	3,320,000	10
(d) Brucellosis	19,426,608	106	11,864,000	106	-2,337,000	9,527,000	89
(e) Emerging plant pests	2,583,661	22	1,410,000	21	2,100,000	3,510,000	24
(f) Golden nematode	441,225	7	435,000	7	145,000	580,000	8
(g) Gypsy moth	4,422,356	43	4,366,000	43	0	4,366,000	41
(h) Imported fire ant	1,009,317	--	1,000,000	--	-1,000,000	--	--
(i) Noxious weeds	410,912	1	424,000	1	1,705,000	2,129,000	7
(j) Pink bollworm	1,017,176	19	1,048,000	19	0	1,048,000	18
(k) Pseudorabies	4,369,344	31	4,567,000	31	0	4,567,000	29
(l) Scrapie	2,776,625	22	2,991,000	22	0	2,991,000	21
(m) Tuberculosis	4,748,625	35	4,920,000	35	0	4,920,000	32
(n) Wildlife services operations	28,988,802	341	29,997,000	342	-1,836,000	28,161,000	306
(o) Witchweed	1,661,611	3	1,506,000	3	0	1,506,000	3
Total, Pest and Disease Management	96,766,409	779	89,464,000	779	(3) -14,112,000	75,352,000	723
4. Animal Care:							
(a) Animal welfare	9,454,996	127	9,175,000	123	515,000	9,690,000	127
(b) Horse protection	357,891	4	361,000	4	23,000	384,000	4
Total, Animal Care	9,812,887	131	9,536,000	127	(4) 538,000	10,074,000	131

	1998 Actual		1999 Estimated			2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
5. Scientific and Technical Services:							
(a) Biotechnology/environmental protection	8,118,902	114	7,393,000	117	1,661,000	9,054,000	126
(b) Integrated systems acquisition proj	7,429,241	--	3,500,000	--	196,000	3,696,000	--
(c) Plant methods development labs	5,056,687	119	4,693,000	120	--	4,693,000	116
(d) Veterinary biologics	10,168,142	165	10,345,000	161	210,000	10,555,000	155
(e) Veterinary Diagnostics	15,666,484	183	15,622,000	179	1,351,000	16,973,000	183
(f) Wildlife services methods development	10,121,032	110	10,365,000	109	-776,000	9,589,000	95
Total, Scientific and Technical Services	56,560,488	691	51,918,000	686	(5) 2,642,000	54,560,000	675
6. Contingencies: plant and animal diseases and pests	3,675,039	25	4,105,000	25	--	4,105,000	22
7. ICASS & EEO Transfers	1,394,000	--	--	--	--	--	--
Unobligated Balance	36,977,591		--	--	--	--	--
Total, Salaries and Expenses	519,274,250	5,529	425,803,000	5,691	9,642,000	435,445,000	5,723
9. CCC Transfers	30,358,653	88	95,363,736	32	-95,363,736	--	--
10. > $100 million for AQI a/	--	--	43,514,000	--	4,863,000	48,377,000	--
11. Advances and reimbursements	57,852,996	623	55,000,000	628	--	55,000,000	628
12. Trust funds	12,233,481	102	7,100,000	110	--	7,100,000	110
Total, Available or Estimate	619,719,380	6,342	626,780,736	6,461	-80,858,736	545,922,000	6,461

a/ An additional $12 million in FY 1999 and $5 million in FY 2000 is estimated to be funded from the available AQI reserve account.

No-Year and Emergency Programs

Project	1998 Actual	1998 Carryover	1999 Appropriated	1999 Available
Boll Weevil	$16,180,814	$615,145	$16,209,000	$16,824,145
Contingency fund	3,675,039	2,503,823	4,105,000	6,608,823
Grasshopper/Mormon Cricket Reserve	961,563	235,866	--	235,866
Fruit fly program	21,178,839	341,887	22,970,000	23,311,887
ISAP	7,429,241	5,316,759	3,500,000	8,816,759
Karnal bunt (CCC)	16,273,197	2,919,386	--	2,919,386
Medfly (CCC)	11,166,070	1,463,498	--	1,463,498
Screwworm (10 percent)	2,968,422	6,205,660	3,030,100	9,235,760
Total	79,833,185	19,602,024	49,814,100	69,416,124

JUSTIFICATION OF INCREASES AND DECREASES

Introduction: The FY 2000 budget request represents a change in resource allocation, which will improve the effectiveness of APHIS' ability to prevent future infestations. Beginning in FY 2000, APHIS will be placing a greater emphasis on programs such as AQI (agricultural quarantine inspection) and AHM&S (animal health monitoring and surveillance), whose goals are to stop an infestation at the border and to use scientific methods to predict occurrences of outbreaks before they occur. Other programs with related increases are sanitary and phytosanitary management, the national animal health emergency monitoring system, fruit fly exclusion and detection, pest detection, and noxious weeds activities. Taken together, these increases represent a prudent investment of program resources that should result in long-term savings through lower costs to combat infestations and reductions in production losses.

(1) A net increase of $14,236,000 for pest and disease exclusion activities, consisting of:

(a) An increase of $3,928,000 for the agricultural quarantine inspection (AQI) appropriated program ($30,648,000 available in FY 1999).

To minimize the threat that exotic agricultural pests and diseases enter the United States, APHIS conducts point-of-entry inspections of travelers and cargo along the Mexican and Canadian borders and predeparture inspections of passengers and cargo from Hawaii and Puerto Rico to the mainland. In addition, the Agency inspects private and military aircraft and small tonnage vessels from Hawaii and Puerto Rico. Expansion of the global economy and free trade have dramatically increased the volume of passengers and cargo arriving in the United States from these locations, seriously affecting APHIS' ability to meet workload and customer service demands.

To improve its point-of-entry inspection program APHIS will provide additional inspectors at new ports-of-entry, expand facilities at high-risk ports-of-entry on the Canadian and Mexican borders, and increase Hawaii predeparture staffing based on pest risk analysis. This funding level supports a total increase of 23 staff years at the U.S./Canadian border, 15 staff years at the U.S./Mexican border, and 12 staff years in Hawaii to conduct predeparture inspections. This increase will also help the program maintain current efforts.

(b) An increase of $7,000,000 for the agricultural quarantine inspection user fee program ($88,000,000 available in FY 1999).

To minimize the threat that exotic agricultural pests and diseases enter the United States, APHIS conducts point-of-entry inspections of commercial vessels, aircraft, trucks, railcars, and international airline passengers. In accordance with the Food, Agriculture, Conservation, and Trade Act of 1990, the Agency prescribes and collects fees to cover the costs of providing these services. Until FY 2003, however, the Federal Agriculture Improvement and Reform (FAIR) Act of 1996, limits AQI user fee program spending to an annual appropriated level plus collections in excess of $100 million. Any funding shortfall between the appropriated amount and the $100 million collections threshold must be funded from the AQI reserve account. This increase will enable the Agency to maintain current AQI efforts while reducing the need to depend on AQI user fee reserve funds to supplement program funding. The reserve fund is approaching a dangerously low level, and could prove inadequate if we experience any decline in current revenue. In FY 2003, all AQI user fee collections become available without the need for

annual appropriations and spending limits would be determined by the demand for AQI services.

(c) An increase of $2,234,000 for the fruit fly exclusion and detection program ($22,970,000 available in FY 1999).

APHIS will strengthen domestic fruit fly detection and control by enhancing trapping activities in Florida and California. In Florida, trapping levels will be conducted closer to protocol levels. In California, quality assurance activities, such as verifying placement and servicing of traps by State personnel, will be increased to enhance current trapping efforts. Both APHIS programs will work cooperatively with the States. A strong detection and control program will help APHIS detect and eradicate fruit fly intrusions quickly and should preclude the need for large scale, expensive emergency programs. The Environmental Protection Agency has stated that it expects APHIS to initiate efforts to minimize the use of Malathion by enhancing exclusion and detection activities. The proposed trapping addresses this need. It would reassure U.S. trading partners of APHIS' commitment to fruit fly control and deter them from restricting the entry of U.S. citrus and other agricultural products. This would help meet the Secretary's goal to double agricultural exports over the next few years. This increase will also help the program maintain current efforts.

(d) An increase of $351,000 for the import/export program ($6,815,000 available in FY 1999).

Key trade issues facing APHIS today include the ability to verify the health status of foreign countries and the ability to establish recognized standards for setting U.S. sanitary measures. The elimination of tariffs and quotas under the World Trade Organization (WTO) agreement on the Application of Sanitary and Phytosanitary (SPS) measures has resulted in an increase in the use of health requirements as disguised barriers to trade. The USDA estimates that $5 billion worth of U.S. agricultural commodities was blocked or threatened in FY 1996 by foreign governments because of questionable SPS requirements. The Agency's efforts to retain markets threatened by SPS concerns resulted in nearly $6.6 billion in exports. In FY 1997, APHIS resolved SPS concerns worth over $1 billion. At the same time, the number of requests by foreign governments to export agricultural commodities into the United States has increased. In contrast to the increase in program activities, funding has remained fairly static since FY 1990. Current Gross National Product Implicit Price Index data indicates that the program's appropriation in real dollars has declined by 5 percent between FY 1990 and FY 2000. In addition to these factors, the program anticipates higher costs for training, travel, and communications. With this increase in funding, APHIS will be able to maintain the current level of services and further reduce unfair trade practices affecting American exports.

(e) An increase of $723,000 for sanitary/phytosanitary (SPS) management ($7,539,000 available in FY 1999).

This increase would allow APHIS to maintain current services in dealing with exclusion and trade issues and addressing the complex SPS issues associated with today's agricultural trade environment. The demands facing APHIS in U.S. biosecurity and facilitating trade have increased substantially as a result of

agricultural trade liberalization achieved during the GATT Uruguay round. Maintaining current program activity levels and relationships is vital for facilitating safe trade and promoting harmonized regulatory approaches which allow U.S. products to compete on a level playing field.

This increase would also provide $250,000 for the full-year costs of our new office in Brazil. This office gives USDA the ability to develop and nurture relationships with Brazilian SPS policy makers and to promote U.S. SPS policy and initiatives. The value of U.S. agricultural exports, particularly horticultural products, to Brazil has increased in recent years. Total agricultural trade with Brazil was worth $2.2 billion in FY 1998. Brazil is one of the top 5 growth markets in U.S. horticultural exports. New agricultural export revenues are increasing rapidly, particularly those based on biotechnology, and are projected to provide the U.S. major market share. Further, since Brazil is a leader in Mercosur, we must communicate with its technical SPS experts as Mercosur and the rest of the hemisphere work toward a Free Trade Agreement of the Americas (FTAA). Our presence also serves as an effective monitoring post for emerging pests and diseases in the region.

APHIS recently moved an office from Nairobi, Kenya, to Pretoria, South Africa, following the terrorist bombing which destroyed that embassy. Another $90,000 is needed for the higher operating expenses in our South African office. South Africa conducts more agricultural trade with the United States than any other country in sub-Saharan Africa and shows the greatest potential for growth, particularly of high-value products. This office facilitates the negotiation of import protocols with many African countries importing U.S. grains, provides technical assistance to African exporters to ensure U.S. safety from pest and disease threats, and builds working relationships with animal and plant health officials throughout the region.

APHIS' Foreign Service cadre must also be bolstered to meet these new challenges. This increase would provide $130,000 to allow APHIS to participate in international meetings which are crucial for developing and maintaining the Agency's relationships with foreign government counterparts, relationships which are critical for resolving SPS trade barrier issues in a timely fashion. The overseas attaches coordinate and facilitate international exchange of scientific information between USDA officials and trading partners necessary for addressing pest and disease problems and resolving SPS-related issues. They also develop solutions to SPS barrier issues by providing technical expertise in evaluating foreign requirements and through one-on-one diplomatic discussion. Other responsibilities include providing intelligence on new or emerging foreign pest and disease threats, information which is critical for protecting U.S. plant and animal resources and assisting U.S. agricultural exporters who encounter problems at foreign ports of entry because of certification or other SPS trade barriers. Attaches can often defuse issues and host country concerns over emerging problems such as Bovine Spongiform Encephalopathy, Mediterranean fruit fly, or Karnal bunt before adverse regulatory decisions are made which negatively impact U.S. trade. In 1997, APHIS attaches played important roles in SPS accomplishments which included the resolution of 77 issues worth over $2.2 billion. Currently, an estimated 56 U.S. agricultural products (primarily high value commodities such as citrus, stone fruit, pork, poultry, biotechnology products, and others) are prevented from gaining full access to foreign markets because of SPS issues.

(2) A net increase of $6,338,000 for plant and animal health monitoring activities, consisting of:

(a) An increase of $4,600,000 for the animal health monitoring and surveillance program ($63,389,000 available in FY 1999).

The mission of the animal health monitoring and surveillance program is to identify, maintain, and enhance the health status of U.S. livestock and poultry. The program also protects American food sources and strengthens their domestic and international marketability. One method for accomplishing this mission is establishing and facilitating animal health certification and quality assurance programs. Effective and credible quality assurance and certification programs are needed to deal with domestic diseases and to reassure the statuses of these diseases to foreign countries. With this increase in funds, APHIS would establish a certification and control program for Johnes Disease. The program would be voluntary and would focus initially on dairy cattle. In subsequent years, APHIS may include beef cattle in the program. APHIS would engage in cooperative Federal-State-University studies to determine the fundamental epidemiological and statistical principles of Johnes control to research and test diagnostic methods critical to effective Johnes control and to maximize quality control in biological samples submitted for the national laboratory check test system. A comprehensive training program in the basic epidemiology of Johnes disease in dairy cattle would also be designed and delivered to Agency and State regulatory health officials. Private accredited veterinarians would be trained to perform herd inspections for Johnes disease; facilitate the development of herd control plans; and review herd control plans. APHIS expects to enroll approximately 100 herds in the certification program for FY 2000, with approximately 20 of these advancing within the program by the end of the fiscal year. Funds would also be used to expand the Trichinae certification project. In FY 1997, the Trichinae pilot tested every pig (230,000) brought to a northwest Iowa packing plant using two diagnostic tests, and evaluated the Trichinae-safe production practices used for 350 of the swine herds at that plant. In FY 1998, the pilot project was expanded to Michigan, New England, Ohio, and Pennsylvania to further evaluate the accuracy of audit procedures used to detect positive herds. Evaluations also continued in Iowa. These evaluations will be used to support U.S. interests in swine product trade negotiations.

Additionally, this funding increase will also help APHIS to maintain its current level of services for other activities within the animal health monitoring and surveillance program.

(b) An increase of $261,000 for animal and plant health regulatory enforcement program ($5,855,000 available in FY 1999).

APHIS maintains a nationwide cadre of highly trained field investigators and staff specialists to support investigative and enforcement needs of APHIS program units, mainly Veterinary Services, Plant Protection and Quarantine, and Animal Care. Due to sharp growth in violation cases involving false phytosanitary certificates and increased smuggling of prohibited fruits and vegetables contaminated with plant pests, additional investigators are needed at ports of entry with the highest caseloads, especially California, Florida and Texas. The budget request includes an increase of two additional investigator positions to help deal with these problems. The outcome would be quicker response to rising backlogs and to the growing number of new

plant quarantine violation cases, encourage and support compliance with APHIS programs, laws, and regulations; and to enhance APHIS' effectiveness in protecting U.S. agriculture and monitoring and managing pests and diseases. The increase would also help the program maintain current efforts.

(c) An increase of $1,218,000 for the national animal health emergency management system program ($0 available in FY 1999).

In recent years, animal industry groups and State animal officials have been highly concerned with the Nation's ability to prepare for and respond to emergency animal disease situations. Although the Agency currently carries out emergency preparedness work in the animal health monitoring and surveillance program, additional resources are needed to establish a National Animal Health Emergency Management System (NAHEMS). This comprehensive system will allow the Agency to adequately protect the Nation's animal populations from disease events that could negatively affect the economic status of the U.S. food supply. This system will take a proactive approach to emergency management and will include the following elements: planning, prevention, response, and recovery. Historically, APHIS has focused its emergency preparedness resources on responding to livestock and poultry diseases exotic to the United States. In 1997, USDA and the U.S. livestock industries, in partnership with the Animal Agriculture Coalition, re-evaluated the Nation's animal health emergency preparedness and response systems. The group identified serious gaps in the country's ability to respond to animal health events that may negatively impact, biologically and/or economically, the Nation's animal and food production industries. The gaps were in the areas of Federal, State, and industry partnerships, investigation and response to emerging disease issues, and appropriate measured responses.

There are several reasons for reformulating the Agency's animal health emergency management, including the changing nature of emergencies and of public/private responsibilities. Animal health emergencies and the tools for dealing with them have changed dramatically in recent years. Recently, new animal disease situations demanding the Federal Government's attention and resources have erupted within States and regions without ties to international commerce. The risks of foreign animal disease introduction, identification and response to an emerging disease, and response to acts of biological terrorism have increased. The focus on acceptable risk verses zero risk for importing agricultural products in the global marketplace, and the concept of regionalization as a means of maintaining export markets, have increased the risks of introductions. To counter the increased risks, the United States must establish a world-class "Center of Excellence for Animal Health Emergency Management" that is appropriately staffed and linked with information networks of States, animal industries, and to other animal health organizations around the world.

Animal health emergency management as it relates to public and private responsibilities and relationships has also changed over the years. In the past, it seemed logical that the Federal Government would bear the brunt of responsibility for emergency management as long as the risks were seen as "foreign" disease incursions. Given the risks presented by more complex emergencies, the industries and States must share more of the responsibility. Geographically, these emergencies are local in nature, but in today's global market these emergencies have national and international repercussions. Broad national plans must be adjusted to local or regional conditions. The Federal Government is currently lacking a comprehensive

system to fully address these issues and animal disease events that threaten the U.S. food supply. This requested funding level will allow APHIS to begin the implementation of such a system. This new system will provide the mechanisms and structures by which the Federal Government will mobilize resources and conduct activities to augment State and local emergency response efforts.

Of the requested funding level, approximately $700,000 would be used to survey for significant animal health events including biological terrorism, which is an emerging threat to the Nation's livestock and poultry resources. Two full staff-years would be devoted to potential animal health events including biological terrorism and 4 training sessions would be conducted for Agency and State employees, and industry representatives regarding the possibility of biological warfare, decontamination procedures, and other animal health events. In addition, APHIS would use approximately $500,000 to establish 4 staff positions to complete the master plan for the NAHEMS; coordinate the development of information materials; develop a National Animal Disease Reporting System and Geographic Information System; implement a system to detect emerging animal disease threats through ongoing environmental assessments and analysis of data; and conduct risk assessments.

(d) An increase of $259,000 for pest surveillance and detection program ($6,426,000 available in FY 1999).

APHIS would contribute this amount toward cooperative research agreements to improve responses to plant pest and disease outbreaks and infestations, such as Karnal bunt. The total amount contributed toward these agreements from this line item would be approximately $500,000. These agreements would involve Federal and non-Federal sources, such as the Agricultural Research Service, and would be designed to examine eradication strategies for a variety of potential infestations. The funds will be used (1) to predict the most likely infestations for a specific time frame; and (2) to examine the impact of alternative eradication/control strategies on agriculture, wildlife and the environment in general. The results will allow the Department to anticipate future infestations, and to have alternative strategies in place for policy officials to consider should the need arise. This could potentially save millions of dollars in eradication costs and reduce the impact of Federal action on producers and other affected parties, by allowing the consideration of alternative responses to future infestations. Also, APHIS would be able to continue providing assurance to all trade partners that KB is not present in major wheat-producing areas of the United States, thereby insuring annual agricultural exports of up to $5 billion and supplying the raw ingredients for domestic and foreign customers of flour, pasta, and other wheat products.

APHIS will also conduct detection surveys for incipient infestations of exotic pests that could potentially cause economic damage if spread in the United States. With this increase, APHIS would be able to conduct pest detection surveys at levels closer to protocol than currently possible. Results from the surveys, as well as the Agency's management and verification of pest occurrence data, are crucial components in phytosanitary negotiations with foreign trade partners to support the global competitiveness of U.S. agriculture. These surveys would enable APHIS to provide data for pest risk assessments that allow the USDA to meet its commitments under the North American Free Trade Agreement and the General Agreement on Tariffs and Trade.

(3) A net decrease of $14,112,000 for pest and disease management activities, consisting of:

(a) A decrease of $12,889,000 for the boll weevil program ($16,209,000 available in FY 1999).

APHIS proposes a reduction since it is no longer necessary to provide Federal funding in areas where the boll weevil no longer exists.

APHIS is in the final stages of transferring full operational responsibility to the growers in eradicated and non-infested areas. While the Agency will maintain oversight and technical support responsibilities in these areas, APHIS will discontinue cost-sharing program activities where the boll weevil no longer exists. In addition, APHIS will provide an equitable, but lower cost-share percentage, to all active eradication zones. Growers can pay a greater share of program costs through loans made available to grower foundations from USDA's Farm Service Agency (FSA). The FSA provides loans for initial startup costs in new eradication zones and for operation costs in existing eradication zones. At this level, the Agency will contribute toward program expansion into new areas after addressing the financial needs of all active eradication zones.

(b) A decrease of $2,337,000 for the brucellosis program ($11,864,000 available in FY 1999).

The proposed reduction is due to the reduced number of infected herds, and will not jeopardize APHIS' ongoing programs.

The success of the brucellosis program has been one of APHIS' greatest achievements. When we began the program, one herd out of every eight cattle herds across the country was infected. Some level of infection existed in every state. Through careful herd management and cooperative efforts between Federal and State governments and industry, the last pockets of infection are being eliminated from domestic livestock. The United States should be free of brucellosis in domestic livestock by mid-FY 1999. Presently, 43 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands are classified free of infection. Seven states are in Class A status and are expected to either qualify for free status or be classified free by the end of FY 1999. APHIS will continue the brucellosis management program procedures in domestic cattle, swine, and bison for 5 to 10 years after eradication to eliminate any remaining disease foci that may have gone undetected. This will verify for the international community that the disease has been eradicated in livestock. APHIS will begin implementing control and eradication procedures in other domestic, captive, and non-captive species.

With the reduced level of funding, APHIS will test 8.5 million cattle; vaccinate 1.7 million calves; and conduct approximately 35 tracebacks/investigations to ensure the disease has been eradicated from traditional and nontraditional livestock. APHIS will maintain the current level of services for the swine brucellosis program. The Agency will cooperate with wildlife agencies, on a limited basis, to eradicate brucellosis from bison and elk of the Greater Yellowstone Area, feral swine in the Southeast United States, and reindeer in Alaska.

(c) An increase of $2,100,000 for emerging plant pests activities ($1,410,000 available in FY 1999).

This increase would provide 8 staff-years to expand the Asian longhorned beetle program in New York and Illinois and to target other exotic wood-boring insects as well. This program focuses on surveys to determine the beetles' scope, tree removal, and methods development activities. USDA's goal is to prevent future ALB introductions without jeopardizing the $80 billion trade market between the U.S. and China. Of the $2.1 million requested, approximately $1.1 million would fund surveys, $800,000 would fund tree removal activities (funded through cooperative agreements), and $200,000 would fund methods development work to develop pheromones and attractants. These activities should result in the eradication of one or two infestations. Funding for these ALB activities would help APHIS control this devastating pest and prevent its further spread, thereby protecting the sugar maple industry in upstate New York and preserving Chicago's urban forest, which includes approximately four million trees. If left unchecked, the ALB could have a severe impact on the forest products, nursery, tourist, and maple syrup industries, which generate combined revenues of approximately $47 billion annually in the northeastern United States alone.

(d) An increase of $145,000 for golden nematode activities ($435,000 available in FY 1999).

APHIS would devote approximately $95,000 in New York State to perform increased GN survey, soil sample processing, and maintain other ongoing GN program activities. An additional $50,000 would be designated for vehicles, pressure washers, and supplies. This increase would enhance the Agency's ability to prevent the spread of GN and new infestations in potatoes, and to facilitate international and interstate agricultural shipments. In addition, APHIS would be able to conduct GN detection surveys and regulatory activities at closer to full protocol levels. The surveys are the key to the program's success. An increased level of surveys will lead to earlier detection of new infestations, thereby aiding control efforts by reducing the threat and spread of golden nematode. If the golden nematode becomes established, the most adverse trade impact would most likely be in costs associated with quarantine restrictions imposed by importing countries. Many potato markets, as well as markets for a wide variety of agricultural products of the soil, would likely be lost and the burden of compliance with restrictions would be economically devastating. In FY 1998 and FY 1999, survey activities will be conducted at approximately 57 percent of full protocol level. But the discovery of a new race of GN (RO2) on Long Island necessitates a full protocol level survey effort. In FY 2000, APHIS would survey approximately 6,000 acres of potato land suspected of being infested with either the old Golden Nematode race or the new race (RO2) and certified seed land. In FY 1998, 3,000 acres were surveyed and in FY 1999, an estimated 3,000 acres will also be surveyed. The actual number of acres surveyed depends primarily on weather, cooperation from potato growers, and the survey method employed. With this increase, APHIS should be able to identify approximately 300 infested acres, as opposed to approximately 110 at the current funding level. In addition, the program would be able to detect infestations on approximately 10 new properties within the regulated area, compared to only four at the current funding level. Conversely, early detections of new infestations will prevent further spread of GN.

(e) A decrease of $1,000,000 for imported fire ant activities ($1,000,000 available in FY 1999).

APHIS would eliminate IFA control activities since no effective, efficient, and environmentally acceptable control agents are available for large scale application on agricultural land. Also, APHIS has not received any requests from States for cooperative treatment programs since 1985. All regulatory and survey activities would be conducted by the States. APHIS has provided States with technical knowledge, and treatment and regulatory guidelines; the States conduct regulatory and survey activities. In many cases, States have proven themselves able to eradicate small isolated infestations outside the regulated area. With these tools, the Federal quarantine guidelines, and industry cooperation, the States should be able to maintain a strong regulatory program. To assist States in meeting this goal, APHIS will provide technical assistance and revise regulations and procedures as necessary. APHIS will continue to evaluate the efficacy of regulatory treatments for preventing further artificial spread of the IFA under the plant methods development laboratories line item.

(f) An increase of $1,705,000 for noxious weeds activities ($424,000 available in FY 1999).

In addition to maintaining ongoing weed survey and eradication projects, APHIS would begin developing a national rapid assessment and response system for invasive alien plants in the United States in support of the Presidential Executive Order on Invasive Alien Species. Over the past two hundred years, several thousand foreign plant and animal species have established themselves in the United States. About one in seven alien introductions has become invasive, leading to problems costing the United States billions of dollars. This system, when fully implemented, would include establishing: a Federal Interagency Rapid Response Weed Team; an APHIS Regional Weed team to determine Agency priorities regarding weed prevention and eradication; State Interagency Weed Teams to establish weed prevention, eradication, and management priorities in each State; and State Weed Detection and Reporting Networks to ensure that new weeds are detected early and reported to the proper authorities. It would maximize weed resources and expertise, while minimizing the economic and ecological impacts of introduced invasive plants. This system is critical to the establishment of an effective noxious weeds prevention and control strategy for the United States.

(g) A decrease of $1,836,000 for wildlife services (WS) operations program ($29,997,000 available for FY 1999).

APHIS' wildlife services operations program protects American agricultural resources, human health and safety, natural resources, and property by conducting a wide range of wildlife damage prevention and control activities in cooperation with other Federal, State and local agencies, organizations, and private individuals. To accomplish immediate Agency priorities in FY 2000, the budget proposes a reduction for this program and asks that cooperators assume a larger share of program costs.

As with the FY 1999 proposal, the budget would require cooperators over a two to three year period to increase their support of overall program costs to at least 50 percent. However, all States would continue to receive some Federal assistance

regardless of their level of support. At this proposed FY 2000 level, APHIS will provide technical assistance for activities, including rabies control, wolf control, and brown tree snake prevention activities directed at protecting Hawaii. States and other cooperators would be required to provide increased contributions to maintain program progress. The request includes $1.2 million for aviation safety and $1.2 million to cooperate with Federal Aviation Agency and local airports to reduce wildlife strike hazards.

(4) A net increase of $538,000 for animal care activities, consisting of:

(a) An increase of $515,000 for animal welfare ($9,175,000 available in FY 1999).

APHIS would maintain current activities such as inspections at regulated facilities to assure compliance with the Animal Welfare Act (AWA). In addition, Animal Care inspectors would receive much needed training to ensure uniform enforcement of the regulations and to stay current with industry advancements in methodologies of research and caring for animals. APHIS would continue to replace outdated and old equipment including vehicles and continue modernizing its computer database program. Still unknown is the impact of the Doris Day Animal League lawsuit and petition which could require APHIS to regulate substantially more dog and cat dealers resulting in an increase in pre-licensing and routine inspections. In addition to this request, APHIS is proposing animal welfare inspection users fees in the amount of $3,717,000 that would permit fees collected from entities and/or individuals regulated under the AWA to be credited to the accounts that incur the costs and to remain available until expended without fiscal year limitations.

(b) An increase of $23,000 for horse protection ($361,000 available in FY 1999).

APHIS would continue its partnership with the Horse Industry Organizations (HIO's) to improve the certified Designated Qualified Person that will enhance industry self-regulation. With redirected base funds, APHIS will conduct more audits, monitor more horse shows, and expand training for both industry and APHIS inspectors with this increase. APHIS would facilitate more USDA-HIO meetings to assure industry self-regulation is progressing towards eliminating the inhumane practice of soring horses.

(5) A net increase of $2,642,000 for scientific and technical services activities consisting of:

(a) An increase of $1,661,000 for biotechnology and environmental protection activities ($7,393,000 available in FY 1999).

For FY 1999, APHIS proposed collecting $1 million in biotechnology user fees. However, the authority to collect these fees was not enacted and the appropriation was not restored. This increase for FY 2000 would restore program funding to the FY 1998 level. In addition, it would enable APHIS to hire additional personnel and fund related computer costs for the biotechnology permits unit. These crucial enhancements would help the program to keep pace with the continued and rapid growth of biotechnology in agriculture. In FY 1998, this program processed several more petitions for determination of regulatory status than in FY 1997. Processing these petitions is the last USDA regulatory step for the commercialization of genetically modified crop plants. Adding to this increased workload is the "determination extension process," which will significantly increase the document

handling workload by FY 2000. The number of submissions for biotechnology permits and notification processing, in FY 1998 was approximately twice the number submitted in FY 1997. This increase was due in part to a worldwide corporate focus on agricultural biotechnology products, technology breakthroughs, and the initial commercial success of the first products.

The increase would also provide two staff-years for the Data Support (DS) unit. This unit addresses several emerging issues including the Food Quality Protection Act, the strengthened reporting requirements of the adverse effects rule, invasive species, noxious weeds, and the national certification plan for vertebrate pesticides. Also, liaison activities would take place for several proposed projects, including nine emergency exemptions for methyl bromide uses, the establishment of Section 18 for Medflies in four southern States, and FDA's processing of applications for non-lethal drugs for wildlife population control and translocation. Timely submissions would be possible for pesticide registrations and for quarterly progress reports to APHIS program units. Improvements would be made to five databases and development of new databases would occur as new drug products enter Wildlife Services operations would result in litigation and noncompliance issues being resolved more rapidly, improving relations with regulatory agencies. In addition, other APHIS program units would be adequately informed of regulatory changes and benefit from Data Support's participation in policy and planning meetings. Program units would have adequate pesticide tools and drugs available for short-term needs. At this level, DS would handle 600 requests (compared for 550 currently) for analyses and support regarding pesticide issues, registrations, and program reviews. Also, approximately six different pesticide and drug registrations and approvals would be made available for APHIS program needs, compared to only three at the current funding level.

Also for FY 2000, APHIS is proposing user fees in the amount of $5.36 million that would more than offset the proposed increase in appropriated funds. This proposal, if enacted, is designed to achieve full cost recovery for APHIS biotechnology activities associated with the permitting process, field inspections, and the increase proposed for the biotechnology permits unit.

(b) An increase of $196,000 for integrated systems acquisition project activities ($3,500,000 available in FY 1999).

ISAP provides an information technology procurement vehicle for acquiring an enterprise-wide computing and telecommunications environment throughout APHIS. ISAP provides for the replacement of incompatible, poor performing, and outdated hardware and software based on Agency goals and business priorities. FY 1999 funds are being used to complete the deployment of a common hardware, software and telecommunications platform and to finish necessary Y2K renovation, testing and implementation of mission critical systems.

The proposed increase would be used to cover maintenance costs of the new hardware and software that has been deployed and to begin replacing equipment that has reached the end of its useful life cycle. The ISAP contract was awarded in September 1995, and some of the equipment purchased at the beginning of the contract will be ready to be replaced in FY 2000.

(c) An increase of $210,000 for the veterinary biologics program ($10,345,000 available in FY 1999.)

In the past decade, the number and complexity of applications for the importation of veterinary biological products into the United States for distribution and sale have increased significantly. Recent trade agreements have resulted in significant increases in program efforts toward harmonization of standards for licensing, inspection, and testing of veterinary biological products. Negotiations with the European Community toward a Mutual Recognition Agreement for the inspection of production facilities for veterinary biologicals, regional harmonization in the Americas, and participation in the International Cooperation on Harmonization of Technical Requirements for Registration of Veterinary Medicinal Products under the auspices of the Office of International Epizootics are facets of harmonization efforts to facilitate international trade. In addition, public concern continues to grow over the use of live laboratory animals in the testing of biological products.

To address these concerns, APHIS would provide additional assistance to the industry in the preparation of risk analysis; develop additional guidelines for the preparation of applications; and work with foreign counterparts to develop, harmonize, and produce international references for test procedures that reduce the pain, suffering, and use of animals in the testing of veterinary biological products. In FY 2000, APHIS expects the number of product licenses to increase from 107 to 120 and the number of investigations of alleged violations to increase from 7 to 10. In addition, funds would be used to maintain the current level of services for other program activities.

(d) An increase of $1,351,000 for the veterinary diagnostics program ($15,622,000 available in FY 1999).

In response to high priority trade initiatives including the General Agreement on Tariffs and Trade and the North American Free Trade Agreement, there is an increased need for reliable tests to qualify animals for entry into the United States and for export from the United States to other countries. To meet these trade requirements, there is a requirement for extensive monitoring and surveillance testing to document disease status of U.S. animals and animal products. There is also a need for enhanced foreign animal disease diagnostic capabilities due to a change in philosophy, from a zero risk approach to a risk assessment environment. This requires that tests currently being conducted be replaced by those using more modern technology. Tests using enzyme-linked immunosorbant assays and molecular techniques, some of which are currently in the developmental stages, are needed to replace traditionally less specific and more labor intensive tests. These tests will result in new procedures for diagnosing bovine and porcine tuberculosis, scrapie, bovine spongiform encephalopathy, foot-and-mouth disease, classical swine fever, and other diseases.

APHIS will also increase its level of diagnostic testing for emerging diseases such as Johne's disease and porcine respiratory and reproductive syndrome. Funds will also be used to help with maintaining the current level of services for other program related activities.

(e) A decrease of $776,000 for wildlife services methods development ($10,365,000 available for FY 1999).

This program funds APHIS' National Wildlife Research Center (NWRC) located in Fort Collins, Colorado as well as the Center's many field stations. The NWRC conducts scientific investigations and analyses to develop, improve, and maintain tools, products and methodologies that allow APHIS and its cooperators to manage wildlife conflicts. The Center is the only facility in the world devoted exclusively to the study and development of wildlife damage control methods. While the NWRC maintains tools and registrations for traditional control methods, the majority of NWRC's resources are directed toward the development of non-lethal, socially acceptable wildlife conflict control methods.

At this reduced funding level, the Agency will continue to manage the program consistent with priorities identified following a FY 1996 survey of animal damage control experts. Advanced research toward alternative non-lethal methods will continue to be an area of emphasis within the overall reduced level proposed.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	2000 Current Law	Program Changes	Department Request
Animal Welfare Inspection User Fees	$9,690,000	-$3,717,000	$5,973,000
Biotechnology User Fees	9,054,000	-5,360,000	3,694,000
All Other	416,701,000	–	416,701,000
Total Available	435,445,000	-9,077,000	426,368,000

Explanation of Proposed Legislation:

Animal Welfare Inspection User Fees. (Funding reduction: $3,717,000) This proposal would permit fees collected from entities and/or individuals regulated under the Animal Welfare Act (AWA) to be credited to the accounts that incur the costs and remain available until expended without fiscal year limitations. Under existing law, license fees collected (approximately $833,025) under AWA are deposited as miscellaneous receipts into a Treasury account which is not directly accessible to APHIS. We believe these funds should be made available to the program to offset a portion of the cost. The licensing fee for a dealer is based on the individual's gross business income from this activity, and is currently established at between $30 and $750 annually. The licensing fee for an animal exhibitor is based on the number of animals the exhibitor owns, holds, or exhibits and is currently established between $30 to $300 annually.

APHIS will also seek authority to impose fees on facilities and establishments required to be registered under the AWA but which are not currently subject to a fee. The latter category includes research facilities, carriers, and in-transit handlers of animals. It will allow APHIS to provide inspection services appropriate to a level consistent with the intent of the AWA.

Biotechnology User Fees. (Funding reduction: $5,360,000) This proposal would allow APHIS to collect fees from persons issued permits, reviews, and notifications for field tests, movements, and importation of biotechnologically derived products under the Federal Plant Pest Act and the Plant Quarantine Act. It also allows the Agency to collect fees from persons submitting petitions for non-regulated status under these statutes. This legislation would allow fees collected for biotechnology permits and other activities to remain available until expended. APHIS continues to experience significant growth in workload, with an increasing volume of transgenic plants tested in the field and coming to the market place. Government agencies, academic institutions, and non-profit organizations would be exempt from these fees, since they are at least partially supported by public funds.

Animal and Plant Health Inspection Service

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1998 Actual and Estimated 1999 and 2000

	1998		1999		2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$8,378,105	46	$8,082,000	48	$8,499,000	47
Alaska	826,315	10	797,000	10	838,000	10
Arizona	15,142,344	103	6,407,000	94	6,196,000	98
Arkansas	2,927,673	39	2,798,000	40	2,942,000	40
California	45,297,680	566	38,162,000	572	40,361,000	576
Colorado	21,630,198	266	20,865,000	276	22,045,000	276
Connecticut	612,209	9	591,000	9	621,000	9
Delaware	643,309	9	621,000	9	653,000	9
Florida	48,416,967	531	36,433,000	524	38,453,000	524
Georgia	6,039,310	92	5,826,000	95	6,126,000	95
Hawaii	20,192,804	293	19,479,000	303	20,325,000	305
Idaho	3,047,273	42	2,940,000	44	3,092,000	43
Illinois	4,768,077	80	7,773,000	83	5,037,000	86
Indiana	1,717,682	22	28,602,000	23	1,733,000	23
Iowa	22,431,546	229	44,334,000	237	22,879,000	239
Kansas	2,327,316	28	2,245,000	29	2,361,000	29
Kentucky	2,891,311	37	2,789,000	38	2,933,000	38
Louisiana	5,790,154	70	5,585,000	73	4,508,000	70
Maine	678,028	15	654,000	16	688,000	15
Maryland	93,792,077	789	91,152,736	802	89,266,000	804
Massachusetts	4,600,278	63	4,864,000	64	4,562,000	64
Michigan	3,897,871	70	4,572,000	73	4,112,000	75
Minnesota	24,439,579	214	32,993,000	218	24,707,000	218
Mississippi	10,266,620	135	9,904,000	140	8,003,000	138
Missouri	3,455,388	46	3,333,000	48	3,505,000	47
Montana	2,719,370	46	2,623,000	48	2,574,000	44
Nebraska	2,916,418	38	9,943,000	39	2,958,000	39
Nevada	2,165,114	25	2,089,000	26	2,197,000	26
New Hampshire	641,481	14	619,000	15	651,000	14
New Jersey	10,550,146	113	8,950,000	108	9,411,000	107
New Mexico	4,329,763	56	4,122,000	57	4,492,000	60
New York	26,754,098	272	27,631,000	282	27,217,000	286
North Carolina	6,215,700	83	20,952,000	86	6,270,000	86
North Dakota	2,738,758	38	2,642,000	39	2,726,000	38

	1998		1999		2000	
	Amount	Staff Years		Staff Years	Amount	Staff Years
Ohio	2,962,665	30	2,855,000	31	2,687,000	28
Oklahoma	3,980,673	46	3,840,000	48	3,636,000	47
Oregon	3,202,472	59	3,089,000	61	3,248,000	61
Pennsylvania	4,212,754	56	4,357,000	58	4,273,000	58
Rhode Island	197,355	2	190,000	2	200,000	2
South Carolina	2,846,591	47	2,746,000	49	2,888,000	48
South Dakota	1,874,552	15	1,855,000	16	1,849,000	14
Tennessee	5,080,289	68	4,844,000	69	4,614,000	69
Texas	55,012,221	632	52,001,000	640	48,275,000	638
Utah	3,158,127	29	3,046,000	30	3,098,000	28
Vermont	412,274	5	398,000	5	208,000	2
Virginia	3,011,828	52	2,905,000	54	3,055,000	54
Washington	6,195,601	175	5,499,000	171	5,625,000	167
West Virginia	890,795	15	856,000	16	900,000	15
Wisconsin	2,767,106	52	2,585,000	53	2,876,000	56
Wyoming	2,353,447	40	2,270,000	41	2,387,000	41
Dist. of Columbia	11,982,633	86	11,560,000	89	12,156,000	89
Puerto Rico	10,115,892	173	9,957,000	178	10,182,000	176
Virgin Islands	911,408	15	879,000	16	924,000	15
Asia/Pacific	1,090,631	7	1,052,000	7	1,106,000	7
Caribbean	1,375,818	18	1,327,000	19	1,395,000	19
Central America	8,420,351	14	8,123,000	15	8,542,000	14
Chile	430,338	15	415,000	16	436,000	15
China	617,302	3	913,000	3	626,000	3
Colombia	1,951,222	3	1,882,000	3	1,979,000	3
Dominican Republic	403,680	3	1,452,000	3	409,000	3
Europe/Africa	2,053,790	13	1,981,000	13	2,083,000	13
Guam	1,442,180	3	1,391,000	3	1,463,000	3
Guatamela	5,593,941	11	5,396,000	11	5,674,000	11
Haiti	0	0	1,063,000	0	0	0
Mexico	22,527,625	155	21,730,000	161	22,850,000	159
Other South American	78,823	2	76,000	2	317,000	5
Panama	2,400,300	8	2,315,000	8	2,434,000	8
Peru	325,687	1	314,000	1	330,000	1
Suriname	251,095	0	242,000	0	254,000	0
Subtotal, Available or Estimate	583,374,425	6,342	626,780,736	6,461	545,922,000	6,461
Unobligated balance	36,977,591	–	–	–	–	–
Total, Available or Estimate	620,352,016	6,342	626,780,736	6,461	545,922,000	6,461

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

STATUS OF PROGRAM

PEST AND DISEASE EXCLUSION

Goal 1: Safeguard U.S. plant and animal resources against introductions of foreign pests and disease, while meeting international trade obligations.

Current Activities: The Animal and Plant Health Inspection Service (APHIS) conducts agricultural inspections and international pest and disease programs, to prevent exotic plant and animal pests and diseases from entering the United States. Along with manual inspections, the Agency utilizes alternative inspection methods and technologies such as X-ray systems and detector dogs. APHIS personnel also carry out inspections of imported and exported animals to ensure that all exported livestock, live poultry, hatching eggs, bovine semen, and bovine embryos have been inspected and certified free from contagious diseases. In addition to assuring that exports comply with health agreements between the Department and importing countries, APHIS officials routinely meet with international agricultural health officials to facilitate international trade by clarifying and amending import requirements, as necessary. The Agency also participates in inspection, survey, and control activities in foreign countries, thereby reducing the threat of exotic pests and diseases to the United States.

Selected Examples of Recent Progress:

1. Agriculture Quarantine Inspection (AQI)

Revenue Collections

APHIS collected approximately $151.8 million in user fee revenue for AQI services in Fiscal Year (FY) 1998. Since the implementation of user fees in FY 1991, the Agency has collected about $829 million in fees.

Passenger Inspections

In FY 1998, APHIS inspected approximately 76 million international air, maritime and land border passengers/pedestrians arriving in the United States, and predeparture and preclearance passengers in Hawaii, Puerto Rico and abroad. This is an increase of 4.4 million from the prior year. Passenger arrivals are projected to steadily increase for the foreseeable future. Processing the increasing number of international travelers continues to present many challenges to all Federal clearance agencies.

In an effort to enhance passenger processing, APHIS is participating with other Federal inspection agencies including the U.S. Customs Service (Customs), the Immigration and Naturalization Service, and the State Department, in a Border Passenger Processing Re-engineering Initiative. This Federal Inspection Services (FIS) Partnership initiative was implemented to jointly examine ways to expedite passenger processing while maintaining or increasing compliance with current U.S. laws and regulations. In FY 1998, the FIS partnership focused efforts on improving customer service through compliance education. New educational materials such as videos and customized brochures were developed to help international travelers understand U.S. laws and

regulations when entering the country. Interactive stakeholders meetings were conducted at ports of entry to increase awareness of the Agency's mission to prevent introductions of exotic plant and animal pests and diseases.

APHIS continued participating in Passenger Analytical Units (PAU's) at airports. These units use advance passenger information to target high-risk passengers while allowing the vast majority of compliant passengers to proceed quickly through the Federal inspection process. Dedicated commuter lanes were established at land border ports-of-entry on the northern and southern borders. These lanes facilitate frequent travelers between the U.S. and Mexico or Canada.

APHIS maintained a selective examination of passengers and baggage using "rovers" and "choke points" to control passenger movement. The Agency also continued utilizing the Interagency Border Inspection System (IBIS), which enables inspectors to identify individuals with violations histories, to expedite passenger clearance and improve inspection effectiveness.

APHIS implemented 100 percent inspections of passengers and baggage arriving at the Newark and San Juan airports from the Dominican Republic and Haiti due to an outbreak of classical swine fever (CSF) in these two countries. These enhanced inspections are provided to prevent the reintroduction of CSF into the United States. An outbreak of CSF in the United States could result in production and export losses of $1-$7 billion, displaced farm and production workers, and increased pork prices for U.S. consumers.

Baggage Screening

APHIS maintained 58 trained dog teams at 21 major airports and post offices in the United States. All canine training occurred at the Agency's National Detector Dog Training Center in Orlando, Florida. This National program will help the Agency attain its goal of expanding the number of detector dog teams to 108 by the year 2000. APHIS also began plans to extend the training facility services to other countries interested in detector dog training such as Australia, Canada, and Chile.

The Agency maintained X-ray equipment as a screening tool in passenger baggage clearance at major international airports. There are X-ray scanning machines located at all foreign-arrival and predeparture sites. X-ray machines are utilized at international airports including: San Juan, Miami, Honolulu, Chicago, Kennedy (New York), Houston, Dallas, Boston, Atlanta, Dulles (Washington, DC), Los Angeles, San Francisco, Seattle-Tacoma, Philadelphia, Orlando, and Newark; and San Ysidro, Otay Mesa, and Nogales land border ports on the U.S.-Mexico border. The scanning units are located at Ponce, Roosevelt Roads, Aguadilla, and San Juan, Puerto Rico, and four Hawaiian Islands for predeparture clearances. X-ray machines are used in two postal facilities. The Agency continued working with the U.S. Army on developing new x-ray technology which can detect agricultural products in baggage based on atomic makeup and shape using neural network software. Due to technical changes, testing of an x-ray prototype in San Juan, Puerto Rico, has been delayed until June 1999.

Cargo Clearance

APHIS inspects cargo and carriers entering the United States. In FY 1998, APHIS conducted inspections and clearances of about 61,387 ships and 1,197,045 regulated and miscellaneous cargo shipments.

APHIS participated with Customs and maritime and air cargo lines and importers in the Automated Commercial System (ACS) for electronic transmission of cargo data and entry

documents. APHIS maintained electronic equipment at 33 maritime locations and 26 airports. In addition, the Agency continued to expand and improve an automated hold system for regulated cargo. The new Automatic Targeting System (ATS) will place holds on cargo based on entry and manifest data stored in ACS and the Agency's regulation criteria. The ATS will facilitate trade by expediting tracking and enforcement of regulated agricultural commodities.

Regulatory Enforcement

APHIS' FY 1998 activities included efforts to increase enforcement of agricultural regulations. The Agency conducted compliance blitzes as part of multi-agency Trade Compliance Teams to search for prohibited items in U.S. markets. The Trade Compliance Teams identified prohibited items such as sweetened condensed milk from eastern European block countries, and soup mixes containing meat and ruminant products from BSE infected countries. The compliance teams are coordinating entry status requirements between APHIS, USDA's Food Safety and Inspection Service, and the Food and Drug Administration.

As part of APHIS' Results Monitoring System, the Agency monitored the rate at which items of agricultural significance entered U.S. ports-of-entry. This information is intended to improve the risk management decisionmaking process and enable program managers to allocate resources to entry paths at high-risk for foreign agricultural items. In FY 1998, the Results Monitoring System collected compliance data at all U.S. international airports, north and south border ports, and maritime, land and air cargo ports. For FY 1998, the data reported a compliance rate of 94.4 percent for international air travelers, 95.6 percent for border vehicles, and 95.5 percent for cargo. Also, in FY 1998, the Agency began collecting data for additional AQI pathways such as foreign bulk mail, private aircraft, foreign buses, and railway cars. Compliance reports for these new pathways will be available in FY 1999.

To help enforce compliance, APHIS uses its civil penalty authority for inadequate notice of arrivals, passenger baggage violations, and maritime garbage violations. In FY 1998, APHIS collected about $1.1 million in violations, assessing approximately 19,383 civil penalties.

Export Certification

The EXCERPT system, a computerized database of export certification information, completed its fifth year of operation. This database facilitates U.S. export trade by providing certifying officials with on-line export summaries which provide information for issuing phytosanitary certificates. In FY 1998, the system was expanded to include summaries for 6 new countries increasing the total number of countries for which export certification data is available to 221. The system is utilized by over 2,500 certifying officials. In FY 1998, approximately 300,000 certificates were issued expediting trade for over $20 billion of agricultural exports.

Preclearance

In FY 1998, 3,101,295 passengers were precleared and 41,512 contraband interceptions were made for the Bahamas and Bermuda air passengers. Preclearance at domestic and overseas locations provides a high level of protection to U.S. agriculture.

Through trust fund agreements with major exporting groups, APHIS also conducted preclearance inspections of fruits, vegetables, and a limited amount of propagative material in 27 countries worldwide. Commodity preclearance overseas provides the United States with additional protection against the introduction of exotic plant pests and diseases by detecting and eliminating pests at their origin. Significant preclearance inspection activities occur in Chile, a major supplier

of winter fruits and vegetables to the United States, and the Netherlands, a major supplier of flower bulbs. Preclearance programs for mangoes subject to hot water treatment also continued in Mexico, Haiti, Brazil, Guatemala, Venezuela, Peru, and Ecuador.

APHIS maintained an ongoing preclearance program in Germany, and continued an inspection training program for military personnel in the European Command. Approximately 200 military personnel were trained to assist APHIS in the inspection of military cargo, vehicles, household goods, and personal effects being retrograded back to the United States.

APHIS conducted baggage inspections for 1.5 million passengers from 18,772 aircraft at Tijuana International Airport in Mexico where 25.9 tons of contraband fruit were seized and 3,551 fruit fly were intercepted. At the Tijuana Central Bus Terminal, APHIS inspections of 16,340 buses yielded 5.84 tons of contraband fruit and 334 fruit fly larvae. In addition, APHIS performed 4,115 commercial market compliance inspections in the Tijuana metropolitan area. At the agriculture quarantine road stations in Estacion Don, Sonora, APHIS inspected 58,527 buses, 232,003 passenger cars, and 44 passenger trains. From these inspections a total of 134 tons of contraband fruit was seized and 1,995 fruit fly larvae were intercepted. Additionally, 337,920 commercial transport vehicles were inspected, 28,728 tons of commercial fruit were fumigated, and 726 tons of commercial fruit were refused entry into the Sonora Fruit Fly Free Zone. A total of 5,228 fruit fly larvae were intercepted from commercial shipments.

2. Cattle Fever Ticks

The cattle fever tick program is a cooperative Federal-State-industry effort to prevent the re-establishment of cattle fever ticks, Boophilus annulatus and B. microplus, in the United States and to maintain a permanent buffer zone along the Texas-Mexico border. The program is concentrated along the Texas-Mexico border, where the Rio Grande river serves as a natural barrier. During FY 1998, tick infestations were controlled through the use of a permanent quarantine zone, with systematic patrols and inspections carried out by animal health inspectors on horseback. All livestock crossing the border and entering or leaving the quarantine zone were examined and treated for ticks to reduce the risk of cattle fever ticks becoming established in the United States. As a result of this cooperative effort, cattle fever ticks have not become established beyond the original quarantine line which has been in place since 1936.

By the end of FY 1998, there were 19 infested premises under quarantine. Fifteen of these were in the tick eradication quarantine zone and 4 were in the free zone. This compares with 23 infested premises under quarantine at the end of FY 1997. The continuing fluctuations in the number of infested premises under quarantine is most likely the result of recurring infestations due to the movement of wildlife, especially exotic game and white-tailed deer, and the identification of additional infested premises through trace backs of affected animals. All infested premises are in full compliance with regulations.

New eradication technology was developed by the Agricultural Research Service (ARS) in FY 1995 to solve the problem of recurring infestations due to wildlife movement. The new technology involves providing a systemic pesticide (selective so that only the target organism on a specified host is affected) to wildlife through pesticide-medicated baits. The technology was tested, on a limited basis, in actual tick infestation conditions in south Texas. The test results were encouraging with tick eradication being achieved in two areas that had been continuously reinfested from wildlife for at least the past 18 years. In FY 1997, APHIS submitted a formal request to the Food and Drug Administration (FDA) for approval of this new technology through the FDA's Minor Use Animal Drug Program. In spite of FDA's efforts to approve the technology, the manufacturer of the pesticide was unwilling to support its use in a minor use program. Since

the patent for the pesticide has expired for the original manufacturer, APHIS is in the process of locating another company that would be willing a produce the pesticide-medicated bait.

3. Foot-and-Mouth Disease (FMD) and Foreign Animal Diseases

APHIS, through cooperative programs with the Countries of Mexico, Colombia, and Panama, continued to exclude FMD and other foreign animal diseases from the United States by quickly detecting and controlling outbreaks of these diseases in key foreign countries, thereby protecting the biological and commercial health of the $45 billion livestock industry. To continue improving the surveillance of FMD and other foreign animal diseases, APHIS also collaborated with foreign animal health officials and international organizations including the Pan American Health Organization (PAHO), the International Regional Plant and Animal Health Organization, and the Hemispheric Committee for the Eradication of Foot-and-Mouth Disease. These efforts increase the knowledge of local professional and animal health officials in export and import requirements and development of animal health and quarantine infrastructures.

Panama and Central America: The U.S.-Panama Cooperative Program for the Prevention of Foot-and-Mouth Disease (COPFA) continues to maintain the Darien Gap area of Panama free from FMD and other foreign animal diseases. Activities included active field surveillance at high-risk border points, annual training, scientific analysis of technical data, and improved program infrastructure. In FY 1998, COPFA also continued to support the Investigative Laboratory for Vesicular Disease (LADIVES) which provides biocontainment, diagnostic, and detection capabilities for vesicular and other foreign animal diseases in the Central American region. In FY 1998, the program conducted 150 vesicular disease investigations in Panama and another 400 in Central America.

APHIS also has cooperative agreements with all Central American countries to support joint monitoring and surveillance activities including field investigations and collection of lab samples for FMD and other foreign animal diseases. We also continued to transfer improved surveillance and detection technologies to the cooperating countries. APHIS also continued to study Vesicular Stomatitus Virus (VSV) epidemiology in Central America, Mexico, and South America to assure VSV exclusion from the U.S. and to predict future domestic VSV outbreaks.

Colombia: APHIS still maintains the FMD-free area along the Colombia-Panama border. This maintenance area, with nearly one million head of cattle, serves as the "first line of defense" for preventing the spread of FMD northward into Panama, Central America, Mexico, and the United States. APHIS provided financial and technical assistance to the cooperative FMD control program in a 50/50 cost share program with the Colombian Agriculture Institute (ICA). Colombia and the Colombian livestock sector continue to provide monetary contributions to the field program above the 50/50 cost share. Based on recommendations from PAHO and other stakeholders, ICA and APHIS expanded the FMD program to areas along the Venezuelan border substantially reducing the risk of FMD introduction into Panama and FMD-free areas in Colombia. The success of this program will be measured by the gradual increase in the FMD-free areas in Colombia which increases the protection provided to Panama, Central America, Mexico, and the United States. Until FMD is eradicated from the Western Hemisphere, maintenance of this barrier will prevent the northward spread of this disease. To safeguard against introduction of FMD, the program investigated suspicious vesicular diseases and quarantined areas that tested positive for FMD. In FY 1998, the program completed approximately 500 investigations on suspicious vesicular diseases, resulting in 40 quarantines for FMD outbreaks. Outbreaks may still occur and must be quickly controlled to prevent possible spread. As the program area expands, animal vaccinations will increase; approximately 20 million were vaccinated in FY 1998, 16

million were vaccinated in FY 1997. In FY 1997, the Office of International Epizootics (OIE) recognized the Choco region of the ICA-USDA program as an FMD free/vaccine free zone.

The Colombia program is an important component of APHIS exclusion activities overseas. However, our exclusion objectives in the region will continue to shift from maintaining a static barrier in Colombia to supporting the Pan American Health Organization's plan to eradicate FMD throughout the western hemisphere. The Hemispheric plan is based on bordering countries (Venezuela, Ecuador, Bolivia, Brazil, and Peru) working together to eradicate FMD. APHIS still gives priority to components of the plan which focus on efforts to control endemic FMD "hot zones" which threaten the FMD-free area along the Colombia-Panama border. Our support of this process as been very crucial to the success of the initial steps of the Hemispheric plan in the Andean area. Success in eradicating FMD from Colombia and further reduction of the risks to the United States industry would be ensured by this regional approach to FMD eradication.

Mexico: APHIS and the Mexican Ministry of Agriculture, through the Exotic Animal Disease Commission (EADC), continued their successful exclusion of FMD and other foreign animal diseases. The program conducted laboratory diagnostic and field detection activities to provide rapid detection and effect surveillance of FMD and other foreign animal diseases. In FY 1998, EADC processed almost 172,000 laboratory samples, mostly in poultry, and performed over 5,600 exotic animal disease investigations in poultry and livestock and 11 vesicular disease investigations which were negative.

4. Fruit Fly Exclusion and Detection

Mediterranean Fruit Fly

Guatemala and Mexico: APHIS continued its efforts to protect American agriculture by controlling and eradicating fruit flies, primarily the Mediterranean fruit fly (Medfly) and Mexican fruit fly (MFF), in foreign countries where they may pose a serious threat to U.S. agriculture. Through a cooperative cost-sharing program with Mexico and Guatemala (Moscamed), we continued to exclude Medfly from northern Guatemala, Belize, and Mexico. In FY 1998, Moscamed carried out extensive control operations in the northern and northwestern sections of Guatemala and maintained quarantine checkpoints to control and protect Medfly-free areas in Mexico and Belize. The program continued to release sterile Medflies in southwestern Guatemala and along a buffer zone adjacent to the northern Medfly-free zone. To prevent the spread of Medfly, the program maintained an extensive detection network and produced approximately 41 billion sterile Medflies for release in Guatemala and Mexico.

The Medfly rearing facilities produced approximately 500 million sterile flies per week in Mexico and approximately 175 million standard sterile flies per week in Guatemala for aerial release in Guatemala, Florida, and California. The facility in El Pino, Guatemala, also produced approximately 75 million Temperature Sensitive Lethal (TSL) flies per week. TSL produces only sterile males which provides more efficient and effective eradication results.

In FY 1998, Moscamed tested environmentally friendly pesticides to control Medfly in Guatemala. The program is developing the use of biological control agents such as parasitic wasps and aerial treatments with the attractant SureDye as an alternative to Malathion. These technological advances make eradication southward a distinct possibility, although the Medfly barrier on the Mexico/Guatemala border is not yet fully successful. The program also placed strong emphasis on Medfly monitoring and surveillance through trapping, fruit sampling and other detection activities. New trapping technologies have been developed which should greatly increase the efficacy of the detection and surveillance programs.

California Preventive Release Program: APHIS continued to work with the California Department of Food and Agriculture (CDFA) to maintain the Medfly preventive release program (PRP) in the Los Angeles basin area. Implemented in July 1996, the PRP mitigates the risk of Medfly introductions by providing a blanket of sterile Medflies over portions of Los Angeles, Orange, San Bernadino, and Riverside counties. Prior to PRP implementation, emergency pest eradication programs in this area cost taxpayers more than $180 million since 1989. In FY 1998, APHIS and the CDFA released about 270 million adult sterile flies per week over a 2,155-square mile area. APHIS' sterile Medfly rearing facility in Waimanalo, Hawaii, produced 250 million sterile Medfly pupae per week to support the prevention program. In addition, the Moscamed rearing facility in Guatemala provided 100 million sterile Medfly pupae per week to the California program. In September 1997, a Medfly infestation was detected in the Walnut Grove area of Los Angeles County, within the PRP zone. The Agency completed a cooperative emergency eradication program in this area during FY 1998 which included limited Malathion bait applications and increased sterile fly releases. This was the first Medfly outbreak in the PRP zone since the inception of the program. The constant layer of sterile flies provided through the PRP helped limit the size and spread of the Los Angeles County outbreak which enabled the Agency to use less intrusive and costly control methods.

Emergency Programs:

In May 1998, APHIS completed the emergency program in Tampa, Florida which was implemented the previous fiscal year. In addition, APHIS and state cooperators detected several new Medfly outbreaks in Florida and California during FY 1998.

Four new outbreaks occurred in Florida: the Miami Springs area of Dade County; the Umatilla area of Lake County; the Palmetto/Bradenton area of Manatee County; and the Sebring area of Highlands County. Two new outbreaks were detected in California: the Lake Forest/Mission Viejo area of Orange County and the La Jolla area of San Diego County, each of which occurred outside the Medfly Preventive Release Program (PRP) boundaries in the Los Angeles Basin. APHIS worked with the Florida Department of Agriculture and the CDFA, to implement quarantine regulations on the intrastate movement of fruit to limit the artificial spread of Medflies beyond the affected areas. In addition, eradication activities including increased trapping, aerial and limited ground applications of Malathion, and sterile fly releases were conducted. These emergency programs are expected to be completed in FY 1999. This action kept Florida's $8 billion agricultural market open.

Fruit Fly Detection

APHIS continued to support and conduct cooperative fruit fly detection programs in States that are particularly susceptible to fruit fly establishment, specifically Alabama, Arizona, California, Florida, Georgia, Louisiana, Mississippi, Nevada, New Mexico, South Carolina, and Texas, as well as Puerto Rico and the U.S. Virgin Islands. Within these States, we identify areas to trap for fruit flies according to risk of introduction. The purpose of the detection surveys is to detect new infestations of Medfly and other exotic fruit fly species before the infested area exceeds one square-mile in urban areas and 50 square miles in rural areas and to develop and implement more effective trapping systems. The program provides traps, lures, equipment, and personnel to install and service traps for early detection. Identifying the areas and means of infestation before flies reproduce and expand can substantially reduce the emergency funding required to eradicate large infestations.

In FY 1998, 9 different species of exotic fruit flies were detected in California including tongan, Asian guava, Mexican guava, Malaysian, Mediterranean, melon, Mexican, Oriental and peach fruit flies. Early detection has enabled California to quickly respond with appropriate treatments, maintain valuable trade markets, and reduce the need to initiate costly federal quarantines.

Mexican Fruit Fly (MFF)

The MFF detection and eradication program is a cooperative effort involving APHIS, the States of California and Texas, and the Mexican plant health organization, Sanidad Vegetal, to prevent the MFF from becoming established and spreading through important citrus growing areas of the United States. The program continues to conduct survey, regulatory, and control activities along the U.S.-Mexico border to reduce the risk of infestation in southern California and the lower Rio Grande Valley (LRGV) of Texas. The program uses an MFF protocol developed by APHIS, the State of Texas, and the citrus industry which involves trapping and the release of sterile flies throughout the citrus growing areas of the LRGV. This protocol has been successful in enabling commercial citrus growers and packers to ship products without chemical treatments through most of the production season. APHIS continued to produce sterile flies in its rearing facility in Mission, Texas. In FY 1998, the Agency produced 1.6 billion pupae at the sterile fly rearing facility for release in the LRGV.

In Baja California, APHIS maintained an extensive trapping system for MFF as well as a market inspection program, quarantine inspections at the Tijuana airport and sterile MFF release facilities at the Tijuana airport. Mexico recently proclaimed all of the states of Baja California, Baja California Sur, Sonora and Chihuahua to be free of Mexican fruit fly. In spite of Mexico's declaration, there were 55 captures of MFF in the Tijuana/Ensenada area of Baja California in 1998. Due to the significant level of MFF detections, APHIS is planning to resume extensive aerial release; 8 to 16 million sterile MFF per week in this region. APHIS continued to monitor MFF surveillance activities in these states. APHIS also cooperated in a major effort by the Government of Mexico to control MFF in the northeastern states of Tamaulipas and Nuevo Leon through survey, regulatory and control activities to prevent MFF from becoming established in the adjacent Lower Rio Grande Valley of Texas. Surveillance and monitoring activities include servicing trap lines weekly in Baja California (1,064 McPhail traps) and in Tamaulipas (956 traps).

Emergency Programs:

In late FY 1998, APHIS and the CDFA detected Mexican fruit fly outbreaks in the El Cajon and Oak Park areas of San Diego County. In response to these detections, APHIS and the CDFA implemented quarantine regulations on the intrastate movement of fruit to limit the artificial spread of Mexican fruit flies beyond the affected areas. The regulated areas included a 73 square mile area in El Cajon and a 95 square mile area in Oak Park. Eradication activities including increased trapping, limited ground applications of Malathion, soil drenches and fruit stripping at larval sites, and sterile fly releases were conducted. In addition to sterile releases in the control areas, APHIS plans to implement an area-wide release of MFF over 175 square miles in San Diego until June 1999 as part of this eradication effort. Both emergency programs are expected to be completed in FY 1999.

5. Import/Export Inspection

This program protects U.S. livestock, poultry, and wildlife populations from restricted diseases including those transmissible from animals to humans. APHIS regulates the importation of animals and animal products and promotes markets abroad by ensuring that U.S. origin animals

and animal products meet health and welfare requirements of recipient countries. Fulfilling this mission in FY 1998 required the regulatory oversight for the importation of 5.9 million animals; 11.8 million poultry including day old chicks; 9.3 million poultry hatching eggs; 69,000 doses of semen; and 2,000 embryos. The program issued point of origin certificates for the export of approximately 772,000 head of livestock, 215,000 head of other animals including cervids, camelids, etc., 88 million live poultry, 82 million hatching eggs, and 7.7 million doses of semen.

In compliance with international trade agreements, APHIS continues to revise regulations to incorporate regionalization and risk assessment into the import/export decisionmaking process. In October 1997, APHIS published a final rule on regionalization which lays out a framework for allowing the importation of animals and animal products into the United States from foreign regions, rather than only countries. It also establishes procedures by which regions may request permission to export animals and animal products to the United States under specified conditions, based on the region's disease status. Prior to the publication of this final rule, APHIS published several smaller related rules including one allowing for the importation of fresh, chilled, and frozen beef from Argentina (under certain conditions) and another allowing for the importation of fresh, chilled, and frozen pork from the State of Sonora, Mexico. Both of these smaller related rules were just part of the larger regionalization rule.

Import Animals

Two animal importations were conducted at the Harry S Truman Animal Import Center (HSTAIC) in FY 1998. The first importation consisted of 474 camelids from Peru. The shipment was released in February 1998. The second importation consisted of 420 camelids from Bolivia. This shipment was released in September 1998. Another shipment of camelids from Peru arrived in mid-December 1998. However, due to under use and insufficient revenues, the animal import center will be closing in October 1999. APHIS is exploring other avenues by which these animals can be safely imported into the U.S.

APHIS now recognizes Canada free of bovine brucellosis and has removed the brucellosis test requirements for Canadian breeding cattle. We now accept a certification statement that the cattle originate from a province that is free of bovine tuberculosis. APHIS also recognizes the success of the Canadian bovine tuberculosis eradication program by removing the TB test requirement for cattle entering the United States from Canada. We now accept a certification statement the cattle originates from herds recognized free of bovine tuberculosis.

During FY 1998, cattle imports from Mexico increased by more than 58,000. Cattle imports from Canada increased by more than 41,000. Overall, cattle importations were up by about 152,000, from 1.84 million in FY 1997 to 1.99 million in FY 1998.

In FY 1998, APHIS recognized Great Britain to be free of Exotic Newcastle Disease (END). Belgium and Luxembourg were recognized as having bovine spongiform encephalopathy (BSE). In addition, the following countries were deemed to pose an undue risk of introducing BSE into the country: Albania, Austria, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Denmark, the Federal Republic of Yugoslavia, Finland, Germany, Greece, Hungary, Italy, the former Yugoslav Republic of Macedonia, Norway, Poland, Romania, Slovak Republic, Slovenia, Spain, and Sweden.

Import Avians

In FY 1998, 11.8 million poultry including day-old chicks and 9.3 million hatching eggs were imported into the United States. Approximately 113,646 commercial birds were released from

quarantine in FY 1998. The import of commercial birds are limited to those that are exempt from the Wild Bird Conservation Act. None of the shipments were found to be infected with exotic Newcastle disease, avian influenza, or Salmonella enteritidis, phage type 4.

During FY 1998, 669 smuggled and/or illegally imported birds were confiscated or seized at U.S. borders. These birds were quarantined at USDA quarantine facilities. The Exotic Newcastle virus was isolated from one lot of yellow cheeked Amazon parrots held at the Mission, Texas smuggled bird facility. The birds were destroyed. No poultry or other birds were exposed to the infected parrots.

Export Animals

During FY 1998, APHIS negotiated new or revised health conditions for exporting poultry, livestock, and germplasm to various countries. Less restrictive protocols were established for exporting livestock, poultry, and germplasm to Colombia and Peru. Many countries instituted Contagious Equine Metritis (CEM) testing requirements as a response to the identification of a CEM-like organism in donkey jacks in the Western United States.

Mexico changed some of their import requirements. Effective in September 1998, all breeding sheep must originate from flocks that are enrolled in the Voluntary Scrapie Flock Certification Program. This requirement does not apply to slaughter sheep or ovine semen. Also, for exports to Mexico of day-old chicks and hatching eggs, the flock of origin must be tested for avian influenza.

In late October 1997, Canada published a regulatory change which allowed the import of restricted feeder cattle. These cattle could be exported with no tests to restricted feedlots in Canada. These regulations were recently amended again in August 1998, as requested by the Canadian Cattleman's Association. This amendment was to relieve some of the controls on the restricted feedlots in Canada. This action was beneficial to U.S. feeder cattle producers, providing another market for their product.

The United States-Mexico Animal Health Working Group continued to meet in FY 1998 The group meets about every eight months to discuss changes to import health requirements in each country.

Animal Products

APHIS continued to implement alternative methods for importing low risk agricultural materials. These include non-livestock species not susceptible to epizootic livestock and poultry disease and recombinantly (altered) engineered laboratory organisms produced without involvement of animal products or disease agents derivatives.

In FY 1998, a total of 6,537 import applications were processed by the National Center for Import-Export (NCIE). Of the 6,537 applications, NCIE issued permits for 3,997. These permits authorize the importation of organisms, vectors, biological materials, and animal products and by-products. These efforts help to minimize the risk of exotic disease entry into the United States.

APHIS export certification activities for animal products continued to increase this year. Many of the European Union's directives on animal products imported from third world countries were implemented this year. In addition, certification conditions for pet food are being negotiated with South Africa, Russia, Israel, Poland, and other countries. Animal health certification conditions

for pork and poultry meat exports are being negotiated with several countries including Argentina and Australia. These efforts will help expand markets for U.S. producers.

6. Sanitary/Phytosanitary Management

The goal of Sanitary/Phytosanitary (SPS) Management, formerly International Programs, is to minimize the threat of foreign agricultural pests and diseases entering the United States by ensuring that agricultural trade complies with international science-based plant and animal health standards. Through SPS Management, APHIS carries out two essential functions. It safeguards U.S. animal and plant resources by monitoring and responding quickly to emerging foreign pest and diseases threats at their origin rather than waiting for them to reach U.S. ports of entry. The program also helps facilitate agricultural trade through close working relationships with foreign regulatory officials to ensure that trade in agricultural products is not thwarted by unjustified SPS requirements. These functions help APHIS resolve SPS trade barriers which constrain U.S. agricultural exports, promote a level playing field where the movement of food and agricultural commodities is based on international standards, risk analysis, and the use of innovative risk management strategies.

Current Environment of Exclusion and Trade: The demands facing APHIS, not just SPS Management, have shifted substantially as a result of agricultural trade liberalization achieved during the GATT Uruguay round. The workload associated with regulating imports and certifying exports is increasing. As traditional barriers such as tariffs and quotas are eliminated under the WTO and other trade agreements, the temptation has increased for countries to adopt health-related requirements as disguised trade barriers. This reality increases the need for APHIS, through all its programs associated with trade, to assertively execute its role as a leader in the SPS area. First, APHIS conducts risk analyses to monitor epidemiological pest and disease trends and conduct or participate in risk analysis for specific plant and animal commodities and pathways of introduction into the United States. Second, APHIS is continuing to assess and make regulatory decisions on an increasing number of import requests. These regulatory decisions must be in accordance with WTO rules which require greater documentation, scientific analysis, and transparency than in the past. Third, APHIS supports U.S. agricultural exporters who encounter foreign technical trade barriers. Our scientific staffs play a critical role in the negotiation and resolution of these SPS issues. Fourth, APHIS spends an increasing amount of time and resources working with its foreign regulatory counterparts to develop international standards and address a variety of pest and disease issues which affect trade. Increasingly, APHIS must also gather technical information in foreign countries on surveillance and monitoring procedures and certify these systems. These international activities and relationships are becoming increasingly vital for promoting harmonized regulatory approaches which allow U.S. products to compete on a level playing field.

Foreign Disease and Pest Exclusion: APHIS continued to maintain a presence in countries with significant trade and that may be potential sources of economically dangerous pests and diseases. These technical experts in foreign posts support U.S. agricultural exports by immediately addressing SPS concerns. APHIS veterinarians and plant health specialists worked closely with foreign governments and industry, particularly in Mexico, Central and South America, the European Union, the Caribbean, Africa, Japan, China, Australia, and Korea to protect American agriculture. APHIS helped determine the presence or absence of suspect pests and diseases in foreign countries and assisted in foreign surveys for economically significant and exotic pests and diseases that threaten the United States. This information helps APHIS conduct risk analysis (comprised of risk assessment, risk management, and risk communication) to ensure regulatory decisions that affect trade are made in a transparent and justifiable manner. The results of risk analysis provide well-supported and consistent recommendations to facilitate the safe importation

of agricultural commodities from foreign countries. These attaches also helped APHIS to address and negotiate scientific methods in resolving pest and disease problems which could pose a threat to U.S. agriculture. Examples of particular pests and diseases of concern are the Asian long-horned beetle, Classical Swine Fever, and Pink Hibiscus mealybug. APHIS continues to work with its international partners to find solutions to minimize these and other pest and disease threats to the United States.

Export Facilitation: SPS Management was a crucial component of APHIS' role in facilitating U.S. exports through the use of health information and addressing animal and plant health requirements of foreign governments, including arbitrary or unjustified SPS measures, that impede U.S. exports. This program ensures timely resolution of SPS issues which threatened or constrained U.S. access to foreign markets. APHIS attaches are the only technical experts permanently stationed overseas able to speak authoritatively about the justified and/or unjustified use of trade restrictions based on technical trade restrictions. The overseas attaches coordinated the exchange of scientific information between USDA officials and trading partners regarding specific pest and disease concerns which were the source of trade problems. They developed workable solutions to SPS barrier issues by providing technical expertise in evaluating foreign requirements as well as face-to-face diplomacy. In FY 1997, according to the most recent data available, SPS accomplishments included the resolution of over 70 issues worth almost $2.2 billion. For example, APHIS expertise helped USDA expand export markets worth over $1 billion. Our successful market expansion efforts included poultry to Russia potentially worth $950 million annually and cherries to Japan potentially worth $100 million. Also, program activities were crucial in efforts to retain markets potentially worth $1.3 billion. Agricultural markets retained included markets in Mexico potentially worth over $430 million and in the European Union potentially worth $530 million. Currently, an estimated 56 U.S. agricultural products (primarily high value commodities such as citrus, stone fruit, pork, poultry, biotechnology products, and others) are prevented from gaining full access to foreign markets because of SPS issues.

The Agency's Trade Support Team (TST) continued to play a lead role in addressing SPS issues which affect U.S. agricultural trade. While it helps ensure USDA compliance with our international trade obligations, its primary function is to develop and implement strategies to prevent, minimize, and avert SPS-related trade barriers. To this end, TST worked closely with the technical staffs in APHIS and the trade policy officials in the Department and other agencies to manage SPS issues. TST also analyzed emerging SPS issues, helped in promoting the development of international standards, and orchestrated the necessary intra- and interagency communication and action on priority SPS trade problems facing U.S. agriculture.

7. Screwworm

In FY 1998, APHIS continued to successfully prevent screwworm reintroduction into the United States. The Central American programs made significant progress toward the goal of eradicating the screwworm through the Central American Isthmus to the Darien Gap area of Panama.

Mexico: The screwworm sterile fly production facility in Tuxtla Gutierrez, Mexico, produced and distributed approximately 7.4 billion sterile insects in FY 1998 for an average of 143 million sterile screwworm flies per week. We are collaborating with the Government of Mexico and others to phase out production by FY 2004 and to develop possible solutions for transitioning workers at the facility to alternative employment.

Nicaragua: Nicaragua is now considered technically free from screwworms but is still at risk from infested areas in Costa Rica. We have now pushed the barrier zone approximately 2,000 miles and six countries away from our borders, providing ever increasing protection for American

producers and preventing economic loss to U.S. livestock industry. Even though the last positive case of screwworm was detected in June 1997, the program continued to conduct stringent prevention, monitoring and surveillance activities. By the end of the FY 1998, program reduced the number of flies released to approximately 5 million sterile flies per week along the Costa Rican border.

Costa Rica: The focal point of eradication has shifted to Costa Rica where cooperative program activities began in October 1995. In FY 1998, the program began releasing approximately 60 million sterile flies per week over the entire country and expects to continue aerial releases for 2 years. By the end of the fiscal year, field surveillance reported an average of only 7 to 10 screwworm infestations per week with most occurring in the extreme southern part of the country near the Panama border. We expect the last screwworm detection to occur in early 1999. Technical eradication would be declared 6 months after the last detection.

Panama: The program began releasing sterile screwworm flies in July 1998, with the aerial dispersal of sterile screwworm flies over western portions of the country. In the first quarter of FY 1999, we expanded sterile fly release to the Canal. Countrywide dispersal should start in the fourth quarter of FY 1999. An emergence and dispersal center was opened in October 1998, to process sterile flies before aerial release. Once eradication is complete, the program will begin maintaining a biological barrier. Field surveillance activities are finding increasing numbers of screwworms as detection work expands across the country.

Proposed Sterile Screwworm Facility in Panama: In March 1998, the Southwest Animal Health Research Foundation (SWAHRF) presented a proposal for funding construction of the new production facility in Panama. Under this proposal, the industry would finance design and construction, including an architectural and engineering (A&E) study. SWAHRF would lease the facility back to the Joint Commission and donate the building to the Commission after recouping their investment. The proposal calls for a facility that would cost up to $80 million for 3 modules. Assuming this financing plan is acceptable, the program expects to begin planning for construction of the plant in FY 1999 with an A&E study. We expect the facility to be operational in FY 2002, after a 2-year construction period. The United States and Panama, through the cooperative program, could amortize the cost of the new plant over 10 to 15 years.

PLANT AND ANIMAL HEALTH MONITORING

Goal II: Quickly detect and respond to introductions of foreign agricultural pests and diseases or other emerging agricultural health threats, to minimize production losses and export market disruptions.

Current Activities: APHIS monitors animal and plant health to detect and react to exotic pests and disease introductions. The Agency creates and updates endemic pest and disease information bases and monitors and carries out surveys in cooperation with States and industry. The Agency also surveys for exotic plant pests and investigates reports of suspicious animal pests and diseases. Early detection reduces the spread of exotic plant pests, helps eliminate significant losses, and helps maintain pest-free status for export certification of agricultural commodities. U.S. agriculture is currently free from hundreds of foreign pests and diseases. Survey data are essential for initiating action programs, and result in better pest and disease management.

APHIS works with the States to compile two databases: the National Agricultural Pest Information System (NAPIS) and the National Animal Health Monitoring System (NAHMS). States enter the results of plant pest surveys directly into the NAPIS database, which includes crop hosts, location, weather conditions, pest life stages, crop damage, survey and control methods used on certain pests, and trapping methods.

Descriptive data about the occurrence and costs of animal health events are collected from a statistically valid sample of producers for the NAHMS database. NAHMS reports can be used by producers to improve health and production efficiency of livestock and poultry.

Regulatory enforcement activities prevent the spread of communicable animal pests and diseases in interstate trade. These activities include inspection, surveillance, animal identification, and prosecution. The Agency also investigates alleged violations of Federal animal welfare and horse protection laws and regulations and oversees and coordinates subsequent prosecution of violators through appropriate civil or criminal procedures.

The Agency maintains a cadre of trained professionals, prepared to respond immediately to potential animal and plant health emergencies. Reports of suspected exotic pests and diseases are investigated and emergency action is taken if necessary. The Agency develops pathway studies and thoroughly investigates the progression of outbreaks to determine the origin of plant and animal pests and diseases.

Selected Examples of Recent Progress:

1. Animal Health Monitoring and Surveillance

Foreign Animal Disease Investigations: In FY 1998, APHIS conducted 313 investigations for suspected foreign animal diseases (FAD). The investigations are broken down into the following categories:

FOREIGN ANIMAL DISEASE INVESTIGATIONS			
DISEASE	**FY 1996**	**FY 1997**	**FY 1998**
Vesicular Conditions	186	122	170
Mucosal Conditions	19	9	8
Avian Diseases	44	33	22
Hemorrhagic Septicemia	17	2	12
Bovine Spongiform Encephalophacies and Other Encephalitic Conditions	85	97	52
Other Disease Conditions	69	53	49
TOTAL NUMBER OF INVESTIGATIONS	420	316	313

APHIS continued its surveillance program for Velogenic Viscerotropic Newcastle Disease (VVND) in FY 1998. In July 1998, VVND was identified by the National Veterinary Services Laboratory (NVSL) from an investigation in Frenso, California, involving game chickens in a residential area. An epidemiological investigation determined that the most likely source of dispersal was from the movement of people. No evidence of spread beyond the initial outbreak was found.

In September 1998, the organism Taylorella equigenitalis, the cause of Contagious Equine Metritis (CEM), was identified at NVSL. CEM was introduced into the United States from an imported stallion from Germany. An affected mare was euthanized and the imported stallion underwent treatment.

APHIS also continued its bovine spongiform encephalopathy (BSE) surveillance program. As of September 30, 1998, pathologists at NVSL had examined a total of 7,471 bovine brains, none of which contained lesions characteristic of BSE. No cases of BSE have been diagnosed in the United States.

Also in FY 1998, APHIS coordinated surveillance activities for Chronic Wasting Disease (CWD) in areas not known to be endemic. More than 1,400 samples from hunter harvest and captive herds were collected for testing by NVSL. Brain samples were collected from California, Iowa, Oklahoma, Michigan, Minnesota, Nebraska, New Jersey, New York, North Carolina, and South Dakota. Of the samples tested, 31 were found positive with CWD. These 31 samples were taken from captive herds.

During FY 1998, two introductions of the New World Screwworm occurred in the United States. The first introduction was identified in San Antonio, Texas, in an infested dog returning from Panama. The second was identified from specimens collected from a U.S. citizen in Huntsville, Alabama, who had returned from a trip to Brazil. In both cases, appropriate actions such as disinfecting and fumigating the premises were taken, to ensure that the United States did not become re-infested with screwworms.

APHIS conducted a national test exercise in October 1998, to tests its ability to respond to an animal health emergency. In addition, the National Steering Committee for Animal Health Emergency Management continued to meet regularly. The Committee, sanctioned by the Secretary's Advisory Committee on Foreign Animal and Poultry Diseases, is comprised of representatives from the Federal Government, State governments, private practitioners, and industry. The Committee developed a draft strategic plan for implementing the National Animal Health Emergency Management System and planned training and informational events about emergency management.

APHIS continued to increase FAD awareness by conducting training courses and providing in-depth information on exotic animal diseases in equine, swine, birds, and ruminants. Topics included biosecurity issues, sample submissions, investigation techniques, disease control concepts, specific information on exotic animal diseases, and their potential economic threat to the U.S. poultry, livestock, and wildlife populations.

Animal Health and Agricultural Monitoring and Risk Assessments: APHIS' proactive animal health monitoring and disease surveillance program produced and interpreted scientifically valid information used by policy makers, producers, and consumers. The National Animal Health Monitoring System (NAHMS) delivered objective information addressing animal health as it pertains to U.S. trade, agricultural productivity, public health, and on-farm quality assurance. Collaborative information- sharing and producer confidentiality are cornerstones of the program. Through partnerships with animal commodity producer groups--and with State governments, university researchers, and other Federal Agencies--the program met producers' and the U.S. Public's information demands in an efficient and cost-effective, manner.

Analysis and interpretation of the Dairy '96 Study (National Dairy Monitoring) data continued. The study assessed dairy cow health and productivity in 20 states that represented 83.1 percent of

the U.S. milk cows. Over 2,500 producers participated in the project. Reports released were Johne's disease on U.S. Dairy Operations-October 1997 and E. coli 0157 and Salmonella Status on U.S. Dairy Operations-May 1998.

The on-farm data and biologic sample collection for Beef '97 (National Beef Cow/Calf Monitoring) continued through early January 1998 from 1,190 participating producers. This study was designed to proactively collect and interpret data supporting U.S. trade (Johnes, Bovine Leukosis); emerging disease conditions (Salmonella DT104); disease control (Brucellosis Vaccination, Tuberculosis); industry quality assurance (injection practices); emergency preparedness (biosecurity and vaccination practices); production efficiency (awareness of new technologies); and trends in animal health. This data and sample collection is a representative sample from 23 leading cow/calf states (Alabama, Arkansas, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Wyoming, and Virginia). Descriptive results were published in January 1998 - Part III: Reference of 1997 Beef Cow-Calf Production Management and Disease Control. Published in May 1998 was Part IV: Changes in the U.S. Beef Cow-Calf Industry 1993-1997 based on the changes seen in the industry via the two snap shot national NAHMS studies of the cow-calf industry. Several informational sheets were published on the following targeted areas: Calving Management, Reproduction Technology, Nutritional Management, Weaning Management, Down Market Effects, Record Keeping, Marketing Practices and Johne's disease - what do I need to know?

NAHMS, in cooperation with Maine Department of Marine Resources, developed a database to capture monthly lease information to serve as a basis for a health reporting system for private salmon producers in Maine. Preliminary information is currently being compiled and will be presented to farmers soon. NAHMS assisted Mississippi State University Center for Veterinary Medicine in analyzing and publishing information regarding the annual variability of blood parameters of catfish raised in ponds in the Mississippi Delta. NAHMS also assisted in the compilation of information on fish diseases for the annual OIE report by contacting appropriate individuals in industry and government.

APHIS completed its fifth year of collaborative monthly feedlot cattle monitoring and reporting trends in death loss and disease. Monthly aggregated feedlot trend reports were sent to participating veterinary consultants who have submitted data from their individual feedlot clients.

Disease patterns in cattle, hogs and horses again were tracked and reported through coordinating a national network of state veterinarians who reported monthly on the presence of OIE listed diseases in their states. This National Animal Health Reporting System (NAHRS) was developed to compile state level reporting of OIE listed diseases. A long term goal will expand existing information-sharing and analyses to include endemic diseases of economic importance both nationally and internationally.

The NAHMS Equine '98 Study was designed to provide both participants and the industry with information on the nation's equine population for education and research. The key areas identified for inclusion in the 1998 national study were: describe baseline management practices, estimate prevalence of specific equine health issues, and evaluate the impact these specific health issues present for the U.S. equine population as well as potential risk factors for their occurrence. From March through April 1998, data was collected on equine health and management practices via personal interviews from a representative sample of equine operations in 28 states (Alabama, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, Montana, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Virginia, Washington, Wisconsin, and

Wyoming). The National Agricultural Statistics Service (NASS) collaborated with APHIS to select a statistically-valid sample such that inferences can be made for all places with equids and for all equids in these 28 states. The sample provided 2,904 participating operations from these states. The 28 state target population represented 78.2 percent of U.S. horses and ponies and 78.0 percent of farms with horses and ponies. Biologic samples were collected and tested from horses at many of the participating operations, to estimate prevalence of key diseases affecting the U.S. horse population. Two descriptive reports were published based on the first phase of data collection: Part I and Part II - Baseline Reference of 1998 Equine Health and Management were released in August and September 1998 respectively. Also released in August 1998 were a number of informational sheets - Highlights of Part I, Composition of the U.S. Equine Population, Biosecurity Practices, Information Sources and Use of Veterinarians for Equine Health Care. Informational sheets published in September 1998 included: Highlights of Part II, Testing for Equine Infectious Anemia (EIA), and Equine Morbidity and Mortality. The Equine '98 Summer Visit biologic collection period ended with additional data collection extending into FY 1999. Extremely low drop out response rates were experienced between the data collection periods.

In FY 1998, NAHMS collaboration with the U.S. table egg layer industry has intensified with the development and design of a study to meet their needs. A number of meetings with industry representatives and producers were held to identify the specific needs. Data collection instruments have been pre-tested and training will take place in January 1999, followed by data collection. Fifteen states have been identified to be included in the study (Alabama, Arkansas, California, Florida, Georgia, Indiana, Iowa, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington). These states account for about three-fourths of the table egg layers in the U.S. The study focus will be to describe baseline health and management estimate the national prevalence of *Salmonella enteritidis* and identify potential risk factors, and to describe biosecurity practices.

The Export Poultry Electronic Certification (EPEC) project was successfully implemented during FY 1998. It enables U.S. producers to rapidly and inexpensively receive endorsed Certificates for Export for Poultry and Hatching Eggs using electronic forms and digital signatures.

Miscellaneous Diseases: From October to November 1997, APHIS conducted its annual bluetongue survey of cattle in six northeastern and north central States including Delaware, Maryland, Pennsylvania, New Jersey, Indiana, and Ohio. These six states had exceeded the 2 percent allowance level (which is needed for the less restrictive exportation of animals to Canada) in the 1996-1997 survey. Of the 2,512 slaughter samples tested in FY 1998, 21 (.8 percent) were positive. The Canadian Department of Agriculture continues to use the survey results to allow livestock importation from low incidence States with minimum testing requirements.

APHIS continued to participate with industry representatives and members of the scientific community to develop the framework for a voluntary bovine leukosis-free herd certification program. Several States have certification programs for bovine leukosis, but this is the first attempt to develop a mechanism to recognize herds as leukosis-free on a national level. Bovine leukosis is a major obstacle to cattle exportation to the European Community, where many member nations have mandatory control or eradication programs.

Equine infectious anemia (EIA) is a viral disease of equines that causes fever, anemia, progressive weakness, and weight loss. The State-Federal cooperative EIA monitoring system revealed that in FY 1998, of the 1,397,962 horses tested, 1,376 were infected with EIA. Trend analyses comparing more recent data with data from FY 1991 through FY 1995 indicate a shift of infectious hot spots from the Texas/Oklahoma area to the Western United States.

National Poultry Improvement Plan (NPIP): NPIP, an industry, State, and Federal program, continued to protect and serve the $25 billion poultry industry in FY 1998. The provisions of the NPIP, developed jointly by industry members, and State and Federal officials, establish standards for the evaluation of poultry breeding stock and hatchery products with respect to freedom from hatchery-disseminated and egg-transmitted diseases. The NPIP's mission is to certify all baby chicks, poults, and hatching eggs for interstate and international movement. In FY 1997, $800 million in poultry meat going to the Russian Federation was certified as originating from flocks in good standing with the NPIP in respect to poultry samonellosis. In addition, the NPIP added a U.S. Avian Influenza (AI) Clean classification for primary egg- and meat-type chicken breeding flocks. The agar gel immunodiffusion test and the enzyme linked immunosobent assay were both approved as official tests for the AI classification. This program was added to keep the Peoples Republic of China and the Mexican government from imposing unrealistic testing requirements for AI on both commercial and breeding stock.

For FY 1998, 328 egg and meat-type chicken, 63 turkey, and 1,410 waterfowl, exhibition poultry, and game bird hatcheries participated in the NPIP. The hatching egg capacity for the egg and meat-type chicken hatcheries was 780 million, 42 million for the turkey hatcheries, and 37 million for the waterfowl, exhibition poultry and game bird hatcheries.

No commercial egg and meat-type chicken or turkey breeding flocks had Salmonella pullorum or S. gallinarum isolates. A total of 360 egg-type breeding chicken breeding flocks with 3,414,762 birds and 4,061 meat-type chicken breeding flocks with 55,870,962 birds participated in the NPIP program. Some 4,289 waterfowl, exhibition poultry and game bird breeding flocks with 1,386,073 birds participated in the NPIP. A total of 2.6 million egg and meat-type breeding chickens were tested for S. pullorum and S. gallinarum. In addition, 191,000 breeding turkeys were tested for S. pullorum and S. gallinarum and 428,000 waterfowl, exhibition poultry, and game birds were tested for S. pullorum and S. typhoid. S. enteritidis was found in 2 egg-type breeding flocks of approximately 8,000 birds each; these flocks lost their classifications and were depopulated. All of the hatching eggs that were in incubators from these flocks were destroyed. All of the hatching eggs from these flocks that had not been set in incubators were diverted for pasteurization.

Isolates of Mycoplasma gallisepticum were found in primary turkey breeding flocks. The flocks and their hatching eggs were destroyed. No isolates of M. meleagridis in primary turkey breeding flocks were found. However, there were 10 multiplier turkey breeding flocks positive for M. meleagridis in FY 1998 and 3 turkey multiplier breeding flocks, and 7 meat and 2 egg-type chicken multiplier breeding flocks positive for M. gallisepticum. In addition, there were 10 egg and 35 meat-type chicken multiplier breeding flocks positive for M. synoviae.

Poultry Diseases: APHIS continued to test live-bird markets and auctions in the Northeast and Florida for avian influenza (AI). A total of 2,497 specimens were tested. The predominant subtype of AI isolated was H7N2: 243 isolations in New York, 126 isolations in New Jersey, 2 in Pennsylvania, and 1 in Connecticut. AI, subtype H7N2, was also isolated from commercial chicken in 14 premises in Pennsylvania. In addition, APHIS continued to participate on an AI working group to look at risk factors for the United States from Mexico.

Swine Health Protection: APHIS continued to monitor swine garbage feeding operations for the presence of foreign animal disease. State and Federal inspectors conducted an estimated 15,368 inspections of licensed garbage feeding premises. An estimated total of 43,252 searches for unlicensed garbage feeders was also conducted. These inspections and searches resulted in 312 documented violations.

Tuberculosis: APHIS continued to monitor the incidence of TB throughout the United States. The Agency tested 1,059 TB suspect tissues submitted by meat inspection personnel from slaughtered cattle in FY 1998. Of these, 440 were adult cattle with the remaining 619 being immature feedlot cattle. We completed 31 feedlot traceback investigations. We traced 14 (45 percent) back to Mexico. For the past 10 years, 76 percent of all feedlot cases were traced back to Mexico. Generally, we are unable to trace these back any further than the feedlot, because of the extreme difficulty in identifying the animal's source of origin at that point.

2. Animal and Plant Health Regulatory Enforcement

APHIS supports the enforcement needs of the Agency and ensures uniform compliance with Federal laws and regulations through a combination of sound enforcement and strong educational efforts. Activities include investigation of violations, collection of evidence, issuance and collection of civil penalties, and development of alleged violation cases for formal prosecution.

In FY 1998, APHIS conducted 416 animal care investigations, resulting in 124 formal cases submitted to Investigative and Enforcement Services for formal prosecution. APHIS also issued 219 letters of warning for animal care and settled 524 cases with formal action. During FY 1998, several high-priority and significant cases were resolved, including Scotch Plains Zoo, Alamo Tiger Ranch, Hawthorn Corporation, Huntingdon Life Sciences, American Airlines, and USAir. In the latter two settlements, both airlines agreed to fund research ($25,000 each) into the humane transportation of animals--one example of an increasing emphasis on innovative settlements. Also, a 3-year joint investigation conducted by APHIS investigators and the Texas Department of Public Safety resulted in the breakup of a four-State dogfighting ring and the placing of charges against 29 people for violations of the Animal Welfare Act. Criminal violations of the AWA are punishable by imprisonment for up to 1 year and fines not to exceed $100,000 for each count of conviction.

APHIS conducted 952 investigations involving animal health programs in FY 1998, resulting in 484 violation cases. A total of 534 administrative and 7 criminal actions were taken during the year as a result of animal health cases investigated by IES. In addition, several hundred administrative actions were taken on animal health program violations disclosed at the border ports by APHIS PPQ inspectors. The alleged violations were concentrated in veterinary accreditation, animal identification, brucellosis, pseudorabies, and import/export programs. Slightly more than half of the animal health domestic program cases involved veterinary accreditation violations handled by Investigative and Enforcement Services. Some of these were disclosed at the ports by AQI personnel, while others were initiated by Veterinary Services personnel and involved the illegal movement of horses, birds, or animal products.

APHIS conducted 770 investigations involving plant quarantine violations in FY 1998, resulting in 790 administrative actions and the collection of more than $116,000 in civil penalties. Many of these investigations involved false phytosanitary certificates being used to move produce between Mexico, Texas, and California, and the smuggling of prohibited fruits and vegetables contaminated with plant pests. The largest number of cases involved Hawaii mail violations (133 cases); military mail violations (90 cases); cargo, notification, and garbage violations (126 cases); and baggage violations (286 cases).

In one high-profile case, APHIS personnel collaborated with the U.S. Attorney's Office, U.S. Customs Service, and county officials to disband a smuggling circuit which involved shipping of illegal rice from Japan to a California firm on multiple occasions. Investigators in Idaho, Maryland, Michigan, New Jersey, New York, Ohio, and Pennsylvania, took part in Canadian border blitzes at the Michigan, New York, and New England border ports. In the Southwest,

investigators from Arizona, California, New Mexico, and Texas, assisted in surveillance activities at the Mexico/U.S. border related to avocado smuggling. Investigators in New York worked with Customs, Agriculture Canada, U.S. Border Patrol, New York State Police, St. Regis Tribal Police, PPQ, and State officials to investigate smuggled agricultural material.

During the year, APHIS continued to perform random inspections in a number of States for the Agricultural Marketing Service (AMS), under their pesticide record keeping requirements. APHIS conducted investigations for AMS where flagrant noncompliance with the pesticide record requirements was identified.

3. Pest Detection

APHIS conducts detection surveys for incipient infestations of exotic pests that could potentially cause economic damage if spread in the United States. In FY 1998, the Agency was able to detect 250 new infestations of plant pests, compared to 232 in FY 1997. The following data, which are maintained in the National Agricultural Pest Information System by APHIS and the States, represent some of the surveys and/or observations conducted in FY 1998:

	Positive	Negative	Total
Asiatic rice borer	0	28	28
Caribbean fruit fly	1	135,072	135,073
Egyptian cottonworm	0	244	244
False codling moth	0	81	81
Maize and Jowar borer	0	28	28
Melon fly	7	98,264	98,271
Peach fruit fly	2	77,925	77,927
Rice cutworm	0	205	205

In addition, delimiting surveys were conducted for pests that have invaded the U.S. and may be expanding their range. These include African sorghum ergot, apple ermine moth, cereal leaf beetle, citrus leaf miner, pine shoot beetle, and several other bark beetles. Data were managed for other species including grasshopper, gypsy moth, imported fire ant, Medfly, pink bollworm, and other cooperative program pests. Surveys for these pests support the global competitiveness of U.S. agriculture.

Also, APHIS continued using the Cooperative Agricultural Pest Survey (CAPS) network to conduct the Karnal Bunt (KB) National Survey in response to the 1996 detection of the disease in Arizona. By collecting extensive survey data demonstrating the limited distribution of KB in the United States, APHIS has provided assurance to all trade partners that KB is not present in major wheat-producing areas of the United States, thereby insuring annual agricultural exports of up to $5 billion and supplying the raw ingredients for domestic and foreign customers of flour, pasta, and other wheat products. Accordingly, relatively normal movement of wheat exports has continued since the beginning of the program. Negative surveys have enabled APHIS to certify that wheat being exported had originated from areas where Karnal Bunt was not present.

PEST AND DISEASE MANAGEMENT PROGRAMS

Goal III: Effectively manage plant and animal pests and diseases and wildlife damage which pose risks to agriculture, natural resources, or public health.

Current Activities: In cooperation with the States, APHIS works to improve the general health of our Nation's multi-billion dollar agriculture industry through management techniques designed to eradicate harmful pests and diseases, or, if eradication is not feasible, minimize their economic impact. Endemic diseases and pests are monitored through surveys to detect their location and through inspections aimed at preventing their spread into noninfested parts of the country. Specific program efforts include:

Plant Pests and Diseases: APHIS Plant Protection and Quarantine unit coordinates a number of programs which actively control or eradicate plant pests. Various tools, including pesticides, traps, and natural predators, are used in order to control boll weevil, grasshoppers, noxious weeds, and witchweed.

In order to prevent the spread of plant pests into noninfested areas, APHIS develops and enforces regulations concerning the movement and quarantine of plant materials. Extensive investigations and methods development activities are conducted to determine the most feasible and environmentally sound methods of dealing with golden nematode, imported fire ant, pink bollworm, and other miscellaneous pests for which there is no viable control method.

Animal Pests and Diseases: The Veterinary Services unit of APHIS implements disease control and eradication programs involving testing, quarantine, treatment, and depopulation of infected animals. Brucellosis, pseudorabies, and tuberculosis are program examples. The Wildlife Services program protects American agriculture from detrimental predators through identification, demonstration, and application of the most appropriate methods of control.

Selected Examples of Recent Progress:

1. Aquaculture

Aquaculture is the fastest growing sector of the animal production industry worldwide. Between 1983 and 1994, the market growth rate for U.S. aquaculture production increased by 120 percent with an estimated worth of approximately $800 million. U.S. aquaculture accounts for more than 180,000 jobs and has an economic impact of more than $5.5 billion. This rapidly growing industry faces many challenges including damage to aquaculture resources caused by wildlife, spread of disease and parasites through imports and interstate shipments, and foreign export certification requirements. APHIS' role is to assist the aquaculture industry in meeting these challenges including controlling aquatic diseases and pests and facilitating the movement of aquatic animals and products in interstate and international commerce.

APHIS received two protocols in FY 1998, one from the State of Idaho and the other from Maine, requesting voluntary certification and inspection programs. Both requests are pending. To date, 6 voluntary certification and inspection programs have been established in Washington (1994), Alaska (1994), California (1996), Maryland (1997), Pennsylvania (1997) and Arkansas (1997).

In FY 1998, APHIS conducted one regional aquaculture training course in the Western Region. Topics included salmonid immunology and histology, and viral, bacterial, and parasitic diseases of salmonids. Also in FY 1998, APHIS published procedures for designating laboratories as qualified to conduct diagnostic testing of aquatic animals, embryos, ova, and semen intended for export and drafted a strategic plan for implementing a National Aquaculture Program.

In FY 1998, APHIS endorsed export health certificates for a total of 200 million fish eggs from Chile, Columbia, Greece, Korea, and Japan. Fish species that are currently being certified are rainbow trout, Donaldson steelhead trout, Atlantic salmon, and coho salmon. APHIS also endorsed over 3.8 million live (ornamental) fish that were shipped into 47 different countries.

APHIS has expanded migratory bird damage management in Arkansas with emphasis on fish eating bird damage to aquaculture and fishery resources under a new $130,000 funding package approved by the Arkansas Game and Fish Commission in June 1998.

The 1997-98 winter cormorant roost dispersal program coordinated by APHIS in Mississippi, was a tremendous success. Cormorant numbers in the Delta catfish production region were reduced by 83 percent even though the population has doubled over the last 3 years. Personnel from 72 aquaculture facilities and organizations participated.

APHIS is continuing efforts to reduce damage caused by fish-eating birds to the aquaculture industry in the fish-producing states. APHIS' Wildlife Services has three wildlife biologists stationed in Ruskin, Florida; Stoneville, Mississippi; and Greensboro, Alabama. These biologists provide assistance and equipment to aquaculture producers, including catfish farmers in Alabama, Arkansas, Florida, and Mississippi; tropical fish farmers in Florida; and bait fish farmers in Arkansas in order to reduce bird damage to their aquacultural resources. The Agency continues to provide assistance to catfish and crawfish farmers in Louisiana and trout farmers in Pennsylvania. In addition, WS continues to cooperate with the U.S. Fish and Wildlife Service in the development and implementation of a management plan to control damage caused by fish-eating birds to aquaculture resources in the mid-south.

2. Biocontrol

Brown Citrus Aphid (BCA)

In FY 1998, APHIS continued working with the University of Florida to study the BCA population dynamics, mortality factors, and alternate hosts; evaluate exotic natural enemy species; and evaluate the impact of population suppression on aphid biology and virus movement. Also, the Agency continued cooperative surveys in Florida and Texas. In Florida, the program conducted field efficacy studies since the aphid is now infesting citrus production areas in central and northern Florida. Since the BCA is too widespread to be amenable to eradication, its spread can only be stopped or slowed by environmental limitations or biocontrol. In this regard, APHIS studies indicate that natural enemies hold significant potential for controlling the BCA in a sustainable manner that is economically and socially acceptable in most situations. Also, the Agency is exploring the use of fungi as biocontrol agents. Fungi have suppressed populations of several other economically important aphids and have considerable potential for BCA management as well. In addition, APHIS has established State guidelines for developing BCA control plans. Florida has developed a plan and Florida, California, and Texas have established BCA work groups. APHIS is participating in these groups and has established a State-Federal-industry task force to discuss research methods, resource availability, and regulatory and control options. APHIS is funding and collecting data for an economic evaluation of the BCA project through a cooperative agreement with Texas A&M University. Through this project, APHIS intends to determine the feasibility of reducing the risk posed by citrus tristeza virus by developing effective BCA management strategies. Field trials using entomopathic fungi demonstrated over 90 percent mortality of BCA's after spring applications in Florida citrus groves.

Colorado Potato Beetle (CPB)

APHIS continued evaluating the biological-based management of CPB. In North Dakota, APHIS conducted several large field demonstrations of CPB management in cooperation with the Red River Valley Potato Growers Association, North Dakota State University, Mycotech Corporation, and ARS. An economic evaluation conducted in FY 1997-98 indicates that CPB control was feasible using the commercially-produced, fungal pathogen Beauveria bassiana as a substitute for

or along with conventional insecticides at critical times in the CPB's lifecycle. Using conventional application methods, foliar sprays of B bassiana were used as one of several control measures in an integrated pest management (IPM) regimen. The economic analysis determined that the potential variation around net returns was equal to or less than five percent of production costs. Although efficacious in the field, the economic feasibility of the predator Perillus bioculatus awaits economical methods for mass production and field release. Working with the University of Delaware, APHIS demonstrated the efficacy of applying eggs of P.bioculatus directly to potato foliage and indicated that this predator causes significant larval mortality in an IPM program. As part of an IPM program in Maine, P.bioculatus, Bacillus thuringiensis, and B. bassiana were successfully used for pest suppression. APHIS participated with ARS in transferring biocontrol technologies to Poland and the Czech Republic through a joint USDA-EPA Environmental Technology Initiative. The APHIS, CPB project has successfully demonstrated environmentally safe, alternative control measures for CPB with the potential for economical, area-wide use and with minimum need for synthetic insecticides. In FY 1998, the project concluded technology transfer of the strategies to the customers.

Boll Weevil - Mission, Texas Plant Protection Center

The Mission Center continued developing alternative management strategies to support boll weevil eradication. These strategies are necessary because of the continuing expansion of urban populations into cotton production areas. Weekly shipments of boll weevil larvae from ARS are used to mass produce natural enemies, which are provided to researchers in Westlaco, Texas. During FY 1998, the Center maintained two cultures of Catolaccus grandis. These cultures provided parasitoids for cage and field evaluations in cotton for efficacy tests. The C. grandis project, which encompasses 100 acres, involves a partnership with ARS, Texas A&M, Sanidad Vegital, and cotton growers.

Leafy Spurge - Bozeman, Montana Plant Protection Center

This project is in the final stages of the delivery phase. It is anticipated that the biocontrol strategy will ultimately control 60-70 percent of the leafy spurge in the U.S., with an economic benefit of $60 million annually. In FY 1998, APHIS collaborated in the joint Team Leafy Spurge Demonstration project in the four-state area of Montana, North Dakota, South Dakota, and Wyoming. This project provides land managers with several biocontrol-based options for managing this weed. Throughout the distribution program, APHIS has employed six flea beetles, a bud gall midge, a root-boring beetle, and a root-boring moth for leafy spurge biocontrol. APHIS has released these agents in more than 150 counties in 19 states, and establishment rates have generally exceeded 80 percent. The most widely distributed biocontrol agents continue to be the Aphthona flea beetles. When successfully established, these beetles may cause 80-90 percent reductions in leafy spurge density. In FY 1998, local cooperators continued to distribute millions of agents from established populations to initiate new releases in their states. The Bozeman Center continued to provide research-based technical support to cooperators, particularly in agent sampling, collection, and the use of biocontrol agents in integrated weed management strategies. The APHIS distribution program has ensured that biocontrol agents are well established across regions of the U.S. that are infested with leafy spurge. Future distribution of these agents will largely be conducted by State and local cooperators, with APHIS providing technical assistance.

Cereal Leaf Beetle (CLB) - Niles, Michigan Plant Protection Center

APHIS reared the egg parasite Anaphes flavipes to provide release material for six States (Alabama, Idaho, Maryland, Montana, Utah, and Wyoming). The Agency and cooperators released over 155,000 A. flavipes in FY 1998, compared to approximately 207,000 A. flavipes in

FY 1997. APHIS personnel in Montana collected parasitized CLB larvae as sources of the larval parasite species Tetrastichus julis. Over 38,000 T. julis from Huntley, Montana site were redistributed to 9 counties in Montana, 3 counties in Wyoming, 7 counties in Idaho, and 1 site in Nova Scotia, Canada.

Russian Wheat Aphid (RWA) - Niles, Michigan Plant Protection Center

APHIS continued rearing and releasing exotic natural enemies against the RWA as part of a multi-agency, IPM program conducted with other Federal and State agencies. The Agency released over 867,000 parasites in 3 States (California, Utah, Washington) in FY 1998, compared to over 650,000 parasites in 5 States in FY 1997. As part of the program's technology transfer to interested States, APHIS conducted intensely managed releases at wildlife refuges or along waterways in Utah and Washington. In addition, the Agency sponsored a taxonomy workshop that involved State and Federal experts to study the identification problems associated with established parasites in the genus Aphelinus. With the end of this season's field activities, APHIS has completed the planned phase-out for this project.

Japanese Beetle (JB) - Niles, Michigan Plant Protection Center

APHIS personnel collected over 200 Tiphia vernalis, a parasitoid of Japanese beetle grubs, with cooperators in McMinnville, Tennessee. These parasitoids were then released at Rickenbacker Airport (Columbus, Ohio) and at insectaries in Indiana and Michigan. Also, an experiment was conducted at the Niles Laboratory, in cooperation with APHIS' Plant Protection Center at the Otis Air Base, to determine the effect of burying overwintering puparia of the parasitoid, Istocheta aldrichi, at four soil depths. Overwintering survival and subsequent emergence was poor at all depths.

Saltcedar

Saltcedar is a weed that infests habitats in several western States, primarily in the southwest. In June 1998, APHIS representatives met with representatives from several other Federal agencies in Reno, Nevada, to discuss biocontrol of the saltcedar using two insects: Trabutina mannipara (a mealybug from Israel) and Diorhabda elongata (a leaf beetle from China and central Asia). The group proposed protocols and safeguards for endangered species that would be included in an action plan to be submitted to the U.S. Fish and Wildlife Service (FWS). The ARS submitted that plan in July 1998. The FWS has yet to act on this action plan or on the biological assessment that ARS submitted in October 1997. If or when the FWS approves the biological assessment, APHIS will complete an environmental assessment (EA) based in part on the FWS opinion to determine if releasing these agents will have any significantly adverse environmental impacts. If APHIS so determines, a draft "finding of no significant impact" (FONSI) would be prepared and a notice would be published in the Federal register to make the EA and the FONSI available for public comment. These comments would be included in the final EA. Based on these comments, APHIS would make a final decision on whether or not to issue ARS a permit for the release of the insect agent.

National Biological Control Institute (NBCI)

NBCI supported the biocontrol community through three Cooperative Agreement and Grant Programs. These programs supported the information, education, and communication needs of the biocontrol community; the field implementation of biocontrol projects by cooperators; and Post-Doctoral Fellowships to study organisms of critical importance to the biocontrol of agricultural and environmental pests. In FY 1998, NBCI supported 44 projects related to the grant

programs totaling $515,000. In addition, NBCI and the biocontrol community worked to develop common goals, support interdisciplinary studies, and promote long-term monitoring and evaluation as a standard biocontrol procedure. NBCI also worked with ARS to better educate the public about the benefits of biocontrol as an environmentally and economically acceptable pest management strategy. In addition, NBCI promoted environmental compliance and expedited safe and effective programs by working to improve regulations and procedures for the importation, interstate movement, and releases of biocontrol agents. In this regard, NBCI sponsored workshops to resolve critical issues, including permitting procedures, the use of transgenic agents, and quarantine standards. Also in FY 1998, NBCI distributed 3,659 publications and 723 videos and posters to researchers and practitioners to help them coordinate their efforts. In addition, NBCI facilitates the development of international programs to safeguard U.S agriculture and the environment from harmful invasive alien species. In FY 1998, the Pink Hibiscus Mealybug program proved very successful as populations of this pest were reduced by 89 percent and 95 percent in St. Thomas and St. Croix, respectively.

3. Boll Weevil

The cooperative boll weevil eradication program uses the judicious application of pesticides based on the extensive and timely use of pheromone traps to reach the goal of eradicating the pest by the year 2003. This mostly grower-funded and managed program depends upon 100 percent participation and is mandated by State law following a positive grower referendum. The program, funded at least 70 percent by non-federal cooperators, has been extremely successful in improving cotton yields and reducing production costs on over 4 million acres in the eradicated areas. The rate of return on funds invested in boll weevil eradication is estimated to be $12 for every $1 in program cost. Areas with more intensively managed cotton production, however, such as those in Georgia and Louisiana, have realized higher return rates closer to $40-$50 for every $1 in program cost. Economic studies indicate that once boll weevil eradication is accomplished there is an estimated yield increase of at least 69 pounds per acre, pesticide savings of at least $30 per acre, and land value increases of $14 per acre.

Central Eradication Program: In response to earlier litigation, the Texas legislature passed a new boll weevil law in 1997. The three active program areas all passed new referenda to continue their programs under the new law. In FY 1998, the Southern Rolling Plains zone, with about 180,000 acres, completed its fourth full season of program activity. We expect to confirm eradication in this zone during FY 1999. The Central Rolling Plains zone (700,000 acres) experienced difficult weather conditions which created special challenges for the eradication program. While extreme heat and drought resulted in many acres being abandoned from production in mid-season, trapping, treatment and monitoring activities continued on these fields to prevent weevil populations from rebounding later in the year. Program operations were also necessary in the fall when excessive rain and mild temperatures caused significant regrowth which provided additional food for fall weevils. Although production levels were low due to weather conditions, FY 1998 eradication efforts should help the Central Rolling Plains zone begin the 1999 growing season with low weevil populations. Growers in South Texas (400,000 acres) also suffered through the hot, dry summer of 1998. Overall, weevil numbers have been significantly reduced in these three programs areas, and there is likely to be extensive program expansion into additional areas of Texas in FY 1999. Grower leaders are pursuing state funds to help reduce the cost of eradication.

In FY 1997, Mexico began a 5-year eradication program in the northeastern state of Tamaulipas. This program is funded by the Mexican government, the state of Tamaulipas, and local growers. In FY 1998, APHIS continued to provide technical expertise and conducted limited trapping along the border to help ensure that Mexican infestations do not endanger domestic eradication efforts in south Texas.

Growers in the Red River Valley (70,000 acres) of west Louisiana and southwest Arkansas completed their first full season of eradication operations in FY 1998. The positive results, even this early in the Red River program, sparked grower interest in northeast Louisiana (500,000 acres) where they passed a referendum in September 1998. The entire state of Louisiana will be involved in eradication in 1999. Louisiana lawmakers recently appropriated $50 million in state funds to cover 50 percent of the growers' eradication costs. In addition, the southeastern portion of Arkansas (325,000 acres) will begin their eradication program in 1999 as well.

In FY 1998, the new Oklahoma program (200,000 acres) involved a series of fall diapause treatments. Program personnel will get additional training and will be ready for their first full season of operations in 1999. State bonds are being used to help finance the program in Oklahoma.

Southeast Eradication Program: The program in the Southeast maintained effective post-eradication surveillance on over 3 million acres in 7 states. Eradication activities focused on east Mississippi (450,000 acres), the South Delta (260,000 acres), and southwest Tennessee (200,000 acres), with the latter two zones getting started in the fall of 1998. Late-season rains have stretched the program's finances, but substantial progress is being made in reducing weevil populations.

The North Delta, the final zone in Mississippi, is expected to vote in January 1999 for a fall 1999 startup. Northwest Tennessee will also vote in January 1999, hoping to begin program operations in the fall of 1999 if the North Delta falters. Otherwise, they will begin in the fall of 2000.

Southwest Boll Weevil Eradication Program: In FY 1998, post-eradication activities continued to protect Arizona, southern California, and northern Mexico. No weevils were captured in these areas. As a result, no pesticide was required on over 1.4 million acres of intensively managed, irrigated cotton. In New Mexico, weevil introductions in recent years (probably from west Texas) have become established in the Mesilla and Luna valleys. Growers there responded with positive referenda in FY 1998 and began initial eradication efforts. This area must be eradicated to eliminate any risk of further migration to the weevil-free West.

Nationwide, FSA loans to grower groups for eradication totaled $40 million in FY 1998.

4. Brucellosis

Bovine

The goal of the State-Federal-Cooperative Brucellosis Program is to eradicate Brucella abortus from the bovine population and Brucella suis from the swine population of the United States. This program protects the cattle and swine industries, valued at $71 billion. As a result of the program, annual losses from lowered milk production and reduced breeding efficiency have decreased from more than $400 million in 1952 to less than $1 million today. With no program, losses to the cattle industry alone could exceed $900 million within 10 years. This program also reduces the public health risk to humans. Brucellosis in humans is commonly referred to as undulant fever and is characterized by persistent fevers, sweating, and pains in the joints.

Two changes were made to the Brucellosis Eradication Program in FY 1998. These changes were made to further enhance the program and to encourage efforts towards eliminating brucellosis in domestic cattle and bison herds by December 31, 1998. The first change was to allow a state to retain Class Free status if one affected herd is disclosed in the state, provided that certain criteria

are met. In this case, the newly disclosed herd must be depopulated promptly and there must be an epidemiological investigation which reveals no further spread. The second change was to modify the indemnity payment in the case of whole herd depopulation. Previously, APHIS paid $250 for nonregistered cattle and bison and up to $750 for registered cattle and bison. However, some owners were reluctant to depopulate because they felt the indemnity payments were not sufficient. Therefore, APHIS amended the indemnity rates so owners may select one of two methods of payment, the fixed rate (same as above) or the appraisal method (the appraisal value less slaughter value).

Five States (Alabama, Arkansas, California, Florida, and Georgia) attained Class Free status during FY 1998. However, due to the disclosure of two affected herds in Florida and three affected herds in Louisiana, these two States lost their Class Free status. As of September 30, 1998, 42 States, as well as, the District of Columbia, Puerto Rico and the Virgin Islands, were in Class Free status. Eight States, Florida, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, South Dakota, and Texas were in Class A status. Kansas, Mississippi, Louisiana, and Oklahoma are all in the qualifying stage for class free status. A state must stay in the qualifying period (having no herds under quarantine) for one full year before applying for class free status. Florida, Missouri, South Dakota, and Texas are expected to enter the qualifying period for Class Free status by December 31, 1998.

The table below shows data for FY 1997 and FY 1998 in various brucellosis categories. Of the 11.9 million cattle tested for brucellosis in FY 1998, 1.7 million were sampled through herd tests on farms or ranches and 10.2 million were tested under the Market Cattle Identification (MCI) program. Of the 10.2 million tested under the MCI program, 5.7 million samples were collected at slaughter plants and the remaining 4.5 million were collected at stockyards.

Category	FY 1997	FY 1998	Difference	Percent Change
Herds Under Quarantine for Brucellosis	18	8	-10	-56%
Number of Cattle Tested for Brucellosis (in thousands)	13,600	11,900	-1,700	13%
Number of Newly Infected Herds	61	48	-13	-26%
Number of Reactors	2,795	2,169	-626	-22%
Number of Reactor Herds	102	61	-41	-40%
Number of Calves Vaccinated (in thousands)	4,700	3,700	-1,000	-21%

Of the estimated 61 reactor herds found in FY 1998, 44 (72 percent of the national total) were located in Texas. The States of Kansas with 5 reactor herds, Missouri with 4, Louisiana with 3, Florida with 2, Arkansas with 1, Oklahoma with 1, and South Dakota with 1, together represented the remaining 28 percent.

In FY 1998, a total of 48 herds were depopulated at a cost of $1.3 million. Depopulation continues to be the preferred method of handling infected herds under the Rapid Completion Plan (RCP). FY 1998 marks the ninth year of operation under the RCP.

During FY 1998, the management of brucellosis in the Yellowstone National Park (YNP) and surrounding area continued to be a problem. To address this problem, a new section of the Brucellosis Eradication Uniform Methods and Rules (UM&R) was added to establish approved bison quarantine facilities for the eventual release of brucellosis-free bison.

The Yellowstone National Park Environmental Impact Statement (EIS) became available for public comment in the summer of 1998. The EIS includes seven separate alternatives that could be implemented by the National Park Service in their management plan for bison in Yellowstone National Park. The comment period was open until mid October 1998. Comments are presently being reviewed.

In FY 1998, nine bison migrated outside of the Park and were killed to prevent transmission of brucellosis to surrounding livestock. Many more bison were successfully hazed back into the Park. The interim plan for bison management continued to operate in FY 1998 and will continue until an alternative is selected from the final EIS.

In FY 1998, we continued to evaluate the safety and efficacy of the RB51 Brucella vaccine in bison. Vaccination is one aspect of a possible solution to the brucellosis problem in the Yellowstone bison and elk. The RB51 vaccine, which was approved for use in cattle in 1996, has the advantage of not causing animals to produce antibodies and therefore not interfering with diagnostic blood tests. The safety of the vaccine in adult bison must be determined before it can be widely used in the field. We anticipate using the vaccine in bison within 1 to 2 years.

Swine Brucellosis

In FY 1998, three additional States (Alabama, Oklahoma, and South Carolina) attained brucellosis-free status. Currently, there are 46 validated-free States. The four remaining non-validated States of Arkansas, Florida, Louisiana, and Texas are all in Stage II. At the end of FY 1998, there were two infected swine herds in the United States. Both of these are located in Florida and awaiting depopulation.

During FY 1998, the purchase of infected swine by producers remained a common source of herd infection. Ten herds were infected due to purchase of infected swine. There were 11 herds infected by exposure to feral swine in FY 1998. The source of infection was not established in one herd. A total of 22 herds and 1,321 swine in 5 States were depopulated during FY 1998 at a cost of $111,824.

6. Golden Nematode (GN)

APHIS works to maintain a risk-based management system to prevent the spread of GN in potato production and to facilitate international and interstate agricultural shipments. Since total eradication is not likely using existing technology, the program continues to focus on suppressing known GN populations through strict quarantine enforcement and the planting of GN-resistant potato varieties. In FY 1998, the program enabled the export and interstate shipment of a wide variety of agricultural products, without restriction from any GN-related phytosanitary concerns. As of December 3, 1998, APHIS' 1998 survey had collected 7,398 soil samples from 3,096 acres in Cayuga, Livingston, Seneca, Steuben, Suffolk and Wayne counties of New York State (NYS). There have been 4 new detections of GN in potato fields, all within the quarantined area, and no areas outside of NYS are infested. As a result, 2,049 samples from 813 acres have been processed and examined. All viable GN cysts from processed soil samples will be tested by an ARS nematologist at Cornell University to determine if the newly discovered RO2 strain of GN is

present. This strain can infect and reproduce on potato varieties that are resistant to the RO1 strain that has caused all previous infestations in NYS.

APHIS supported the development of GN-resistant potato varieties at Cornell University through a cooperative agreement. This control method has been highly effective in reducing GN populations in infested fields. Several decades of breeding these varieties have resulted in increased their quality and quantity. As a result, growers have greater latitude in complying with the crop rotation scheme used to control GN. APHIS and NYS continue to encourage potato growers to use GN-resistant varieties and this method is becoming increasingly popular among growers. In fact, 26 percent of crop acreage in FY 1998 was planted to resistant varieties, up from 16 percent in FY 1997. Through the planting of GN-resistant varieties and other activities, this program protects several crops in NYS, particularly potato, tomato, and eggplant. Production of these crops is estimated at $80 million annually in NYS and $5.7 billion nationally. The inclusion of other soil-bearing commodities that could come under regulation, such as nursery and ornamentals, would increase this figure at least threefold.

In FY 1998, APHIS worked to address recommendations from a 1997 GN review panel representing APHIS, the National Plant Board, the potato growers' industry, and ARS. For example, the panel recommended that the program attempt to develop other effective control methodologies. In this regard, APHIS continued a vigorous program of pressure washing used farm equipment to prevent intrastate movement of GN; 170 pieces of farm equipment were treated in 1998. Also, APHIS and ARS are actively pursuing field deployment of a steam heat treatment to replace methyl bromide fumigation in treating GN-contaminated farm equipment to prevent GN spread. This treatment will be program ready by January 2000. In addition, the panel recommended that the national GN detection surveys be completed. APHIS feels that these surveys will continue to be one of the objectives of crop pest surveys conducted by other States. Also, the panel recommended that the program continue to intensely manage GN in NYS. NYS requires and enforces the planting of GN-resistant potato varieties, but only on infested regulated land and not on exposed land. Exposed land is land that is at risk of being infested, based on its proximity to infested land. However, APHIS continues to survey exposed land to detect the onset of new GN infestation and recommend regulation of that land by NYS.

7. Grasshopper and Mormon Cricket (GH/MC)

In FY 1998, APHIS continued focusing services on adult grasshopper and evaluation surveys. The Agency provided mapping expertise and maps based on adult survey results. Upon request, APHIS provided technical assistance to Federal and private landowners and land managers for rangeland and crop protection programs on Federal, State, and private rangelands. These programs protect rangeland and forage crops adjacent to Federal rangeland from damage caused by migrating grasshopper populations. APHIS funded crop protection programs that occurred on Federal lands; other control programs were funded by cooperators.

APHIS conducted 11 crop protection programs--7 in Idaho and 4 in Utah. In addition, the Agency conducted one control program for Mormon crickets in Washington. This program was funded by the cooperator. Because of increasing grasshopper populations throughout the West, APHIS treated approximately 56,000 acres on Federal rangeland, compared to approximately 15,000 acres in FY 1997. Also, the Agency provided technical assistance to South Dakota, Utah, and Wyoming; these States conducted a few Grasshopper control programs on private lands. In addition, APHIS conducted protracted annual surveys in 17 rangeland States west of the Mississippi River and updated a grasshopper population outlook map for distribution to cooperators.

In the area of technology transfer, APHIS has completed and distributed the final sections of the Grasshopper Integrated Pest Management Handbook to over 1,000 domestic and international cooperators, extension services, research agencies (such as the ARS), and all Land Grant Universities.

8. Gypsy Moth (GM)

APHIS works to prevent the artificial, long distance movement of the European Gypsy Moth (EGM) life stages to uninfested areas of the United States. Currently, this program includes survey and regulatory activities. Survey activities are conducted in cooperation with the States to detect and delimit isolated populations outside of the generally infested area. Regulatory activities are conducted within the generally infested area and include the inspection, treatment, and certification of regulated articles for movement to non-infested areas. In this manner, APHIS regulates the movement of logs, mobile homes, nursery stock, and outdoor household articles (OHA) from infested areas and eradicating small, isolated infestations. In FY 1998, the program continued survey and trapping activities in the uninfested portions of the United States to detect isolated populations. APHIS cooperates with State agricultural inspectors to conduct inspections and certify shipments of non-OHA regulated articles. Because of the large number of household moves out of the generally infested area (estimated to exceed 250,000 per year), self-inspection is necessary to supplement State and Federal resources for the regulatory control of OHA movement. Surveys support the regulatory program and provide a basis for initiating control activities.

EGM control activities, which have historically been funded from the APHIS contingency fund, are conducted in cooperation with the States and the Forest Service to eliminate identified isolated infestations. APHIS is responsible for all infestations not exceeding 640 acres that occur on State or private land. In FY 1998, the Agency successfully treated 49 small, isolated infestations of approximately 38,988 acres. This compares to 49 infestations of approximately 18,468 acres in FY 1997. The FY 1997 figures were significantly lower because the fungus Entomophaga maimaiga and the Nucleopolyhedrosis virus significantly reduced infested acreage throughout eastern States, particularly in Maryland, Michigan, Pennsylvania, Virginia, and West Virginia. This enabled APHIS to treat a greater number of smaller infestations.

9. Imported Fire Ant (IFA)

The IFA is established in the following States: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, and Texas. In FY 1998, APHIS worked to prevent further IFA spread by enforcing the Federal quarantine and cooperating with infested States to regulate articles like nursery stock and soil-moving equipment. Also, the Agency evaluated the efficacy of regulatory treatments for preventing further IFA spread and revised regulations and procedures as necessary. In addition, APHIS worked with States, industry, and other Federal agencies to develop promising new chemicals and biocontrol agents.

In FY 1998, the Agency successfully tested the insecticide fipronil for IFA control. This product may be registered by the EPA by the spring of 2000. Also, the Agency cooperated with the ARS and other research institutions to develop an integrated pest management system to bring relief from the IFA on an area-wide basis. APHIS continued developing several new treatments for nursery stock and sod to maintain domestic markets for nursery products. With these new effective tools and the Federal quarantine, the Agency expects affected States to assume a greater role in the program in future years by enforcing the quarantine. APHIS will continue to provide limited technical assistance and revise regulations and procedures as necessary.

In FY 1998, APHIS continued funding a cooperative agreement with the University of Arkansas at Monticello. This agreement funds a community abatement program, an economic impact assessment, and an ARS biocontrol project. The abatement program uses public information tools to help residents better manage fire ants. The economic assessment concluded that the focus for IFA control should turn to non-pesticide strategies, such as biocontrol. In the biocontrol project, ARS continued developing three organisms for potential impact on IFA: a microsporidium disease (Thelohania), a species complex of phorid flies (Phoridae), and a social parasitic ant (Solenopsis dagarri). ARS scientists studied several colonies of these agents with the goal of eventually introducing these organisms into the U.S. from South America. Once they are introduced, APHIS would mass produce and distribute the biocontrol agents. ARS continued experimental field releases of Phoridae in Gainesville, Florida. Even though it has been determined that the fly could survive that area's climate, it will not be released into the field on a large scale until at least FY 2000. ARS studies have established that these flies do attack the IFA, but it is not known whether or not they attack other ants that may compete with the IFA. If this research determines that the Phoridae would be a feasible and effective natural enemy for the IFA, this would represent a significant development for IFA control in the United States, where the IFA lacks natural enemies and no effective, efficient, and environmentally acceptable control agents are available for large-scale application on agricultural land. None of the organisms by themselves will be able to eradicate IFA from the U.S. because the pest is so widespread, but APHIS hopes that some combination of these methods will eventually enable native ants to compete effectively with the IFA to reduce economic losses and public health risks associated with IFA.

10. Miscellaneous Plant Pests and Diseases

APHIS deals with a wide range of plant pest infestations that threaten agriculture, natural resources, or public health not otherwise covered through this program. Program activities include delimiting surveys, control or eradication treatments, epidemiological studies, laboratory diagnostics, and parasite releases to combat emerging pests.

Pine Shoot Beetle (PSB)

Since PSB was first detected in Ohio in July 1992, surveys have detected it in nine States: Illinois, Indiana, Maryland, Michigan, New York, Ohio, Pennsylvania, West Virginia, and Wisconsin. These States form the leading edge of the infestation. Since November 1992, APHIS and the States have been conducting regulatory actions to control the interstate movement of regulated articles out of the quarantine area. The infested States support the cooperative program with parallel quarantines and in-kind cost sharing. In FY 1998, APHIS continued conducting survey and regulatory activities, focusing its resources on surveys at the leading edge. Detection surveys consisted of servicing traps, placing bait logs, and visual surveys to determine the pest's distribution through natural and artificial spread. These visual surveys were conducted in the nine leading edge States as well as in Delaware, Kentucky, Minnesota, Montana, New Jersey, South Dakota, and Puerto Rico. These States receive high-risk cargo that could harbor PSB. All of these activities are designed to prevent the artificial movement of the PSB from infested to non-infested areas in the United States.

Japanese Beetle (JB)

In FY 1998, APHIS regulated and treated aircraft for JB at the following facilities: Rickenbacker Air National Guard Base in Columbus, Ohio; the Federal Express Facility and U.S. Postal Service Facility in Indianapolis Indiana; McGuire Air Force Base in Fort Dix, New Jersey;

Dover Air Force Base in Dover, Delaware; and West Virginia Air National Guard Base in Martinsburg, West Virginia. Treatments were continued to prevent the spread of JB from infested to non-infested States. The Agency worked with representatives of industry, the National Plant Board, and States affected by the nursery stock trade to revise the JB harmonization plan. This plan was approved in August 1998. In addition, the program continued to explore the use of integrated pest management strategies to reduce pest risk at regulated airports. These strategies involved evaluating several control methods, including the use of nematodes, the organic bacteria Bt, new chemical turf treatments, and cultural control. Cultural control includes planting non-host materials and eliminating host plant materials in surrounding areas.

Asian Long-horned Beetle

In FY 1998, before contingency funds became available, APHIS conducted survey and tree removal activities to address the infestations in New York State (NYS). The Agency participated with the USDA Forest Service and officials of State, county, and city agencies in NYS in the eradication effort. This ongoing program consists primarily of tree removal, which is funded through cooperative agreements with the New York Department of Agriculture and Markets. APHIS' role in tree removal involves oversight to assure that the trees are properly handled, processed, and disposed. The program also includes detection and delimiting surveys, and intensified extension/education efforts. In addition, the State University of New York at Syracuse continued to conduct pheromone attractant studies, while APHIS scientists played a critical role in working to develop attractants, updating biological information on the pest, and carrying out growth and survivability studies. These efforts are designed to control the spread and eradicate the pest.

11. Noxious Weeds

In FY 1998, APHIS cooperated with other Federal, State, and private organizations to detect and rapidly respond to several incipient infestations of invasive plants, including branched broomrape (Orobanche ramosa) in Texas; small broomrape (Orobanche minor) in Georgia, North Carolina, South Carolina, and Virginia; wetland nightshade in Florida; tropical soda apple (TSA) in the Southeast; cogongrass in Georgia; hydrilla in California; Japanese dodder in South Carolina; giant salvinia in Maryland, South Carolina, Virginia, and Texas; the aquatic weed mud mat in New Jersey and Pennsylvania; wormleaf salsola in California; giant hogweed in Pennsylvania; and goatsrue in Pennsylvania and Utah. Also in FY 1998, APHIS completed weed risk assessments that are necessary for listing of wetland nightshade, mud mat, and caluerpa taxifolia. APHIS provided technical expertise to the branched broomrape (O. ramosa) eradication program in Karnes County, Texas. During the mid-winter control season, the county applied treatments to 120 infested areas on one private property. No infestations were observed on other properties where the weed had previously been eradicated.

To address TSA movement from Florida to other States, APHIS focused on education, survey, and eradication of incipient infestations. Agency and State personnel conducted surveys on properties in States that received shipments of cattle, composted manure, or bahiagrass seed from Florida. These surveys confirmed outbreaks in Alabama, Georgia, Mississippi, North Carolina, Pennsylvania, Puerto Rico, South Carolina, and Tennessee. In most instances, confirmed infestations have either been eradicated or are under intensive management for eradication. Also in FY 1998, APHIS cooperated with researchers at Mississippi State University to conduct an eradication demonstration of kudzu in northeastern Mississippi. The goal of State planners involved with this project is to establish a cost share program to assist landowners in eliminating kudzu from their properties.

In April 1998, the Federal Interagency Committee for the Management of Noxious and Exotic Weeds (FICMNEW), of which APHIS is a member, published the second edition of the national strategy for invasive plant management. To date, over 125 agencies and institutions have endorsed the national weed strategy. In September 1998, FICMNEW published a weed fact book entitled "Invasive Plants: Changing the landscape of America," which was authored by the APHIS Weed Coordinator. In FY 1999, APHIS will develop an electronic version of the weed fact book that will be posted on the FICMNEW Internet page.

In FY 1998, APHIS played a major role in developing a Presidential Executive Order on Invasive Species. Important goals of the order will be to establish a National Invasive Species Council, to develop a National Invasive Species Management Plan within 18 months of signing, and to facilitate the development of State and Regional Partnerships to identify local priorities for invasive species management throughout the country. As part of the National Campaign against invasive species in FY 1998, APHIS spearheaded an interagency effort to develop State and Regional Invasive Species Councils throughout the United States. State councils are in various stages of formation in Delaware, North Dakota, Kansas, Mississippi, Montana, Nebraska, Pennsylvania, South Carolina, South Dakota, Texas, Utah, and Wyoming. One important goal of the State Councils will be to establish an early detection, reporting, and rapid response system for new invasive species in each State. State invasive species management plans that are developed by the State Councils will be instrumental in developing a National Invasive Species Management Plan, as mandated by the President's Executive Order on Invasive Species. Currently, most of the State Councils are focusing primarily on invasive plant issues. Also in FY 1998, APHIS began working with the Invasive Species Specialist Group of the World Conservation Union to create a global early warning system for invasive species. The U.S. early warning system for invasive species that is being developed through the State Invasive Species Councils is regarded as a hemispheric model and major component of the global system.

12. Pink Bollworm (PBW)

The cooperative PBW sterile release program continued to protect cotton in the San Joaquin Valley, California. In FY 1998, the program trapped 127 non-sterile moths, compared to 356 in 1997. APHIS produced approximately 1.137 billion sterile moths at its rearing facility in Phoenix, Arizona for subsequent release. This was approximately the same amount produced in FY 1997. For the second year in a row, however, the program improved rearing efficiency and was able to maintain production using less diet material which reduced costs. Of the 1.137 billion moths, the program released 951 million sterile moths in the San Joaquin Valley (compared to 1.038 billion in FY 1997) and 51 million moths in the Imperial Valley as well as 132 million in the Palo Verde Valley. In addition, the rearing facility provided 2 million sterile moths to several research laboratories across the country.

In FY 1998, Poinsett County, Arkansas was removed from quarantine based on two years of negative trapping. A new area in Craighead County, Arkansas was added under quarantine because of a single moth caught early in the season. This area represents the only quarantine area in the entire mid-South.

In FY 1998, APHIS followed up on a control technique that proved successful in the 3-year PBW demonstration project in the Imperial/Coachella Valley, which concluded in FY 1997. The technique involved the use of genetically-engineered cotton-otherwise known as Bt cotton--which contains a toxin that kills PBW and other moth pests when they feed on cotton. APHIS is using its findings to improve program operations and to plan for a proposed area-wide suppression effort for the lower Colorado River Basin. Timliness is critical in this effort because Bt cotton as a major program component is subject to pest resistance over time.

The cooperative agreement with the University of Minnesota is in its final stages. This agreement involves conducting a risk assessment to determine whether or not the PBW has reached its economic range. Preliminary reports indicate that the pest will survive throughout most of the mid-South and southeastern United States. A final report, which is expected in the spring of 1999, will determine to survival extent.

APHIS continued to work with collaborators and cooperators in universities, industry, and ARS to develop a biologically-based PBW management system. The program believes it can "functionally eradicate" this pest at a maximum annual cost of $50-60 per acre in a 3-year program with drastically reduced costs possible in the third year and with minimum maintenance thereafter.

13. Pseudorabies (PRV)

Thirty-four States and two territories have progressed to Stage IV or higher in the national pseudorabies eradication program in FY 1998. Twenty-nine States and two territories are in Stage V (Free) status (Alabama, Alaska, Arizona, Colorado, Connecticut, Delaware, Hawaii, Idaho, Kentucky, Maine, Maryland, Massachusetts, Mississippi, Montana, Nevada, New Hampshire, New Mexico, New York, North Dakota, Oregon, Puerto Rico, Rhode Island, South Carolina, Tennessee, U.S. Virgin Islands, Utah, Vermont, Virginia, Washington, Wyoming, and West Virginia). Stage IV States have no infections, but must remain in Stage IV for I year before applying for Stage V status. Five States are in Stage IV status (Georgia, Kansas, Missouri, Oklahoma, and Wisconsin). One county in Arkansas and two counties in South Dakota are in Stage III and the remaining counties in these States are in Stage IV. Ten other States are in Stage III. Stage III States have only a low incidence of pseudorabies.

At the beginning of FY 1998, the United States had 2,069 pseudorabies quarantined premises. By the end of FY 1998, this number had been reduced to 1,305 quarantined premises. This is a reduction of 764 premises or 37 percent. The disease has been eradicated in large portions of the United States. Currently, 1,025 (or 79 percent) of pseudorabies quarantined premises are in the Iowa, Illinois, Indiana, Nebraska, Minnesota geographical region and 250 (or 19 percent) are in North Carolina. All but 30 (or 2 percent) of quarantined premises are in those 6 States.

In FY 1998, APHIS developed new standards and/or resolutions that would accelerate the program to accomplish eradication by the end of the year 2000. New standards require mandatory testing and removal of positive breeding swine from the remaining quarantined herds. Some herds are not progressing and continue to maintain virus that is easily transmitted to other herds. If the virus sources can be removed in a short period of time, the spread to new herds will be eliminated. The test and removal was fully implemented by January 1, 1999.

APHIS continues to participate in various studies in Georgia, Florida, and Texas to determine the role feral swine play in domestic swine PRV eradication. The Agency is involved in risk analysis studies and negotiations to enhance international trade of live swine and/or pork products. APHIS provided regional training programs that focused on specific State needs and resulted in enhanced program activities. New biotechnology advancements are continually being monitored and employed when appropriate to improve the program. The Agency continued to work with allied organizations such as practicing veterinarians, National and State pork producer organizations, American Farm Bureau, State regulatory officials, swine slaughter and meat processing industries, universities, and cooperative extension services to discuss joint eradication projects. In addition, the Agency assisted the Livestock Conservation Institute in sponsoring an annual meeting and distributing a quarterly publication on the progress of pseudorabies eradication.

In FY 1999, APHIS will meet with program managers from States with affected swine to make adjustments to plans for program completion in 2000. This will be a follow up to work in 1998 when the 3-year goal was developed. This goal must be reviewed in light of current progress and a clear plan developed for States or areas that are not progressing according to the goal.

14. Scrapie

The Voluntary Scrapie Flock Certification Program (VSFCP) monitors participating flocks and certifies those flocks as free of scrapie once they have been in continuous compliance with the program standards for 5 years. As of September 29, 1998, a total of 322 flocks were enrolled in the program. Of these, 303 are complete monitored (progressing toward certification), 12 are certified flocks, and 7 are selective monitored flocks (flock is observed for scrapie but does not progress towards certification). As of that same date, there were 4 scrapie source flocks and 65 scrapie infected flocks. NVSL, from October 1, 1997, to September 1, 1998, confirmed 59 cases of scrapie.

The Agency evaluated the data collected during a pilot scrapie surveillance study in New Jersey slaughter plants. The project collected samples from 500 cull ewes and rams. APHIS will use information on collection technique, sample size, and sites to design and implement a National Slaughter Surveillance Study that will determine the prevalence rate of scrapie in the United States and may include an assessment of strain types. APHIS has completed the sample collection phase of the pilot project and is awaiting the completion of diagnostic testing before issuing a final report by the end of FY 1999.

APHIS reported the results of the Electronic Identification Pilot Project. The study concluded that it was faster to read and apply electronic identification (a transponder inserted under the skin near the ear) than tattoos and that on a per flock basis, electronic identification performed better for readability. APHIS has informed producers of these results. With improved methods of animal identification, animals participating in the certification program that are transferred to a new flock and are later found to be scrapie positive can be traced to the flock of origin more rapidly and efficiently.

The Agency funded efforts with Utah State University that address the time and route of vertical transmission of scrapie in sheep and goats. This project specifically addressed embryo transfer. To date, none of the embryo derived offspring or recipient ewes in this study have developed clinical scrapie. This tends to suggest that embryo transfer is low risk for the transmission of scrapie. The agency also funded efforts with the New York Institute for Brain Research to develop and provide diagnostic reagents for scrapie.

An Advanced Notice of Proposed Rulemaking (ANPR) was published January 26, 1998. The ANPR solicited input from the public regarding the interstate movement of sheep and goats from States that do not quarantine scrapie infected and source flocks. Twenty-seven comments were received. The commenters generally favored restrictions on the interstate movement of sheep and goats from States that do not quarantine scrapie infected and source flocks, and from States that do not consider scrapie a reportable disease. They also favored an identification requirement for sheep and goats moving interstate. APHIS is drafting a proposed rule in response to the comments received.

The Agency and the National Scrapie Oversight Committee (a national committee composed of Industry, State, and Federal representatives which gives guidance to APHIS on the policies and practices of the VSFCP) reviewed and revised the VSFCP Standards. The program changed from

a system based on four classes (Certified, A, B, and C) to a system based on the amount of time a flock is in compliance with the standards. Each participating flock is given the date they enrolled in the program as a status date (unless the flock subsequently acquires or co-mingles with animals of a lower status). Flocks are certified free of scrapie after they have been in continuous compliance with the program standards for 5 years. The new standards permit enrolled flocks to acquire rams from non-participating or lower status flocks without losing status as long as the ram's flock of origin is not an infected, source, trace, or exposed flock. Certified flocks may acquire rams from lower status enrolled flocks without loss of status but will lose a year of status if the ram is from a non-participating flock. Semen may be acquired by certified or enrolled flocks from non-participating or lower status flocks without causing status loss as long as the flock of origin is not an infected, source, trace, or exposed flock. The new standards also allow for the use of approved tamper resistant ear tags for identification. These changes make the program much more attractive to producers, encouraging participation.

15. Silverleaf Whitefly (SLW)

FY 1998 marked the second year of a 5-year "The SLW National Research, Action, and Technology Transfer Plan" plan. This plan defines the continuing need for a highly coordinated and cooperative program. Also, it establishes new research needs and goals, and provides for technology transfer to industry, the public, and the scientific community.

APHIS continued to survey and monitor SLW populations throughout the lower Rio Grande Valley (LRGV) in FY 1998. The program presented an analysis of SLW population trends from 1991-1998 to growers, thereby providing them with valuable information for managing the pest. Also, the program tested a series of treatments, including a systemic insecticide (imidacloprid), followed by treatments with a biorational entomopathogen (Beaveria Bassiana), coupled with releases of an exotic SLW parasitoid. This strategy resulted in a net savings for agricultural producers of several applications of late season pyrethroids in spring melons and cotton. This approach, termed "Biological Control-based Integrated Pest Management" (BC-IPM), is unique in that it uses biocontrol methods whenever possible, while using chemical controls only on a limited basis. It has been successfully used in producing pickling cucumbers and melons on a commercial scale. Further, growers are beginning to implement this strategy because of reduced input costs and because of realized long-term benefits of releasing parasitoids. BC-IPM efforts have demonstrated that the exotic Eretmocerus hyatti parasitoid, originally collected from Pakistan, is established and contributing toward SLW control in the LRGV.

In FY 1998, the program conducted successful grower field trials on cantaloupe melons using a new banker plant strategy to deliver parasitoids to the field. This strategy involves the use of transplants that are inoculated with the Pakistani parasitoid and planted into the field. As the parasitoids mature, they emerge and attack SLW in the field. Then, they migrate to adjacent crops (cotton and soybeans) to further control SLW. This novel delivery method, along with a limited application of a new chemistry insecticide, has proven extremely effective in managing SLW in production systems and will become increasingly important in area-wide management strategies.

In FY 1998, APHIS continued testing, releasing, and augmenting SLW natural enemies in implementation and grower demonstration projects. Evaluations of these efforts indicate that the imported Eretmocerus parasitoids from Pakistan and from the United Arab Emirates are established and beginning to regulate SLW populations in the LRGV of Texas, as well as the San Joaquin and Imperial Valleys of California. APHIS continued to support a cooperative national IPM effort through the mass production of beneficial insects for shipments to Arizona, California,

Texas, and Puerto Rico. The insects were released in these areas to reduce the economic impact of SLW.

In FY 1998, APHIS continued releasing SLW natural enemies in greenhouses in northeastern States. This project has demonstrated the effectiveness of using biocontrol against SLW in greenhouses. The Agency has had particular success using the Nile Delta strain of Encarsia formosa as a SLW parasitoid on tomatoes and poinsettias in New Hampshire and Connecticut. To transfer this effective strategy to industry, APHIS has been negotiating with several companies that supply biological agents to growers. Once the program transfers technology and material, the companies can produce natural enemies and make them available to their greenhouse customers.

16. Tropical Bont Tick (TBT)

The Caribbean Amblyomma Program (CAP), established in 1995, focuses on a regional approach to eradicating the tropical bont tick (TBT) and preventing the introduction of heartwater into the livestock industry and wildlife populations of the United States from infested Caribbean islands. APHIS participates in the cooperative CAP program with the Foreign Agriculture Organization of the United Nations (FAO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Caribbean Community (CARICOM) to exclude the pest from the United States. An eradication program in U.S. territories or the mainland would be more difficult and expensive and could seriously endanger our livestock industry and wildlife.

In FY 1998, APHIS provided technical expertise, program input, and funding through FAO. As a result, the tick has been declared low risk for the islands of St. Kitts and Nevis. Eradication activities continue in Anguilla and Antigua which is infested with both the disease heartwater and a severe infestation of TBT. The FAO also contributed an additional $1.9 million to support the CAP program. This funding supports the purchase of acaricides and other critical needs.

17. Tuberculosis (TB)

The goal of the tuberculosis program is to eradicate bovine tuberculosis from the United States. Primary program tools include the traceback and testing of cattle herds from which infected animals were identified at slaughter, testing of suspect cattle, epidemiological investigations, and depopulation. In the past, the primary barriers for this program were tuberculosis in captive cervids, large dairy herds, and cattle from Mexico. Today, these barriers have mainly been addressed. Only two captive cervid herds are known to be infected with bovine tuberculosis and there has been a decline in the number of cases seen in Mexico-origin cattle. In addition, we are beginning to understand the dynamics of tuberculosis in large dairy herds. Now, the most serious barrier to the program's success is tuberculosis infection in wildlife and in susceptible species that could transmit disease to domestic livestock.

In FY 1998, there was only one newly infected cattle herd and three newly infected cervid herds found in the United States. The newly infected cattle herd was a small beef herd in Michigan, believed to have been infected by nearby wildlife. Michigan continues to test livestock in the endemic areas and is taking positive steps to address the situation in the affected wildlife population. Of the three newly infected cervid herds, one was primarily a white tailed deer herd in Michigan, another was a captive elk herd in Wisconsin, and the last was a captive elk herd in Kansas. The herd in Wisconsin was depopulated and the herd in Kansas is undergoing quarantine release testing.

Presently, two cattle herds are under quarantine for bovine tuberculosis. Both are in the El Paso milkshed area of Texas. Both herds are in the process of quarantine release testing.

From 1991 to the present, we have confirmed tuberculosis in 35 cervid herds. Of the 35 herds, 23 were depopulated, 10 were released from quarantine, and 2 remain under quarantine.

At the end of FY 1998, 45 States and the U.S. Virgin Islands were in accredited-free status. During the year, Hawaii regained accredited-free status which had been suspended in 1997 due to the isolation of m. bovis on the Island of Molokai. Hawaii is currently conducting a wildlife survey on the Island to identify the possible wildlife infection reservoir. Michigan's accredited-free status was suspended in FY 1998 due to the isolation of M. bovis from an Angus cow. California, Pennsylvania, and Puerto Rico will be eligible for accredited-free status in FY 1999.

Since FY 1989, we have detected 69 tuberculous herds and depopulated 43 (62 percent). Twenty-four (35 percent) have been released from quarantine following testing and slaughter of reactors, or are still being tested. Two (3 percent) remain under quarantine.

APHIS continued to support Mexico's bovine tuberculosis eradication program in FY 1998. This was done by providing technical training for Mexican accredited veterinarians, government officials, and program supervisors. Nearly 100 veterinarians attended three training seminars sponsored by Mexico's National Commission for the Eradication of Tuberculosis and Brucellosis (SAGAR) and partially instructed by APHIS. The training seminars were held in Mexico. Topics included tuberculosis epidemiology, diagnostic procedures and methods, infected herd management, surveillance, and epidemiologic case development.

Reviews were conducted in several Mexican States (including Baja California Norte, Baja California Sur, Veracruz, Quintana Roo, Campeche, Nayarit, and the La Laguna region of Coahuila and Durango) by representatives from the Bi-National Tuberculosis and Brucellosis Committee. These reviews were conducted to determine the progress of the states in implementing Mexico's TB eradication program.

18. Wildlife Services (WS) - Operations

Protecting American Agricultural Resources

WS continues work to protect sunflowers from damage caused by blackbirds in North and South Dakota. Forty-five to 70 million blackbirds migrate through the Dakotas each fall, resulting in a $5 million loss to producers. Damage is often concentrated near cattail marshes where the birds roost. Since 1991, WS has been treating marshes to reduce the density of cattails, thereby, decreasing their attractiveness to migrating blackbirds. The effects of the treatment last from 4 to 5 years or longer. In 1998, WS treated almost 6,500 acres of cattails. In addition, WS treated 463 sunflower fields totaling 153,102 acres to manage blackbird damage using DRC-1339 on rice bait. WS personnel also attended 6 regional workshops sponsored by the National Sunflower Association and various seed manufacturers where approximately 1,000 sunflower producers were provided technical assistance in managing bird damage. In total, WS assisted about 1,536 sunflower farmers in FY 1998 by treating cattails, baiting sunflower fields, loaning propane cannons, and providing technical assistance.

WS conducted livestock protection activities for the cattle, sheep, and goats in cooperation with State, Federal, and local governments, including private individuals, for more than 10,000 resource owners in FY 1998. Cost-sharing continued to be emphasized while cooperators provided more than 50 percent of the total funding in this program area. Programs served producers located from California in the West to Virginia in the East. In addition to livestock

protection activities, WS personnel responded to requests for assistance with crop damage caused by birds and timber damage caused by rodents.

Bovine tuberculosis is a concern to agricultural producers in Michigan. At the request of the Michigan Department of Agriculture in FY 1998, WS removed part of a captive deer herd after bovine tuberculosis was confirmed in white-tailed deer on a private ranch in Presque Isle County. WS continues to work with the resource owner and State officials to ensure that the disease threat to livestock and other farm animals is abated. The project is slated for completion in September 2000.

As the Eastern Timber wolf population continues to increase in Minnesota, Michigan, and Wisconsin so has the number of requests for assistance with wolf predation. In response to requests and in accordance with the Eastern Timber wolf recovery plan, WS provides damage management assistance to livestock and other resource owners. In FY 1997, WS received 118 requests for assistance involving wolf predation to domestic animals. For FY 1998, WS received another 157 requests for assistance for confirmed wolf predation. This represents a 30 percent increase over the previous year.

Protecting Human Health and Safety

WS worked closely with the State wildlife agencies, the U.S. Fish and Wildlife Service (FWS), and local governments in addressing increased problems with non-migratory Canada geese in FY 1998. A primary concern in the Eastern and Central U.S., populations are increasing exponentially with numbers now exceeding 2 million birds. Problems include threats to air safety at airports and air bases, fecal contamination of water supplies and recreational beaches, and damage to lawns, turf areas, and agricultural resources.

Rabies in raccoons has spread up the East Coast and now threatens to move northward into Canada and westward across Ohio. In addition, coyote and fox rabies remain a threat to people, pets, and livestock in south Texas. WS is participating in joint efforts to establish rabies-free barriers to prevent the continuing movement of this infectious disease. WS established a Wildlife Rabies Management Team in FY 1998 to coordinate rabies control work in New York, Ohio, Texas, and Vermont. The primary cooperators and stakeholders include the State health departments, Cornell University, the Centers for Disease Control and Prevention, the University of Georgia (Southeastern Cooperative Wildlife Disease Study), Ontario Ministry of Natural Resources, and the State wildlife agencies. Over 884,500 oral rabies raccoon vaccine baits have been distributed over a 3,770-square-mile area in Ohio, New York, and Vermont in 1998. Surveillance sampling is used to determine program effectiveness. In Texas, WS cooperated in the implementation of a comprehensive oral rabies vaccination program for coyotes and gray foxes. This included cooperation in the distribution of 1.5 million vaccine/bait units in South Texas for the control of the canine rabies epizootic and, in central Texas, 1.1 million bait units for the control of the gray fox epizootic. The 2.6 million total baits were distributed over approximately 42,000 square miles. Results from surveillance programs conducted in March 1998 are still pending.

Collisions between aircraft and wildlife at airports have risen dramatically in recent years as a result of large population increases in many wildlife species, faster airplanes, and the increase in air traffic. Wildlife strikes cost U.S. aviation more than $300 million a year between 1992 and 1996. About 2,400 bird strikes to civil aircraft are reported each year and more than 2,500 strikes are reported by the U.S. Air Force. Since 1990, more than 300 deer collisions with aircraft have been reported to the FAA. Requests for assistance to manage wildlife hazards at airports and military air bases has continued to increase. WS personnel provided technical assistance to 291

airports and conducted 59 operational programs on 34 airports and military air bases in 1998. WS provided full-time assistance to O'Hare and Midway Airports in Chicago; Cincinnati-Northern Kentucky Airport; Dulles and Ronald Reagan National Airport in Washington; Orlando and Sarasota-Bradenton Airports in Florida. In addition, WS has full-time personnel stationed at Whiteman Air Force Base in Missouri and Homestead Air Reserve Base in Florida.

During FY 1998, WS continued its efforts to reduce laughing gull strikes at John F. Kennedy International Airport in New York City. As a result of the operational gull management program, gull strikes to aircraft have been reduces by more than 80 percent between 1992 and 1998.

The cooperative program to prevent the inadvertent spread of the brown tree snake (BTS) from Guam to other Pacific Islands, Hawaii, and the U.S. mainland, continued under the direction of WS during FY 1998. During the year, the Department of the Defense allocated $1 million to help fund the BTS program at 11 military installations in Guam and Hawaii. WS has trained 14 Jack Russell terriers to detect snakes in outbound military and civilian cargo at transportation facilities. Wildlife specialists also use traps, glue boards, barriers, nighttime fence-line searches with spotlights, habitat modification, and prey-based removal to control the BTS. Since the primary thrust of the program is to keep BTS out of Hawaii, a protocol has been established for responding to snake sightings in Hawaii, with WS designated as the lead Agency for responding to potential sightings.

Protecting Natural Resources

The recovery of gray wolves in western Montana, Central Idaho, and Yellowstone National Park is succeeding beyond the expectations of wildlife biologists associated with the project. The number of wolves currently in the 3 areas is approaching 300, the target recovery goal. WS continues to play a key role in the recovery process by capturing wolves that attack or threaten livestock. Under the direction of the FWS, WS employees work on the ground and from aircraft to capture the wolves causing damage. In FY 1998, WS responded to over 50 incidents of suspected wolf predation on livestock in Idaho, Montana, and Wyoming.

WS continued cooperating with the National Park Service, the U.S. Fish and Wildlife Service, and the U.S. Forest Service in a program to protect reintroduced black-footed ferrets from predators in Badlands National Park and Conata Basin in South Dakota. In 1997, WS work to remove predators resulted in a significant improvement in ferret survival. In 1998, WS provided training to National Park Service employees so that they could conduct the predator control activities.

WS continues to assist the Alaska Maritime National Wildlife Refuge in recovery efforts for the Aleutian Canada goose, a threatened species. Introduced Arctic foxes have decimated traditional nesting populations of these geese on the Aleutian Island chain, and WS is assisting efforts to remove the fox from key islands. Efforts are already paying off. Goose populations are beginning to recover, and they are being considered for down listing from the endangered species list.

A new endangered species program for the protection of 10 threatened and endangered species was established in the Florida panhandle in June 1998, with the approval of a WS action plan by supporting State and Federal agencies and the National Fish and Wildlife Foundation. Protected animals include three species of sea turtles and a species of field mouse, among others. WS actions will focus on coyote, fox, and feral cat predation management.

WS is cooperating with the Maryland Department of Natural Resources, the FWS, and the University of Maryland Cooperative Fish and Wildlife Research Unit in developing a 3-year pilot

program for managing nutria damage to coastal marshes on the Chesapeake Bay in Maryland. The pilot program will be conducted at Blackwater National Wildlife Refuge to determine the feasibility of removing this exotic species and restoring the badly damaged marsh ecosystem.

WS personnel conducted a gull damage management project for the National Audubon Society on Jenny Island in Casco Bay near Portland, Maine, to allow roseate terns and common terns to reestablish nesting colonies there. Last year, 12 pairs of roseate terns and 1,068 pairs of common terns nested on the 3-acre island making it the third largest tern nesting colony in Maine.

WS worked closely with the Louisiana Department of Wildlife and Fisheries, the Black Bear Conservation Committee, and other agencies to increase public awareness about the Louisiana black bear, a Federally listed threatened species in Louisiana, Mississippi, and Texas. Emphasis was placed on publicizing the importance of reporting black bear conflicts rather than harming offending bears.

Wildlife damage management classes and guest lectures were provided to graduate and undergraduate classes at several universities including the University of Georgia, Clemson University, West Virginia University, Virginia Polytechnic Institute, Auburn University, Mississippi State University, Louisiana State University, Rutgers University, University of Vermont, and the University of Tennessee. These communications have been very well received by both students and faculty and have been very successful in educating future wildlife management biologists in the importance of addressing wildlife-human conflicts in a professional and responsible manner.

WS personnel also conducted activities for the protection and recovery of the endangered Puerto Rican parrot in the Caribbean National Forest in Puerto Rico. Activities focused on the abatement of parrot predation by the exotic mongoose .

Protecting Property

Humans and wildlife continue to compete for habitat as both populations continue to increase. In FY 1998, WS provided technical assistance to approximately 60,000 individuals in urban and suburban areas concerned with wildlife damage to property.

Beaver damage management activities conducted in North Carolina throughout 1998 averted the impending loss of an estimated $3.8 million in damage to forest and agricultural resources, waterways, and highway infrastructures. The benefit-cost ratio of WS services was 5.8 to 1, or $5.80 saved for every $1.00 spent.

The Indiana Department of Natural Resources and WS expanded their partnership by providing a toll-free telephone service for Indiana residents. The 1-800 Nuisance Wildlife Hotline service went into effect in July 1998. Similar toll-free services are available in Maryland and Wisconsin through cooperative relationships with the Maryland and Wisconsin Departments of Natural Resources.

19. Witchweed

The Witchweed Eradication Project is a cooperative project involving APHIS, the North Carolina Department of Agriculture and Consumer Services, and the South Carolina Department of Plant Industry. In North Carolina, APHIS has transferred the responsibility for eradication to the North Carolina Department of Agriculture and Consumer Services. APHIS will continue providing the financial and technological support to allow the State to complete the eradication of infested acres,

conduct post-eradication surveys, and treat new infestations when detected. In South Carolina, APHIS is responsible for eradicating the remaining infested acres. APHIS will continue providing financial support to both States for surveys to verify eradication and treat new infestations found during these surveys. Surveys to provide information on the status of witchweed and regulatory activities associated with infestations assure that agricultural commodities in the United States are not restricted in the global marketplace.

State/Federal cooperative efforts continued moving the program toward eradication. By the end of the 1998 season, the project had reduced the original infestation by 98.5 percent from nearly 500,000 acres in 1958 to 7,279 acres. During FY 1998 alone, infested acreage was reduced by 33 percent, as 3,839 acres were eradicated. In FY 1997, by comparison, the program reduced the infested acreage by 20 percent with the eradication of 4,809 acres. With the elimination of witchweed from known infested sites in North Carolina and South Carolina, both States will continue participating in ongoing field surveys to monitor the effectiveness of eradication. Conversely, if witchweed is allowed to spread into the corn belt, it would cause an estimated 10-percent yield loss of the $20 billion corn and sorghum crop in the United States.

ANIMAL CARE

Goal IV: Ensure the humane care and treatment of animals covered under the Animal Welfare Act and the Horse Protection Act.

Current Activities: Under legislation first enacted in 1966 and amended several times thereafter, APHIS carries out activities designed to ensure the humane care and handling of animals used in research, exhibition, the wholesale pet trade, or transported in commerce. Primary emphasis is placed on inspection of facilities, records, investigation of complaints, reinspection of problem facilities, and training of inspectors.

Regulations supporting the Animal Welfare Act (AWA), which appear in 9 CFR, Chapter 1, Subchapter A, Parts 1-3, provide minimum standards for the handling, housing, feeding, transportation, sanitation, ventilation, shelter from extreme weather, and veterinary care of regulated animals. Birds, laboratory rats, and laboratory mice are currently excluded from these regulations.

APHIS performs prelicensing inspections because, according to statute, applicants must be in full compliance with AWA regulations and standards before a license is issued. After a license has been issued, program personnel perform unannounced compliance inspections and reinspection to verify continued compliance. By law, APHIS is also required to inspect all registered research facilities at least once a year. If violations discovered during a compliance inspection remain uncorrected at the time of the reinspection process, APHIS documents them for possible legal action.

The program also conducts unannounced inspections of registered in-transit carriers and in-transit intermediate handlers to ensure humane care and handling of animals under their custody, and especially to ensure that adequate care is provided when delays in transporting are involved. Registrants must refuse animals if the shipper does not meet regulatory standards. Inspectors carry out their inspections at major airports as resources allow, concentrating their efforts on times when animals are present.

The Pet Protection Act enacted as part of the Farm, Agriculture, Conservation and Trade Act of 1990 sets specific record keeping requirements for licensed dealers that acquire dogs and cats from public or private pounds or shelters. It establishes specific holding periods and requires certification that the holding period has been met. These procedures are an important tool in AWA enforcement efforts; they enable officials to trace the source of each animal, and they also provide a means of comparison with the records of other

dealers. The holding period allows pet owners the opportunity to locate missing pets before they may be acquired by licensed dealers.

APHIS also administers the Horse Protection Act (HPA) of 1970 which prohibits the showing, sale, auction, exhibition or transport of sored horses. Sponsors and/or management of shows, sales, auctions and exhibitions have statutory responsibility under the HPA to prevent unfair competition, and must identify sored horses to prevent their exhibition, sale, or use.

APHIS inspectors monitor shows and sales for compliance and oversee an industry self-regulation system known as the Designated Qualified Person (DQP) program which is the primary means of detecting sored horses. Horse Industry Organizations (HIO) maintaining certified DQP programs participate with APHIS in yearly DQP training seminars and refresher clinics. APHIS reviews regulatory policy, procedures, and methods of inspection in consultation with representatives of the horse industry throughout the year in order to maintain and strengthen training programs. DQP's are evaluated for their compliance with all provisions of the HPA regulations.

Selected Examples of Recent Progress:

1. Animal Welfare

APHIS continues to focus on the quality of Animal Welfare Act (AWA) inspections while simultaneously implementing a risk assessment process to shift inspection resources to facilities where animal welfare concerns are the greatest. The program has better equipped its field personnel with the necessary tools needed to perform their jobs. APHIS has provided all field personnel with laptop computers and has introduced a new computer-generated, easy to understand inspection report. In FY 1999, APHIS will begin using a newly developed software program that will allow field inspectors to have direct access to the database and transmit inspection results instantly. In addition, APHIS has also increased training of inspectors with two new courses, one concentrating on elephants and the other on Class A dealers.

In May 1998, APHIS held a public meeting at the USDA Center at Riverside headquarters building in Riverdale, Maryland. This meeting was attended by approximately 250 members of the general public, industry, and animal welfare groups. The purpose of the meeting was to discuss current AWA issues and initiatives that affect researchers, transporters, exhibitors, and dealers. Since APHIS had initiated many changes over the last 2 years related to animal welfare enforcement, this meeting was structured to share information. APHIS gave updates on current and pending issues and the other groups gave updates on their activities and issues. While the primary purpose of the meeting was to share information, APHIS has shifted some areas of program emphasis as a result. For example, APHIS has directed attention toward the inspection of shipments of nonhuman primates being imported into the U.S. due to concern expressed at the meeting regarding their treatment while in transit.

APHIS an advance notice of proposed rulemaking on the regulation of dog and cat dealers. This notice announced USDA's formal consideration of amending the AWA definition of "retail pet store" and requiring that breeders of hunting, security, and breeding dogs be licensed. Both of these changes were contained in the Doris Day Animal League Petition that APHIS published as a notice in the Federal Register last year. USDA is considering increasing the number of breeding female dogs and cats that may be owned without obtaining a license, but regulating both at the wholesale and retail levels. The advance notice also requests input on the impact these rule changes would have on currently licensed and unlicensed dealers. These comments are currently under review.

In FY 1998, APHIS continued to issue formal complaints for violations of the AWA and increased the number of innovative settlements. These agreements have enabled licensees and registrants who show interest in improving the conditions for their animals to invest all or a part of their monetary sanctions in facility and personnel enhancements, as well as research to improve the well being of animals. For example, APHIS settled a case against a research facility charged with violations pertaining to the handling of animals and protocol review procedures for $50,000. Of that amount, $20,000 must be donated to an APHIS approved nonprofit organization for the study of alternatives to animal testing; $20,000 must be spent on improving housing facilities; and $10,000 was paid to the Treasurer of the United States. The lab must also contract with an outside consultant to review its animal care program. Another settlement involved an airline charged with several cases of animal deaths and illnesses aboard various flights around the country. The airline agreed to donate $25,000 to an APHIS-approved organization to study methods to promote the safe and humane handling of animals during transportation. The results of this study will be disseminated to all carriers registered under the AWA.

2. Horse Protection

In FY 1998, APHIS published and implemented the Horse Protection Strategic Plan. The Plan, which has been under development for nearly 3 years, provides for better utilization of APHIS resources by allowing Horse Industry Organizations (HIO) with Designated Qualified Person's (DQP) programs to assume greater responsibility for the enforcement of the Horse Protection Act. Since available resources only allow for APHIS to attend less than 10 percent of the estimated 600 horse shows, the Plan allows for regulatory oversight at far more shows. However, to provide better oversight during implementation of the Plan, APHIS reduced administrative costs and thereby nearly doubled the number of horse shows they attended compared to FY 1997. In addition, they conducted first-time audits of all six certified HIO's records.

Due to concerns over some of the specific provisions of the Plan, only one of the six certified HIO's implemented the Plan in its entirety. If a certified program did not impose the appropriate penalty specified in the plan for HPA violations, USDA documented its own investigative case. At this time, approximately 70 Federal cases are being prepared, and will be pursued through the Federal administrative law process if the respective HIO does not impose acceptable penalties.

Earlier this fiscal year, each certified program was requested to provide recommendations to APHIS for improvements to the Horse Protection Strategic Plan with emphasis on clear language to define scar rule violations and suggestions for penalties that will meet the intent of the Act and be more palatable to the industry. APHIS is currently receiving these comments and suggestions and will be hosting a meeting with the certified HIO's in December 1998, to review and discuss these comments and suggestions. APHIS plans on finalizing any modifications to the current plan prior to the beginning of the 1999 show season.

Recently, two other organizations have applied for certification as a USDA HIO programs. Both of these have indicated their willingness to accept the provisions of the Horse Protection Strategic Plan as it is currently written.

SCIENTIFIC AND TECHNICAL SERVICES

Goal V: Facilitate the development of safe and effective veterinary biologics, biotechnology derived products, and other scientific methods for the benefit of agricultural producers and consumers and to protect the health of American agriculture.

Current Activities: APHIS conducts programs to develop new or improved methods for reducing wildlife/agriculture conflicts, controlling or eradicating harmful plant pests, and applying new technology to assure that the latest genetically engineered viral vaccines are pure, safe, potent, and effective. Additionally, the Agency conducts laboratory testing programs to support disease and pest control and/or eradication programs. Specific program efforts include:

Methods Development: Wildlife Services methods development activities include programs to develop: methods to mitigate blackbird damage to sunflowers and rice, methods to reduce bird hazards to aviation, techniques to control mountain beaver and bear damage to western forests, methods to reduce rat damage to sugarcane and macadamia nuts, methods for reducing cormorant depredation at aquaculture facilities, and approaches to reduce coyote damage to livestock. Analytical chemistry methodology is developed to support the registration and re-registration of chemicals for small mammal, bird and predator control, and for the identification of potential repellents to support non-lethal wildlife damage management control strategies. During FY 1998, approximately 75 percent of Wildlife Services methods development resources were used to pursue non-lethal approaches to wildlife damage management.

Biotechnology: Biotechnology has emerged as a force with the potential to improve existing products and spawn new technologies which could benefit agriculture as well as the general U.S. economy. Under its broad authority to protect plant and animal health, the Department has established a regulatory structure for bringing the benefits of genetic research from the laboratory to the marketplace, while protecting against the release of potentially harmful organisms into the environment.

Laboratory testing. The program for testing veterinary biological products is expanding to encompass testing for licensure of products destined for intrastate as well as interstate use, and the testing of genetically engineered products. The veterinary diagnostics program continues to conduct testing in support of the Agency's animal disease prevention, detection, control, and eradication programs. In FY 1993, APHIS began collecting user fees for this program.

Selected Examples of Recent Progress:

1. Wildlife Services Methods Development

National Wildlife Research Center (NWRC) researchers have made significant progress towards developing immunocontraceptive vaccines for non-lethal wildlife damage management. Investigational New Animal Drug applications were approved by the Food and Drug Administration to permit field testing of zona pellucida vaccine and gonadotropin releasing hormone vaccine, for the control of deer and other damage-causing wildlife. Studies are underway in cooperation with two major universities.

NWRC is continuing to evaluate numerous non-lethal chemical products to repel blackbirds and other bird species to reduce consumption of rice and other agricultural commodities. NWRC is also assisting with the re-registration of methiocarb, a proven bird repellent.

NWRC is continuing multi-year research projects at JFK International Airport, Burke Lakefront Airport in Cleveland, Ohio, and Elmendorf Air Force Base to reduce wildlife strike hazards. Turf vegetation management and non-lethal repellents were investigated to minimize the numbers of gulls, waterfowl and hawks that are a threat to aviation safety. Methods to exclude deer from airports using repellents and physical barriers were also investigated.

Non-lethal methods have been developed for controlling blackbird damage to sunflowers by reducing blackbird roosting habitat in cattail wetlands through the aerial application of an aquatic herbicide. Similarly, methods were developed for reducing cormorant depredation of catfish by

dispersing cormorants away from winter roosting sites. These methods are now in use by WS operations and producers. Success of these control methods will be monitored through radio-telemetry and Geographic Information Systems applications.

Interdisciplinary research efforts are continuing to identify materials and develop methods for non-lethal control in Integrated Pest Management programs. Promising materials include predator urines, essential plant oils, volatile sulfur-containing compounds and various types of plants and physical barriers which may repel herbivorous rodents as well as deer.

NWRC scientists are continuing the development of selective, humane wildlife capture devices to increase efficiency and reduce animal injuries associated with capture and restraint of coyotes. Cooperative funding allowed for work on contraceptive methods to reduce coyote predation on lambs associated with feeding pups at dens. Experiments with tastes, odors and visual cues have been initiated to improve coyote attraction to baits and delivery devices for chemical agents, and to identify potential chemical repellents.

To date, NWRC has reduced the original EPA re-registration data call-in for chemicals to support APHIS' activities, from 433 studies at an estimated cost of $13.6 million, to 258 studies at an estimated cost of $3 million. During FY 1998, NWRC developed and validated analytical chemistry methodology, conducted field studies and supervised contract studies, and provided required data submissions for the registration and re-registration of chemicals, including strychnine and zinc phosphide, to reduce agricultural damage caused by numerous small mammals; and DRC-1339, alpha chloralose and methyl anthranilate to reduce bird-related agricultural losses, and public health and aviation hazards. Also, NWRC provided leadership for industry/government consortia to share costs for data gathering to register compounds used to reduce wildlife damage to crops.

Research is continuing at NWRC, to develop toxicants, fumigants, attractants, and spray repellents for Brown Tree Snake (BTS) control. Several NWRC developments proved to be effective as potential control methods. During FY 1998, rotenone, pyrethrins and propoxur continued to be evaluated by interdisciplinary research teams for use as oral and dermal toxicants, as part of continuing efforts to develop methods to control BTS populations on Guam. Research into effective and safe dermal delivery systems for potential toxicants was conducted during FY 1998. Methods to quantify the residues of these toxicants in BTS are being developed and will be used to assess the environmental safety associated with the use of these chemicals to control BTS populations. Research on attractants and repellents also was undertaken. Since 1993, WS personnel removed 22,900 brown tree snakes from high-risk ports of exit on Guam.

NWRC, through an agreement with GSA, began the construction of its state-of-the-art wildlife management research facility, to complement the NWRC Animal Research Building on the Foothills Research Campus of Colorado State University in Fort Collins, Colorado. In FY 1998, NWRC continued its research projects at the temporary facilities in Fort Collins. The staff will move to the new NWRC Lab/Office building in early 1999.

2. Biotechnology/Environmental Protection

Permits, Notifications, and Petitions

In FY 1998, the volume of transgenic plants tested in the field and entering the marketplace continued to increase. APHIS issued 1,100 movement notifications/permits and 1,065 release notifications/permits, compared to 913 movement notifications/permits and 761 release notifications/permits in FY 1997. Also, the number of sites where releases of

biotechnology-derived products were made increased from 3,789 in FY1997 to 4,544 in FY 1998 (a 20 percent increase). The significant increase in field testing is due to APHIS' streamlined, expedited notification procedures. These procedures represent a time-efficient, cost-effective method that simplifies regulatory requirements for certain field trials involving certain modified crops. Also, they encourage innovative research and assure appropriate regulatory oversight. In FY 1998, APHIS regulated the introduction of 48 genetically engineered crop varieties, as opposed to 46 in FY 1997. Cotton continues to be the crop with the highest genetically engineered application.

APHIS issued determinations of non-regulated status in FY 1998 for transgenic herbicide-tolerant canola, sugarbeet, male-sterile radicchio and corn, and insect-resistant corn and tomatoes. Also, the Agency granted the first two extensions of existing determination of non-regulated status, both for herbicide-tolerant soybean. In addition, APHIS continued providing daily Internet updates on field testing and commercialization of new crop varieties. This information is frequently accessed by companies, individual researchers, and others who track the progress of agricultural biotechnology.

Trade Enhancement

APHIS continued efforts to reduce international trade barriers and foster the harmonization of regulations for genetically-engineered plants and micro-organisms. Specifically, the Agency participated in United States/European Community bilateral environmental consultations and held frequent bilateral consultations with the European Commission and Member States. These consultations ensure that all scientific issues are resolved and that trading partners understand APHIS' regulatory procedures. APHIS also held AgBiotech Bilaterals with Canada which have resulted in a Bilateral Agreement on molecular genetic characteristics of transgenic plants and future areas of cooperation. In cooperation with the Organization for Economic Cooperation and Development, APHIS developed regulatory documents concerning the testing and/or commercialization of genetically-engineered plants and micro-organisms. The Agency continued working with stakeholders to enhance the international harmonization of regulations. In addition, APHIS continues to participate in the sponsoring of increasing numbers of biosafety workshops around the world. In FY 1998, Agency representatives met regularly with representatives from Canada, India, Mexico, the Philippines, and South America to address safety issues regarding commodities that are under review, or have been approved. Also, APHIS participated in the U.S. delegation to the Biosafety Working Group to negotiate a Biosafety Protocol. APHIS' and other U.S. agencies' efforts are designed to develop an international instrument to reduce restrictions on the transboundary movement of organisms that pose no identifiable risks to biodiversity.

National Monitoring and Residue Analysis Laboratory (NMRAL)

The NMRAL in Gulfport, Mississippi continued supporting APHIS programs, principally AQI, Boll Weevil, Medfly, and Gypsy Moth. NMRAL also performed reimbursable work for other USDA agencies and other entities for the analysis of pesticide residues and industrial chemicals. Work done for other agencies included analyses for pesticide residues in food commodities in Agriculture Marketing Service's (AMS) Pesticide Data Program. These analyses provide vital information to assure a safe food supply. In addition, NMRAL analyzed tobacco samples for pesticide residues for the Farm Service Agency and soybeans for export for the AMS Commodity Certification Program. Also NMRAL conducted 8,200 chemical analyses in support of APHIS programs (compared to 4,780 in FY 1997), including 2,604 analyses in support of APHIS programs (compared to 2539 in FY 1997), and 5,596 analyses for other agencies on a reimbursable basis (compared to 2,241 in FY1997). In addition 2,430 quality control analyses were conducted to validate sample results (compared to 1,915 in FY1997). The laboratory also

analyzed 77 trimedlure plugs for potency and stability (compared to 23 in FY1997); these plugs are used in Medfly surveillance programs. The laboratory conducted a total of 10,630 chemical analyses in FY 1998 (compared to 6,695 in FY 1997).

In FY 1998, the NMRAL contracted with AMS, the Farm Service Agency, and the Boll Weevil Eradication Foundation (Southeast and Southwest). In FY 1998, NMRAL analyzed 5 AMS commodities for Benomyl, TBZ, and Vendex at a cost of roughly $455,000. Also, NMRAL contracted with AMS to analyze Commodity Certification soybeans for 5 herbicides at a cost of $3,135. In addition, the Boll Weevil Eradication Foundations paid NMRAL $29,360 to analyze environmental samples for insecticides used in the boll weevil eradication program.
Environmental Analysis and Documentation (EAD) and Data Support

The EAD Unit manages and coordinates the preparation of environmental assessments (EA), environmental impact statements (EIS), environmental analyses, biological consultations, and related technical documents for APHIS programs. In FY 1998, EAD completed 54 EA's, 57 biological consultations, and 3 EIS's, in compliance with the requirements of the National Environmental Policy Act and other Federal environmental laws, regulations, and executive orders. EAD also completed numerous background documents, such as human health risk assessments and ecological risk assessments, to provide the required analysis in the environmental documents.

To further APHIS' environmental ethic, EAD trained personnel on environmental laws, regulations and processes. EAD and USDA's Natural Resources Conservation Service are co-chairing an interagency effort to develop a Senior Executive Service environmental training module. This training will help executives meet their responsibilities under environmental laws and integrate environmental planning into their decisionmaking for actions that could impact the environment. Successful training could potentially expedite government business and improve the efficiency of government in dealing with environmental issues.

EAD participated in cooperative ventures that led to more efficient and effective use of government resources and expertise. EAD continued its involvement with other agencies in discussions and negotiations on North American Free Trade Agreement issues, such as Transboundary Environmental Impact Assessment. Also, the Unit cooperated with the USDA in completing a Departmental directive on Environmental Justice, and with the U.S. Department of Justice's Drug Enforcement Administration in preparing supplements to two EIS's. In addition, EAD provided technical expertise for risk assessment work for USDA's Forest Service, and provided feedback to EPA on nine preliminary pesticide risk assessments on the approach and specific pesticide issues in the documents.
The Data Support staff maintains pesticide product registrations and drug approval of products used in APHIS programs, while helping the Agency identify emerging alternatives that are less environmentally invasive. In FY 1998, there were 19 Section 3 FIFRA (Federal Insecticide, Fungicide, and Rodenticide Act) registrations, 5 Section 24(c) registrations, 17 Section 18 emergency registration exemptions, 4 new investigatory animal drug approvals, and 1 new use registration application, which is pending. Data and documents were sent to EPA in support of the re-registration eligibility of 12 of the 19 section 3 FIFRA registrations.

3. Integrated Systems Acquisition Project (ISAP)

Implementation of ISAP progressed well during FY 1998. Approximately 3,000 computers were replaced and 1,000 upgraded as part of an effort to provide the Agency with a modern and Y2K compliant information technology infrastructure. In addition to replacing and upgrading hardware, APHIS deployed standard E-mail, web browser, anti-virus and office automation

software throughout the Agency. This will facilitate information exchange and data sharing within the Agency as well as between APHIS and its cooperators and stakeholders. In addition, it will reduce the cost of maintaining and supporting a multitude of different systems previously used.

In addition to deploying the new hardware and software, APHIS expended considerable effort remediating, testing, and implementing Y2K mission critical systems. The Agency has 21 such systems and this work is being performed using both in-house and contractor resources financed by both ISAP and program funds. The plan for FY 1999 is to focus on completing the remediation, testing, and implementation of Y2K mission critical systems and infrastructure.

4. Plant Methods Development Laboratories

In FY 1998, the Plant Protection Centers supported APHIS' Karnal Bunt (KB) Emergency Project by assisting in devising sampling, treatment, and detection techniques. These activities enabled the KB Project to function with adequate maps and databases for field operations.

The Otis Plant Protection Center in Massachusetts worked with States, local governments, universities, industry, and ARS to develop regulatory treatments and biologically-based management strategies for various exotic pests. These pests included the Asian longhorned beetle, gypsy moth, and Japanese beetle. Also, trapping strategies were developed for the pine shoot beetle, a pest of nursery stock. Molecular biological tools were used to determine likely source populations of Medfly infestations as well as gypsy moths trapped near high-risk ports. Also, the Center continued to support various research projects by providing gypsy moth specimens to numerous customers. In addition, it continued to produce the nucleopolyhedrosis virus (NPV), an environmentally friendly biocontrol agent which is used for gypsy moth control.

The Mission, Texas, Plant Protection Center continued improving quality control for the mass rearing of fruit flies, biological control agents, and development of non-petroleum based alternatives to malathion bait sprays. Specifically, APHIS standardized diet component quality assurance testing and progressed toward development of a fruit fly attractant for incorporation into traps. Also, the Agency continued conducting field tests for a non-pesticide strategy using pathogens, based on favorable laboratory screening.

The Phoenix Plant Protection Center worked with universities, industry, and the ARS to develop a biologically-based pink bollworm management system. Also, APHIS continued working with the National Grasshopper Management Board, the University of Wyoming, and the South Dakota Department of Agriculture to provide technical support for grasshopper management and control. Exotic whitefly parasites were tested in field cages and three of the most promising candidates were established in Arizona and California. The Agency also continued developing pesticide tools for boll weevil eradication, including critical data on the rain retention of malathion in cotton and biological and trap system knowledge. Also, APHIS worked with State and regional agencies to develop Geographic Information Systems, Global Positioning Systems, and database applications for Medfly and Mexican Fruit Fly.

The Oxford, North Carolina, Center provided expertise on the following quarantine treatment matters: testing the utility of commercial tarpaulin cartons and wrappers for fumigation; drafting USDA standards for irradiation use against plant pests and plant products; improving APHIS' Plant Protection Treatment Manual; testing noxious weed seeds for susceptibility to irradiation; reviewing specifications for temperature monitors on refrigerated vessels, containers, warehouses, and heat treatment facilities; participating in survey and control activities for several noxious weeds outbreaks; compiling a list of consignees of wood products from China requiring

fumigation; developing a Cooperative Research And Development Agreement with Vivid Technology, Inc. and began implementing algorithms for integrated X-ray systems for baggage.

The Waimanalo, Hawaii, Plant Protection Substation was heavily involved during FY 1998 in supporting APHIS efforts to exclude the Medfly from Florida. The Hawaii and Gainsville, Florida Stations organized an extensive cooperative study to calibrate and optimize Florida's Medfly detection system. This study, which will conclude in FY 1999, includes release and recapture of marked sterile flies, geographic information systems, and computer modeling. In Guatemala, the program finalized a pilot-scale test of the Tolimán-tsl genetic sexing strain of Medfly. This strain proved very effective and is now being mass-reared in Guatemala for "males only" sterile fly releases in Guatemala, Florida, and California. In Hawaii, work toward transfer of egg bubbling technology to operational activity was initiated as a first step toward adapting the facilities in Waimanalo for production of genetic sexing strains.

All of these efforts from the many plant protection centers help develop and transfer biologically sound plant pest exclusion, detection, suppression, and control technologies and systems for APHIS and its stakeholders.

5. Veterinary Biologics

After being established in October 1996, the Center for Veterinary Biologics (CVB) has continued its transition. An office facility close to the laboratory in Ames, Iowa, was leased for the Inspection and Compliance (IC) and Licensing and Policy Development (LPD) units. The transfer of LPD functions from Riverdale, Maryland, to Ames, Iowa, has progressed as outlined in the plan previously submitted to and approved by the Department. The completion date for this transition is projected to be October 1999. The LPD Operational Support Section that was included in the move plan to provide headquarters liaison and stronger focus on program policy documentation was also established in Riverdale, Maryland. Being under a single organizational structure has enabled the three program units to better manage resources. Program mission, vision, and values have been reviewed and updated as well as the short and long term goals. Prioritization using external input, internal communication, and performance measurement (GPRA) methods were further developed. The consolidation of program functions has enabled CVB to better serve the regulated industry.

In FY 1998, APHIS issued 141 product licenses, of which 14 were for products not previously available for use by veterinarians and animal owners for the diagnosis, prevention, or treatment of diseases in animals. The Agency also terminated 60 product licenses at the request of licensees for products no longer being produced as compared to 102 in FY 1997 and 94 in FY 1996.

There were 2,446 active licensed or permitted products in FY 1998. Producers presented APHIS with requests for approval to market 18,380 serials of veterinary biologics in FY 1998, of which APHIS withheld 31 for failing to meet Agency requirements. The Agency conducted 3,791 tests on 1,718 of the 11,985 serials eligible for testing. APHIS conducted 7 investigations of possible violations of program regulations in FY 1998. Twenty-one regulatory actions were taken in FY 1998. To facilitate consistency and quality of testing by biologics manufacturers and other regulatory authorities, 6,539 vials of reagents were shipped. In addition, 6 new tests and reagents were developed.

In addition, APHIS issued over 3,543 official certificates that licensed production and testing facilities and products met or exceeded requirements for marketing. The regulated industry used these certificates to register their products for sale in foreign countries. The confidence that foreign regulators have in the U.S. veterinary biologics licensing, testing and inspection system is

reflected in their readiness to accept our products. Continued informational presentations by CVB officials at international conferences and our training of foreign regulators increases that confidence.

The veterinary biologics program continued efforts to reduce trade barriers that limit the sale of veterinary biological products overseas. Program officials continued to meet with representatives of the European and U.S. biologics industries and with regulatory officials from the European Union (EU) to negotiate a Mutual Recognition Agreement (MRA) with the EU concerning the marketing of veterinary biologics. Excellent progress was made in the drafting of an agreement with text that was satisfactory to the negotiating teams. Upon review by the European Commission, however, this document was returned for further modifications. Requested changes have been reviewed and another draft text of an agreement has been negotiated that is acceptable to the negotiating teams. This modified draft agreement is currently being reviewed by the European Commission.

Interaction with Canadian regulatory officials continued under the Canada-United States Trade Agreement and the North American Free Trade Agreement. Joint inspections were conducted with Canadian regulatory officials and CVB personnel at two facilities in Canada. Meetings were also held in FY 1998 with regulatory officials from Asia, Germany, United Kingdom, China, Brazil, Russia and Australia to facilitate exchange of information and encourage discussion of regulatory issues.

Under the auspices of the International Office of Epizootics, CVB worked with regulators and industry representatives from the EU, Japan, and the Center for Veterinary Medicine in 1996 to form the Veterinary International Cooperation on Harmonization (VICH), which sets priorities for and coordinates the harmonization of regulatory requirements on an international basis. This organization has initiated several projects concerning the harmonization of technical requirements for the registration of veterinary pharmaceutical products; and at the last Steering Committee Meeting in August 1997, established two new working groups to address projects concerning the harmonization of quality test requirements and post licensing monitoring procedures (pharmacovigilance) for veterinary biological products. Working groups that were projected to begin their deliberations on veterinary biologics projects in 1998 were delayed due to concern for resources by Japan and are now scheduled to begin in early 1999. Working groups developing guidelines for stability and Good Clinical Practices for pharmaceutical products that met in 1998 were expanded to include veterinary biological products and will present proposed harmonized guidelines for industry comment early in 1999.

In FY 1998, APHIS tested 7 genetically engineered master seeds. These included bacterial gene-deleted agents, viral vectors, and recombinant expressed proteins. A pilot vaccinia-vectored swine influenza vaccine was designed and tested for immunogenicity and safety to enhance program expertise in molecular vaccinology techniques. Requirements for naked DNA vaccines were discussed within the program, with other regulators, and with firms proposing such products. A one-day naked DNA workshop was held in conjunction with the Veterinary Biologics Public Meeting.

In-vitro potency testing of veterinary biologics was emphasized. Guidelines for relative potency assays and reference preparations based on ELISA antigen quantification were published providing further advice in the use of in-vitro potency test procedures for inactivated veterinary biological products. CVB personnel participated in international meetings on in-vitro testing and provided specific reagents for the development of international standards for in-vitro test procedures. CVB participated with industry in collaborative efforts directed toward the development of national references for in-vitro assays for four disease agents that are targets of

numerous vaccines. The development of these in-vitro procedures will result in a significant reduction in the use of animals in the testing and production of veterinary biological products.

The Agency continued its communication with the public, customers, and stakeholders through the 8th Veterinary Biologics Public meeting in September 1998 in Ames, Iowa, with over 300 in attendance. Topics included federal preemption as related to the Virus-Serum-Toxin Act, new feline vaccination guidelines, electronic document transmission, the Drug Export Enhancement Act, and international harmonization.

The Quality Assurance (QA) initiative with the National Veterinary Services Laboratories continued this fiscal year. Progress was made in establishing an internationally recognized laboratory QA program for standardizing internal processes and methods, instrument calibration, data reporting and tracking systems, and auditing and validation practices. Several laboratory audits were conducted and formal compliance plans were developed to address all deficiencies. A QA performance standard was established for all laboratory supervisors and other key technical positions. An Office Automation Assistant was hired to assist in the development of QA documentation (procedures, protocols, and reagent data sheets). Personnel qualifications were enhanced through internal training in job-specific skills (ELISA, computer software, budget processes) and off-site graduate work. Quality Improvement teams progressed in document handling and regulation initiative tracking.

6. Veterinary Diagnostics

The goal of the veterinary diagnostics program is to develop and maintain national and international laboratory diagnostic support for APHIS animal disease eradication and control programs; to provide assistance to State and other Federal agencies and laboratories, educational institutions, and foreign governments in the diagnosis of animal diseases; to maintain national and international recognition as a laboratory with the highest quality reference assistance; and to conduct developmental projects for rapidly advancing technologies.

During FY 1998, NVSL implemented its strategy of establishing an internationally recognized quality assurance program. To date, NVSL activities in vesicular disease, brucellosis, avian influenza, and transmissible spongiform encephalopathies have been reviewed in accordance with the OIE (Office International des Epizooties) Guidelines for Quality Laboratories. In addition, NVSL has continued to sustain previous initiatives regarding the standardization of internal processes and methods, instrument calibration, data reporting and tracking systems, and auditing and validation practices. NVSL has also maintained full accreditation by the Association for Assessment and Accreditation of Laboratory Animal Care and has completed surveys of all critical instruments and facilities' operating systems in readiness for the year 2000.

NVSL has focused attention on improved customer service throughout FY 1998 including recommendaations from state, Federal, university, industry, and foreign cooperators. NVSL has developed new tests and reagents at the request of its customers and has initiated customer-requested developmental projects such as the brucellosis in marine mammal project and the rapid automated presumptive test and fluorescence polarization assay. As an additional courtesy to its customers, NVSL has provided special training for chronic wasting disease diagnosis to veterinary diagnostic laboratory personnel and the Foreign Animal Disease Diagnostic Laboratory (FADDL) has provided a bilingual foreign animal disease diagnosis training course for its non-English speaking customers.

NVSL and FADDL continued to support animal disease prevention, detection, control, and eradication programs and to provide diagnostic assistance to the livestock and poultry industries.

NVSL received and tested 39,606 diagnostic submissions in FY 1998, including 2,839 for import and 2,900 for export animals. FADDL received and tested 325 diagnostic submissions. These represented 213 suspect foreign animal disease investigations, 78 import tests, 26 safety tests, and 8 reference assistance requests or the testing of zoo animals. In addition, NVSL continued to provide diagnostic support for the 1998 vesicular stomatitis virus (VSV) outbreak.

NVSL provided assistance in the development of an Emergency Response Plan for the Hong Kong H5N1 avian influenza (AI) virus. It also helped in the development of the Interamerican Institute for Cooperation in Agriculture's plan for classical swine fever (CSF) in the Dominican Republic and Haiti as well as assisting in the diagnosis of bovine leukosis virus (BLV) in Egypt.

FADDL provided diagnostic support to Lebanon for FMD and Central American and Caribbean nations for CSF and to Peru for an uncharacterized viral equine agent. NVSL participated in developmental work on CSF baculovirus expression vector received from Switzerland.

NVSL continued to encourage and support collaborative projects that will enhance the delivery of animal health programs. In support of the National Animal Health Monitoring System (NAHMS) 1998 survey, NVSL tested 12,672 samples for various chemical compounds and approximately 14,000 samples for BLV.

NVSL also collaborated with the Department of the Interior, ARS, and the Montana Department of Fish, Wildlife, and Parks on the study of brucellosis in Yellowstone National Park bison. The project was expanded during FY 1998 to include 40 cows and their calves. NVSL and ARS also collaborated in a study involving the inoculation of brucella isolates from seals into pregnant cattle to determine the pathogenicity of the isolates in these cattle.

NVSL continued to provide diagnostic support for CSF and African swine fever (ASF) serosurveillance for Puerto Rico and the continental United States, for live-bird market AI surveillance, and for the H7N2 AI outbreak in Pennsylvania. In addition, NVSL continued to participate in the acute porcine reproductive and respiratory syndrome study with serology and virus isolation from affected herds. Virus isolates have been propagated and are undergoing safety and sterility testing for anticipated release to researchers during the spring of 1999.

Chronic wasting disease (CWD) surveillance for 1998 included over 200 submissions from captive herds with 31 positive animals identified. Surveillance for CWD in hunter killed animals included a total of 1,050 samples examined from Nebraska, New Jersey, and South Dakota. NVSL pathologists conducted training in specimen collection for CWD surveillance for state personnel in South Dakota and Nebraska.

During FY 1998, a variant of the causative organism of contagious equine metritis (CEM) was identified at NVSL. The organism was found in a donkey Jack and mares bred to the Jack. In addition to characterizing the new organism, NVSL provided diagnostic support to the epidemiological tracebacks conducted to determine the degree of spread. Although the donkey isolate produces little, if any, disease in horses, its serological cross reactivity with the CEM organism is significant.

Requests to certify laboratories to conduct specific tests have increased in recent years. At the request of the National Johne's Working Group, NVSL provided validation tests for Johne's serology and culturing. In support of the American Association of Veterinary Diagnosticians, the NVSL assembled, distributed and evaluated check tests for serological testing and culturing of disease organisms. The NVSL processed 238 check tests for equine infectious anemia (EIA), 58 for bluetongue, and 68 for BLV. During FY 1998, the NVSL began charging user fees for

selected check tests including EIA, bluetongue, BLV and Johne's. A new user fee docket is scheduled to go into effect in early FY 1999.

Laboratory support to the National Animal Health Monitoring and Surveillance program is ongoing at the NVSL. During FY 1998, the NVSL completed testing for the Beef '97 study. This testing consisted of serological tests for Johne's and BLV, tests for water quality, Salmonella prevalence, and copper and zinc deficiencies. The first survey of horses was initiated in 1998. Testing included serological tests for influenza and equine viral arteritis and prevalence testing for Salmonella, Streptococcus equi, and fecal parasites. Pasture was tested for endophytes, and feed was tested for fumonisin and Salmonella. In addition, approximately 3,100 sera were tested for equine influenza by hemagglutination inhibition and 3,500 sera were tested for EVA by serum neutralization for the NAHMS '98 survey.

The NVSL tested 4,013 dip vat samples, up from 3,952 in FY 1997, for pesticide concentration in support of the cattle tick program. In addition, NVSL received 635 brains to test for BSE and continued to support the BSE surveillance program.

APHIS conducted 21 formal training courses at NVSL, covering 81 days with 419 (200 State, 154 Federal, 26 military, and 39 foreign) participants. These training courses focused on foreign animal diseases and diagnostic procedures. It should be noted that one of these, an International Foreign Animal Disease (FAD) school presented at FADDL, was conducted entirely in Spanish. In addition, the equine training team developed and implemented a program to deliver more EIA training sessions to customers by providing two back-to-back sessions. This allowed for an additional 36 people to receive EIA certification.

CONTINGENCY FUNDS

Asian Longhorned Beetle (ALB)

In FY 1998, APHIS released $1.6 million in contingency funds to continue the ALB emergency control project in New York State (NYS) and begin a similar project in Illinois. Of this amount, $1.5 million was released for NYS and $100,000 was released for Illinois. To date, major infestations have hit Brooklyn, New York; Amityville, Long Island; and three locations near Chicago, Illinois. All five of these infestation sites are included in the cooperative control effort. An additional 22 detections have been made at warehouses and shipping points around the country. Swift action on this pest was necessary to protect forest products, nursery, tourist, and maple syrup industries, which generate combined revenue of $47 billion annually.

During FY 1998, APHIS continued participating with the FS and officials of State, county, and city agencies in NYS to eradicate the ALB in the Greenpoint area of Brooklyn; and Amityville, Long Island. This ongoing eradication program consists primarily of tree removal, which is funded through cooperative agreements with the New York Department of Agriculture and Markets. APHIS' role in tree removal involves oversight to assure that the trees are properly handled, processed, and disposed. Approximately 500 trees were removed in FY 1998. The program also includes detection and delimiting surveys, and intensified extension/education efforts. In addition, the State University of New York at Syracuse continued to conduct pheromone attractant studies, while APHIS scientists played a critical role in working to develop attractants, updating biological information on the pest, and carrying out growth and survivability studies.

Biometric surveys will continue in portions of Long Island and in Manhattan for 2 years after the last beetle find. Also, intensive surveys will be conducted several times per year within the regulated areas (the Greenpoint area in Brooklyn and Amityville, Long Island) for 5 years after the last beetle find. During FY 1998, the program achieved drastic reductions of ALB populations in areas that had been heavily infested and the tree removal effort made outstanding progress. However, the program did locate five infested properties and expanded the quarantine boundaries accordingly. All infested trees that have been identified have been removed. Also, APHIS conducted a biometric survey on approximately 700 sites outside of the regulated area covering most of Long Island, southwestern Connecticut, and northern New Jersey. All survey sites tested negative for ALB. These sites were different from those surveyed in FY 1997. Additional infested trees could require removal or treatment (when a treatment becomes available) to destroy any pest life stages present, and replace trees.

In July 1998, ALB was found to be established at three locations in the Chicago, Illinois, area. Delimiting surveys were conducted and a quarantine was established. As of October 1998, appropriately 300-350 trees were found to be infested and scheduled for removal. The infested areas are the Ravenswood section of Chicago, Addison, and Summit. This program is a cooperative effort between APHIS, the Illinois State Department of Agriculture, and the City of Chicago. These areas will be surveyed several times per year for 5 years after the last beetle find. In addition, a biometric survey will be conducted for 2 years after the last beetle find. It is anticipated that additional infested trees will be identified and removed.

Bovine Spongiform Encephalopathy (BSE)

In FY 1997, $101,000 was released from the contingency funds to purchase cattle imported from the United Kingdom prior to the FY 1989 ban; $90,109 was carried forward into FY 1998. A total of $9,888 was obligated in FY 1998. These funds were used to dispose of cattle condemned at slaughter for neurological disease. Approximately $80,000 is expected to be carried forward into FY 1999 for a similar purpose.

Citrus Canker

In FY 1998, $760,000 in contingency funds were released and contributed toward the citrus canker emergency project in Florida (Dade and Manatee Counties). This program, which is managed cooperatively by Florida and APHIS officials, involves intensive surveys to delimit the outbreak, regulatory action to prevent the movement of potentially infected materials, removal and destruction of infected trees, and pruning of exposed trees of all leaves and softwood. In addition to survey, regulatory, and control operations, other activities included a safety program and a public relations campaign to inform the public on the infestation and the project's progress. The bulk of funding and staff for the eradication activities in FY 1998 was provided by the State, using funds received in the January 1997, settlement of a lawsuit against the USDA. Under terms of the agreement, the funds were used exclusively for citrus canker activities. The State of Florida hired temporary employees to conduct most of the survey work and APHIS provided technical assistance, conducted regulatory and survey activities, and participated in program planning. Federal involvement has enabled the program to conduct innovative regulatory and public information programs to delimit the pest and to demonstrate national commitment to eradication. The quarantine zones as they are now configured enable the program to detect and control further occurrences of the disease in and around the infested areas. Control and eradication of this disease would benefit citrus producers economically because of increased production and marketability of citrus.

In Dade County, infestations were found at approximately 22,000 residential properties. These infestations occurred in 116 of the 265 sections that comprise the current regulated area. In addition, citrus canker was found in 10 sections outside the regulated area (8 in Dade County and 2 in Broward County). In some of the most heavily infested sections, over 500 infested properties were identified (out of an estimated 2,000 residential properties per section). Also, about 40,000 infested trees were destroyed, about 15,000 exposed trees have been destroyed, and about 23,000 exposed trees were severely cut back. In Palmetto (Manatee County), citrus canker was found in 47 groves, comprised of 409 acres. In addition, the disease was found in 11 abandoned groves totaling 41 acres. State contractors destroyed approximately 46,000 trees on 511 acres. Of the 13,000 residential properties surveyed in Manatee County, 49 were found to be positive, and 184 infected trees were destroyed. DNA "fingerprinting" revealed that the citrus canker strain in Manatee County is similar to the one that was believed to have been eradicated in 1994. Therefore, it appears that the current infestation may be a carryover from the previous infestation.

European Gypsy Moth (EGM)/Asian Gypsy Moth (AGM)

In FY 1998, APHIS released $1.1 million from the contingency fund to conduct emergency projects to control EGM and AGM. Of this total, approximately $679,000 went toward continuation of the EGM control project and the remaining $432,000 went toward several AGM projects.

EGM control activities are conducted in cooperation with States and the FS to eliminate identified isolated infestations. The FY 1998 program included pre-treatment delimiting surveys, aerial treatments of Bacillus thruringiensis (Bt), post-treatment delimiting surveys, and egg mass surveys covering approximately 600,000 acres in 13 States outside of the generally infested areas. These States participated on a 50/50 cost share basis. Through cooperative agreements, APHIS enabled seven of these States (California, Minnesota, North Carolina, Oregon, Virginia, Washington, and Wisconsin) to conduct control activities. In the other six States (Illinois, Indiana, Iowa, Nebraska, Ohio, and West Virginia), APHIS conducted and supervised most of the control work, which involved Bt applications and mass trapping. Pre-treatment delimiting surveys were carried out at multiple sites at a density of 25 traps per square mile to define the extent and location of isolated gypsy moth populations for subsequent treatments. In FY 1998, the Agency treated 49 small, isolated infestations of approximately 38,988 acres. This compares to 49 infestations of approximately 18,468 acres in FY 1997. In FY 1997, the fungus Entomophaga maimaiga and the Nucleopolyhedrosis virus significantly reduced infested acreage throughout eastern U.S. and enabled APHIS to treat more smaller infestations. The "Slow the Spread" (STS) pilot programs in Virginia and West Virginia have been extremely successful in reducing the spread rate. In FY 1998, it caused a 65-percent reduction in new territory invaded by gypsy moth. Since the pilot programs began in FY 1993, gypsy moth spread in the mountains of Virginia and West Virginia has been reduced by 60 percent--from the historical rate of 13 miles per year to only 5 miles per year. For each mile the spread rate is reduced, the annual equivalent value of benefits per mile of frontier is $29,315, based on an economic assessment (Leuschner, Southern Journal of Applied Forestry 1996).

In FY 1998, AGM activities in Washington State consisted of surveys, trapping, and genetic testing in Seattle and Tacoma involving over 700 acres. One AGM was trapped in each city during FY 1997. In response to these finds, the program conducted a 20-mile-radius delimiting survey in FY 1998 consisting of 2,148 traps. Also, APHIS conducted port and waterway detection surveys for AGM as part of its Agricultural Quarantine Inspection program. These detection surveys consisted of 4,251 traps in Washington and 1,653 traps in Oregon. With 8,052 traps set, not a single AGM was trapped. This is a good result since AGM populations in the Russian Far East are rising and international trade and commerce activities have increased the

opportunity for new introductions in the U.S. In addition, the program treated 640 acres in Tacoma with three aerial applications of Bt and 60 acres in Seattle with three ground applications of Bt.

Pink Hibiscus Mealybug (PHM)

In FY 1998, APHIS released approximately $75,000 from the contingency fund to help control the pink hibiscus mealybug (PHM) in the Caribbean. The PHM is a dangerous pest that infects over 200 host plants, many of economic importance to the Caribbean. APHIS provided the funds to the U.S. Virgin Islands (USVI) Department of Agriculture through a cooperative agreement. The agreement funded the operation of the PHM insectary on St. Thomas, which also served Culebra and Vieques of Puerto Rico. This facility produced the pest's natural enemies from China, India, and Hawaii at a rate of 3,000 per week. Also, the insectary provided inoculative releases of exotic PHM parasites to infested neighboring islands upon request. Through this project, APHIS promoted the production of beneficial parasites to be released in the USVI and Puerto Rico through close cooperation with the USVI Department of Agriculture. This approach is compatible with sensitive Caribbean ecosystems. These activities supplemented a $266,000 APHIS biological control effort in the Caribbean, which is funded from appropriated dollars. Currently, 21 parasites and 41 predators are known to attack the hibiscus mealybug worldwide.

Mexican Fruit Fly/Oriental Fruit Fly

Due to several Mexican and Oriental fruit flies detections in Los Angeles County, California, APHIS conducted two small-scale eradication programs in FY 1998; $300,912 for Mexican fruit fly and $168,923 for Oriental fruit fly. Adult and larval detections of Mexflies in the Boyle Heights area of Los Angeles County required ground applications of Malathion; fruit stripping and diazinon soil drenches at each larval site; and the release of sterile flies over a 10-square-mile area. The Mexfly eradication zone/quarantine area included 62 square miles. Detections of adult Oriental fruit flies and larval sites occurred in the Covina and Hawthorne/Westchester areas of Los Angeles County. These finds involved male annihilation treatments over 10-square miles in Covina and 27-square miles in the Hawthorne/Westchester area and fruit stripping and diazinon soil drenches at larval sites. Both programs operated under a cost share arrangement with the CDFA. The eradication of these exotic pests enabled California agricultural products to maintain unrestricted trade status.

Tuberculosis (TB) in Cervidae

In FY 1997, $400,000 was released from the contingency fund to indemnify owners of TB infected and/or exposed cervidae. A total of $250,054 was carried forward into FY 1998. Of this amount, approximately $95,000 was obligated in FY 1998. Funds were used to support a surveillance project in Michigan (focusing on wildlife) and for indemnity/depopulation activities in Michigan and Wisconsin. Of the $95,000, approximately $38,000 was used to indemnify owners of exposed and/or reactor animals.

Vesicular Stomatitis Virus (VSV)

VSV is a viral disease that primarily affects cattle, swine, and horses. The disease occasionally affects sheep, goats, deer, and raccoons. Humans may also be affected. A total of $134,455 was obligated in FY 1996 with the remaining $152,000 being carried forward into FY 1997. These funds were not needed in FY 1997. These funds were, however, reallocated in FY 1998 in response to two VSV outbreaks. The first outbreak began in May 1997, and ended in February 1998. Program funds were used from May 1997, to September 1997. Contingency funds were

used from October 1997, to February 1998. In all, APHIS investigated 703 premises during this outbreak with 380 premises testing positive for the virus. Investigations were conducted in 41 States with the positive cases being in Arizona, Colorado, New Mexico, and Utah.

The second outbreak began in May 1998, and is ongoing as of November 1998. A total of $137,101 was obligated in FY 1998 with $14,899 being carried forward to FY 1999. As of November 27, 1998, APHIS has investigated 226 premises. Of the 226 premises, 131 have tested positive for the virus. All the positive cases to date have been of the equine species, except for one bovine case in Adams County, Colorado.

Wolf Damage Control

Funding needs totaling $134,674 were requested and released from contingency funds in FY 1998 for wolf damage management activities. These funds allowed WS to appropriately respond to all requests for investigation of suspected wolf depredation through FY 1998. Populations of reintroduced wolves in Yellowstone National Park and central Idaho as well as naturally occurring populations from Canada are increasing annually. The Minnesota wolf population is increasing at an annual rate of 3 to 5 percent and expanding its range considerably. These expanding populations are greatly increasing the demands upon APHIS, WS employees and funding due to the increasing number of requests for investigation of suspected wolf depredation. This situation resulted in a funding shortage of more than $103,000 for wolf program work in Idaho, Minnesota, Montana, and Wyoming in FY 1998. In addition, because of the nature of wolf populations and the remote and inaccessible areas where they may be located, as well as restrictions placed on traditional control methods, approximately 50 percent of wolf damage management must be accomplished through an aerial operations program. To continue essential wolf damage management activities, an external safety review of WS aerial operations program was necessary. The review was conducted at a cost of $30,000.

Summary:

In FY 1998, contingency funds were released for the following programs:

FY 1998 OBLIGATIONS

	Available	Obligated	Balance
Asian longhorned beetle	$1,630,000	$1,327,342	$302,658
Bovine spongiform encephalopathy	90,109	9,888	80,221
Citrus canker	760,000	662,801	97,199
European gypsy moth/Asian gypsy moth.	1,111,000	763,523	347,477
Oriental fruit fly	236,500	168,923	67,577
Pink hibiscus mealybug	74,744	74,744	0
Tuberculosis in cervidae	250,054	95,131	154,923
Mexican fruit fly	418,500	300,912	117,588
Vesicular Stomatitis Virus	152,000	137,101	14,899
Wolf damage control	134,674	134,674	0
Unallocated	1,321,281	0	1,321,281
Total	$6,178,862	$3,675,039	$2,503,823

(Balance carried over into 1999)

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Buildings and Facilities

The APHIS appropriation "Buildings and Facilities" funds major nonrecurring construction projects in support of specific program activities and recurring construction, alterations, preventive maintenance, and repairs of existing APHIS facilities.

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

Buildings and Facilities:

For plans, construction, repair, preventive maintenance, environmental support, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, [$7,700,000] $7,200,000, to remain available until expended (7 U.S.C. 2209b).

BUILDINGS AND FACILITIES

Appropriations Act, 1999	$7,700,000
Budget Estimate, 2000	7,200,000
Decrease in Appropriation	-500,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1999 Estimated	Program Changes	2000 Estimated
Basic buildings and facilities repair, alterations, and preventive maintenance	$1,000,000	$3,000,000	$4,000,000
Construct wing at National Wildlife Research Center at Fort Collins, Colorado	3,500,000	-3,500,000	--
Maintenance/modernization of Plum Island Animal Disease Center, Plum Island, NY	3,200,000	--	3,200,000
Total Available	$7,700,000	-500,000	$7,200,000

PROJECT STATEMENT
(On basis of available funds)

	1998 Enacted	1999 Estimated	Increase or Decrease	2000 Estimated
Total obligations	$19,646,691	$11,475,000	--	$7,404,000
Unobligated balance available, start of year	-25,178,229	-5,531,538	--	-1,756,538
Unobligated balance available, end of year	5,531,538	1,756,538	--	1,552,538
Total, Appropriated Funds	4,200,000	7,700,000	2,500,000	7,200,000

(1) A net decrease of $500,000 for buildings and facilities ($7,700,000 available in FY 1999).

(a) A decrease of $6,700,000 for one-time construction projects provided in FY 1999.

Funds for one-time projects contained in the FY 1999 Appropriations Act are available for those projects until expended and are not required in FY 2000. The following projects will be built or designed with the funds requested in FY 1999:

Completion of a wing at the National Wildlife Research Center in Fort Collins, Colorado	$3,500,000
Modernization of Plum Island Animal Disease Center, Plum Island, New York	$3,200,000

(b) An increase of $3,000,000 for basic repairs, operational support, and maintenance.

These funds are needed to avoid the potential for future plant closures. The Agency performs maintenance, general repairs, and replacements of building components, such as heating, ventilation, and air conditioning (HVAC) on a prioritized basis at Agency-operated facilities including animal quarantine stations, border inspection stations, sterile insect rearing facilities, and laboratories. As the buildings age, major repairs or replacement items such as roofs, waste water treatment plants, and HVAC systems need to be made. For 2 years prior to FY 1999, APHIS received no appropriations for maintenance and repairs. The unobligated balance in the Buildings and Facilities account for maintenance and repairs remains small, and virtually all of the funds are earmarked. Additionally, the environmentally sensitive nature of many of our facilities could lead to their closure if mandated repairs remain uncorrected. APHIS will continue to perform this work on its current priority list. The proposed budget would allow APHIS to adequately maintain and repair these facilities.

(c) An increase of $3,200,000 for the APHIS share of the Plum Island Animal Disease Center modernization.

The Plum Island Animal Disease Center (PIADC) is located on an island to allow for research into diagnostic testing for exotic and highly contagious animal diseases without

endangering the domestic animal population. PIADC, shared by APHIS and ARS, is located off the coast of Long Island, New York in a harsh environment which is buffeted by severe weather and seas.

In September 1988, Congress authorized the consolidation of facilities at PIADC from 50 structures to 26 structures to reduce energy and maintenance costs. In 1989, ARS and APHIS initiated an effort to develop a long range plan for repair and maintenance of the remaining buildings and supporting infrastructure of the consolidated areas.

This request represents the APHIS share of the Plum Island facility modernization costs and is concurrent with a $8,200,000 request increase in the ARS request. The funds will be used for the continuation of electrical and physical updates and repairs and to address fire safety and environmental issues.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
BUILDINGS AND FACILITIES
STATUS OF MAJOR CONSTRUCTION PROJECTS

Current Activities: The Buildings and Facilities appropriation funds major non-recurring construction projects in support of program activities and recurring construction, alterations, and repairs of existing facilities. The ongoing major construction projects as of January 1999 are:

1. Outdoor Animal Holding Pens, Phase IB, National Wildlife Research Center, Fort Collins, Colorado - $2,500,000 available from the FY 1992 appropriation.

In FY 1998, an agreement was reached between the General Services Administration (GSA) and the Animal and Plant Health Inspection Service (APHIS) to build outdoor animal pens (19 structures) and several associated support buildings (warehouse, bulk chemical storage facility, and garage/maintenance/shop building). The complex will be financed and constructed by a private party and leased to the NWRC through GSA for a period of 20 years, with two additional 10 year renewals.

2. Animal Research Building (ARB) Support Wing, Fort Collins, CO - $3,500,000 available from the FY 1999 appropriation.

Bid documents were completed in 1996. However, due to changes in program requirements minor design revisions are anticipated.

3. Bison Quarantine Facility - $1,000,000 available from the FY 1998 appropriation.

Construction is on hold until a final decision is made on the Environmental Impact Statement (EIS). The EIS includes seven distinct alternatives that could be implemented by the National Park Service in its management plan for bison in Yellowstone National Park, not all of which include a permanently constructed quarantine facility. Public comments on the EIS were received during the summer of 1998, and are now being reviewed. A decision by the NPS is not expected until after January 1999.

4. National Plant Germplasm Quarantine Center; Phases I & II, Beltsville, MD - $24,000,000 availabile in total, from the FY 1991 and FY 1992 appropriations in equal amounts.

The construction contract associated with the project was awarded on June 16, 1998. Construction is at the 15% stage. Construction completion is scheduled for January 2000.

5. National Germplasm Quarantine Center; Phase III, Beltsville, MD - $1,000,000 available from FY 1993 appropriation.

The funds (design only) for Phase III will be utilized to support construction contingencies associated with Phases I and II.

6. Plum Island Animal Disease Center Modernization, New York - $3,200,000 available from FY 1999 appropriation.

This modernization project jointly planned between the Agricultural Research Service (ARS) and APHIS continues.

2000 Explanatory Notes
Grain Inspection, Packers and Stockyards Administration

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The mission of the Grain Inspection, Packers and Stockyards Administration (GIPSA) is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA works to accomplish this mission by administering and carrying out varied service and regulatory responsibilities. Approximately fifty-nine percent of the funds needed to finance GIPSA activities are derived from mandatory and discretionary user fees. The remaining activities are funded through appropriations.

GIPSA is comprised of two major activities: Grain Inspection and Packers and Stockyards.

GRAIN INSPECTION ACTIVITIES

The Grain Inspection program is comprised of four key activities: (1) Standardization, (2) Compliance, (3) Methods Development, and (4) Grain Inspection and Weighing Services.

1. Standardization:

Standardization activities are carried out under authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), and are funded by appropriations. Standardization includes developing, establishing, and maintaining uniform grain and commodity standards; developing and maintaining quality control, and quality assurance; and, related testing and training. These activities aid in the orderly marketing of grains, oilseeds, rice, and related commodities through the development, promulgation, and application of new and revised standards. The latest inspection techniques and the operation of a nationwide quality control program are employed to ensure the integrity of inspection certificates.

2. Compliance:

Compliance activities are funded by appropriations and are carried out under authority of the USGSA and AMA. These activities ensure that the operations conform with all requirements and procedures established by statute, regulation, instruction, or directive. Enforcement activities include reviews, evaluations, investigations and the assessment of civil penalties. Criminal violations are referred to the Office of the Inspector General for appropriate action.

Compliance activities also include an international monitoring program which responds to our international customers' complaints regarding the quality and/or quantity of U.S. grain shipped abroad.

3. Methods Development:

Methods Development activities are carried out under the authority of the

USGSA and the AMA. The activities include applied research or tests that produce new or improved techniques for measuring grain quality. These activities are funded through appropriations under the authority of the USGSA and AMA. Examples of the wide range of methods development activities carried out by GIPSA include research into establishing the framework for real-time grain inspection; developing reference methods to maintain consistency and standardization in the grain inspection system; comparing various techniques for evaluating end-use quality in wheat; developing a new wheat classification system; evaluating prototype wheat hardness meters; and adapting or developing measurement techniques for pesticides, mycotoxins, heavy metals, vitamins, and grain odor.

4. Grain Inspection and Weighing Activities:

This program is authorized under both the USGSA and the AMA. The USGSA requires the mandatory inspection and weighing of grain at export ports by GIPSA or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires GIPSA to supervise all official inspection and weighing activities. On a request basis, GIPSA performs inspection of rice and related commodities under the AMA. Both statutes require GIPSA to collect user fees to fund the costs of operations including the supervision and administration of Federal grain inspection and weighing activities.

PACKERS AND STOCKYARDS ACTIVITIES

The Packers and Stockyards activities are authorized by the Packers and Stockyards Act of 1921, as amended, and Section 1324 of the Food Security Act of 1985. These activities are funded through appropriations. GIPSA's principal purpose is to ensure the integrity of the livestock, meat, and poultry markets and the marketplace. This includes fostering fair and open competition, and guarding against deceptive and fraudulent practices affecting the movement and price of meat animals and their products. The Agency's work also aims to protect consumers and members of the livestock, meat, and poultry industries from unfair business practices which can unduly affect meat and poultry distribution and prices.

The Food Security Act of 1985 permits the States to establish central filing systems to notify buyers, commission merchants, and selling agents of security interests against farm products. It is GIPSA's responsibility to issue regulations for and certify those systems that meet the criteria in the statute.

GIPSA headquarters is located in Washington, D.C., with field activities located in 25 field offices and 2 Federal/State offices in 21 States and Canada. As of September 30, 1998, employment totaled 719 full-time permanent employees and 57 part-time or intermittent employees. Of the total, 119 full-time employees and 3 part-time or intermittent employees were located in headquarters while the remaining 600 full-time employees and 54 part-time or intermittent employees were assigned to field locations. User-fee supported activities accounted for 58 percent of total Agency spending in FY 1998.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years

1998 Actual and Estimated, 1999 and 2000

Item	1998 Actual		1999 Estimated		2000 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$23,890,000	304	$26,787,000	322	$26,448,000	322
Inspection and Weighing Services	32,519,043	453	42,557,000	453	42,557,000	453
FY 1998 Supplemental	1,500,000	--	0	--	0	--
Total, Grain Inspection, Packers and Stockyards Administration . .	57,909,043	757	69,344,000	775	69,005,000	775

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1998 Actual and Estimated 1999 and 2000

Grade	1998			1999			2000		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-5	2	--	2	2	--	2	2	--	2
ES-3	--	1	1	--	1	1	--	1	1
ES-2	1	--	1	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS-15	8	--	8	8	--	8	8	--	8
GS-14	16	7	23	16	7	23	16	7	23
GS-13	44	31	75	44	31	75	44	31	75
GS-12	22	67	89	22	67	89	22	67	89
GS-11	3	101	104	3	101	104	3	101	104
GS-10	2	23	25	2	23	25	2	23	25
GS-9	5	184	189	5	184	189	5	184	189
GS-8	5	1	6	5	1	6	5	1	6
GS-7	6	31	37	6	31	37	6	31	37
GS-6	10	96	106	10	96	106	10	96	106
GS-5	2	83	85	2	83	85	2	83	85
GS-4	1	41	42	1	41	42	1	41	42
GS-3	--	23	23	--	23	23	--	23	23
GS-2	--	3	3	--	3	3	--	3	3
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	3	1	4	3	1	4	3	1	4
Total Permanent Positions	131	693	824	131	693	824	131	693	824
Unfilled Positions end-of-year	-9	-43	-52	-9	-43	-52	-9	-43	-52
Total, Permanent Full Time Employment, end-of-year	122	650	772	122	650	772	122	650	772
Staff-Year Ceiling	120	637	757	120	655	775	120	655	775

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

CLASSIFICATION BY OBJECTS

1998 Actual and Estimated 1999 and 2000

	1998	1999	2000
Personnel Compensation:			
Washington, DC	$4,168,303	$3,926,000	$4,029,000
Field	11,156,342	12,099,000	12,414,000
11 Total personnel compensation	15,324,645	16,025,000	16,443,000
12 Personnel benefits	3,573,786	4,729,000	3,670,000
13 Benefits for former pers	54,545	164,000	79,000
Total Personnel compensation and Benefits	18,952,976	20,918,000	20,192,000
Other Objects:			
21 Travel	1,385,139	1,532,000	1,842,000
22 Transportation of things	98,118	852,000	132,000
23.2 Rental payments to others	147,420	147,000	198,000
23.3 Communications, utilities and misc. charges	543,198	543,000	733,000
24 Printing and reproduction	50,774	51,000	69,000
25.1 Consulting services	0	25,000	25,000
25.2 Other services	1,446,536	1,671,000	1,842,000
26 Supplies and materials	352,237	352,000	475,000
31 Equipment	696,111	696,000	940,000
Total other objects	4,719,533	5,869,000	6,256,000
Total direct obligations	23,672,509	26,787,000	26,448,000
Position Data:			
Average Salary, ES positions	$116,969	$121,000	$125,000
Average Salary, GS positions	$46,648	$48,000	$49,000
Average Grade, GS positions	11.5	11.5	11.5

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

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

Salaries and Expenses:

For necessary expenses to carry out the provisions of the United States Grain Standards Act, as amended, for the administration of the Packers and Stockyards Act, for certifying procedures used to protect purchasers of farm products, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, as amended, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $25,000 for employment under 5 U.S.C. 3109, [$26,787,000] $26,448,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES - CURRENT LAW

Appropriations Act, 1999	$26,787,000
Budget Estimate, 2000	26,448,000
Decrease in Appropriation	-339,000

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 2000		$26,448,000
Changes Due to Proposed Legislation:		
Proposed License Fees	-14,928,000	
Proposed Standardization User Fees	-3,559,000	
Proposed Start-up Costs	3,700,000	
Total, Changes due to Proposed Legislation		-14,787,000
Net Request, President's 2000 Budget Request		11,661,000

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

Item of Change	1999 Estimated	Pay Cost	Program Changes	Other Changes	2000 Estimated
Standardization Activities	$3,503,000	+$56,000	--	--	$3,559,000
Compliance Activities	4,477,000	+74,000	--	--	4,551,000
Methods Development	2,745,000	--	+$665,000	--	3,410,000
Packers and Stockyards	16,062,000	--	-889,000	-$245,000	14,928,000
Total Available	26,787,000	+130,000	-224,000	-245,000	26,448,000

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1998 Actual		1999 Estimated		Increase or Decrease	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Standardization Activities	$3,222,574	44	$3,503,000	44	(1) +$56,000	$3,559,000	44
Compliance Activities	4,465,318	64	4,477,000	65	(2) +74,000	4,551,000	65
Methods Development	2,825,156	33	2,745,000	35	(3) +665,000	3,410,000	35
Packers and Stockyards	13,159,461	163	16,062,000	178	(4) -1,134,000	14,928,000	178
Unobligated balance	217,491	--	--	--	--	--	
Subtotal, Available or Estimate	23,890,000	304	26,787,000	322	-339,000	26,448,000	322

impacts on marketing arrangements, e.g., increased or decreased vertical control, price discovery, etc.

(b) An increase of $190,000 for specific grain variety testing.

Genetic breakthroughs are expected to have a significant impact on future grain production and marketing. Major genetic improvements will affect the quality and characteristics of grains, production, marketing and use, relationships among firms that produce and use grain, quality measurement needs, pricing, and information needs in the industry. To fulfill its mission of facilitating the marketing of grain, GIPSA must be prepared to offer grain varietal identification. Preliminary investigations into analytical techniques to provide variety identification have been conducted, but GIPSA does not currently have the resources to address this issue adequately. Additional funding is requested to support staff, facility modification, and necessary equipment purchases.

(c) An increase of $50,000 for automation of mycotoxin testing.

Mycotoxins in grain have been a significant concern in the United States for several years. GIPSA does not have the staff or skills to properly address automation of mycotoxin testing. Additional funding is requested to fund external research in this area.

(4) A decrease of $1,134,000 for administration of the Packers and Stockyards Act ($16,062,000 available in 1999) consisting of:

(a) A decrease of $245,000 and seven staff years for the reduction in Federal employment costs.

In support of the Secretary's streamlining efforts and the President's Executive Order mandating a reduction in Federal employment, GIPSA is reducing employment from the 1993 base.

To achieve the reduction target, GIPSA will eliminate 7 staff years from the 1999 level by the end of FY 2000.

(b) An increase of $225,000 for Electronic Filing.

The Paperwork Reduction Act signed by the President on May 22, 1995 establishes guidelines for development of simpler reporting requirements for businesses. In connection with the signing of this law, the President has instructed agencies to provide for electronic submission of reports. To implement this Presidential initiative, an increase of $225,000 will be required.

Sustained low prices for beef and pork at the farm level, has resulted in increased concern over concentration in the meat packing industry. Packer use of captive supplies, formula pricing and other procurement initiatives require P&S to collect extensive data from packers over extended periods of time. Providing for the Electronic submission of this type of data would reduce the cost to packers, improve the timeliness, and create a better understanding of the data on a real time basis.

The Electronic submission of data will include data submitted on an annual basis to GIPSA and will allow for larger amounts of data to be accessed on an "as needed" basis. The Electronic submission will provide for FAX input, dial up "Bulletin Board" input, magnetic tape input, and future Internet capabilities.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Justification of Increases and Decreases

(1) An increase of $56,000 in Standardization Activities ($3,503,000 available in 1999) consisting of:

(a) An increase of $56,000 for pay costs which includes $14,000 for annualization of the fiscal year 1999 pay raise and $42,000 for the anticipated fiscal year 2000 pay raise.

(2) An increase of $74,000 in Compliance Activities ($4,477,000 available in 1999) consisting of:

(a) An increase of $74,000 for pay costs which includes $19,000 for annualization of the fiscal year 1999 pay raise and $55,000 for the anticipated fiscal year 2000 pay raise.

(3) An increase of $665,000 in Methods Development ($2,745,000 available in 1999) consisting of:

(a) An increase of $425,000 to identify emerging grain testing needs to improve market efficiency.

Historically, grain has been traded as a bulk commodity. Inspection and grading standards were developed to meet these bulk commodity needs. However, the industry is changing rapidly. Grain users are demanding grain having specific qualities, such as high gluten, protein, oil or starch levels; grain that is free of certain chemicals and residues; and grain possessing other unique characteristics and qualities. Some firms are developing their own proprietary tests and some are contracting for grain production and processing to obtain grain having the characteristics they desire. GIPSA needs to identify emerging industry demands for new inspection, grading and testing, determine which of those needs can best be met through additional GIPSA services, and then develop the measurement capabilities to meet those needs. This begins with research to identify the new grain quality measures needed to meet end users' demands for measuring grain quality.

New test capabilities can increase the demand for U.S. grain, raise farm prices, and increase aggregate farm income. The requested funds are critical to the Agency's mission to provide testing and inspection services that protect the integrity of grain markets. Furthermore, if GIPSA does not identify and develop new tests needed by the industry, large integrated grain companies are more likely to vertically integrate into grain production and reduce the effectiveness of price discovery through the spot market.

The additional funds will be used to contract with other federal agencies, universities, and/or other organizations to (1) determine what new grain quality standards are needed by end users and grain marketing firms and (2) assess impacts of new quality standards on market structure and performance.

Major changes are occurring in the uses of, and demand for, grain. This project will examine what end-use characteristics grain users want and where they are obtaining grain having the special qualities they desire, identify emerging markets for grain having special qualities, determine what additional quality characteristics firms want to measure (e.g., new or faster chemical tests, gluten tests, protein or oil tests, safety or environmental tests, new sampling methods), and assess how the quality information would be used, its value and its

(c) An increase of $636,000 and seven staff years for Packer Competition and Industry Structure.

Increasing concentration, structural change, market performance and the use of complex formula and value-based marketing systems by packers continue to raise questions of regulatory and policy significance. Four-firm concentration in steer and heifer slaughter is high. It increased from 50 percent in 1985 to 81 percent in 1994 and 1995 and then decreased slightly to 80 percent in 1996. Concentration in hog slaughter is lower, 56 percent in 1996 versus 32 percent in 1985.

The Secretary's Advisory Committee on Agricultural Concentration recently made a number of recommendations to address the concerns about possible use of market power by leading meat packers. The Committee recommended appropriating sufficient resources to aggressively enforce the Packers and Stockyards Act. Continuous, systematic collection and analysis of data along with aggressive investigative activities are required to address these issues effectively. Additional resources are critical to expanding the Agency's capability to monitor and investigate the competitive implications of structural changes and behavioral practices in the meat packing industry, and will allow the Agency to have an increased capability to support legal actions that require complex economic and statistical analysis.

The Advisory Committee made recommendations intended to help restore confidence in the market, and to provide for the greater accuracy and availability of market information. As part of its objectives and guiding principles, the Committee made specific recommendations intended to promote competition and improve market performance and confidence in the livestock and poultry sectors. The Committee recommended increased monitoring and enforcement of antitrust and regulatory policy and, specifically, that antitrust enforcement of current regulations under the Packers and Stockyards Act be stepped up. Since anticompetitive practices are complex and more difficult to identify, or in some cases, even to define, the building of cases for unacceptable behavior has become more difficult and resource intensive.

The requested increase in funds and staff years will provide the Agency with the means to conduct detailed investigations and analyses in selected market areas on a timely basis. It would also enable the Agency to meet its responsibility to foster fair and open competition and guard against deceptive and fraudulent practices which affect the movement and price of meat animals and meat food products.

In addition, the procurement and pricing methods of many of the slaughtering firms have become very complex and sophisticated. As the industry continues to rapidly move to value-based methods of pricing, the complexity of the packing industry's procurement and pricing methods will continue to increase. With this change also comes greater opportunity for packers to engage in unfair, unjustly discriminatory, or deceptive practices to the detriment of livestock producers. Agency personnel must perform investigations on the intricacies of these methods to ensure the integrity of the amount paid to producers.

(d) An increase of $750,000 for Poultry Compliance.

The Secretary's Advisory Committee on Agricultural Concentration recommended that Congress appropriate sufficient resources to USDA to allow aggressive pursuit of

violations of the Packers and Stockyards Act and address problems in their incipiency. The Committee expressed concern that contract poultry growers have the ability to bargain with integrators and that they be protected from unfair and discriminatory practices, and specifically recommended the Secretary be provided the same administrative enforcement authority for poultry as currently exists for red meat.

Over the past several years, the number of complaints from poultry growers has increased significantly, requiring more of the Agency's resources to determine if violations of the Packers and Stockyards Act have occurred. Contract growers complain that they are at the mercy of large integrated poultry companies. These growers are looking toward the U.S. Department of Agriculture for help in assuring fair treatment in dealings with integrators.

The requested increase of $750,000 will allow the Agency to operate on other than a complaint driven basis and allow the number and scope of compliance investigations to increase. More in-depth compliance investigations will increase the Agency's ability to identify and address practices in the industry that may be unfair, unjustly discriminatory, or deceptive before the practices escalate. This will also allow the Agency to effectively counsel poultry growers when they have complaints.

(e) A decrease of $2,500,000 for the Packers and Stockyards restructuring.

The FY 1999 Appropriation included a one-time only increase of $2,500,000 for the restructuring of the current Headquarters and field office structures.

Consolidation of headquarters and field office activities has been completed. The Denver regional office will be moving to new facilities on April 1, 1999. The resident agent positions will be staffed and the remaining field employees relocated by June 1999.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	FY 2000 Current Law	Program Changes	President's Request
Standardization Activities	$ 3,559,000	-$3,559,000	--
Compliance Activities	4,551,000	--	$4,551,000
Methods Development	3,410,000	--	3,410,000
Packers and Stockyards	14,928,000	-14,928,000	--
Start-up Costs	--	+3,700,000	3,700,000
Total Available	26,448,000	-14,787,000	11,661,000

Explanation of Proposed Legislation:

Standardization Activities - The Grain Inspection, Packers and Stockyards Administration develops, reviews, and maintains official U.S. grain standards used by the entire grain industry. This proposal would initiate user fees for this service.

License Fees - This proposal would amend the Packers and Stockyards Act (P&S Act) to provide authority to collect license fees to cover the cost of the program. Converting to license fees is consistent with the overall effort to shift funding for programs, which benefit identifiable groups, to user fees. The primary beneficiaries of the programs and activities administered under the provisions of the P&S Act are livestock producers and poultry growers. Consumers also benefit because they are protected from the adverse effects of anticompetitive and unfair business practices in meat and poultry marketing and distribution.

Currently, the law provides registration requirements for market agencies and dealers, but there is no authority for licensing fees. All packers, live poultry dealers, stockyard owners, market agencies and dealers, as defined in the P&S Act, would be required to have a valid license and be subject to the license fees. There are currently 6,400 market agencies and dealers registered that would be subject to the licensing requirements. The license could be suspended, which would have the same effect as the suspension of a registration under current law.

In addition, there are 1,300 stockyards, 6,000 slaughtering and processing packers, 210 poultry processors, and 6,800 meat distributors, brokers, and dealers subject to the P&S Act that would be subject to the licensing requirements, but would not be subject to having their license suspended. This would be consistent with current law which does not provide for registration of these operations which are not, therefore, subject to suspension.

Start-Up Costs - Provides a one-time start-up of $3,700,000 to convert to new user fees and license fee status and to maintain an adequate reserve. It is anticipated that $3,000,000 would be used for Packers and Stockyards activities while $700,000 would be used for standardization activities.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff-years
1998 Actual and Estimated 1999 and 2000

Salaries and Expenses

	FY 1998		FY 1999		FY 2000	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Arkansas	$113,771	2	$114,000	2	$114,000	2
California	969,517	11	1,032,000	9	400,000	1
Colorado	774,010	12	2,158,000	26	3,359,000	48
District of Columbia	9,094,186	90	8,657,000	85	8,940,000	85
Georgia	806,579	12	2,243,000	26	3,150,000	45
Idaho	127,252	2	127,000	2	127,000	2
Indiana	670,179	11	702,000	8	--	--
Iowa	446,061	7	801,000	23	3,496,000	51
Kansas	995,786	16	1,041,000	14	374,000	6
Louisiana	616,950	11	617,000	11	617,000	11
Maryland	192,005	3	192,000	3	192,000	3
Minnesota	966,589	15	998,000	12	290,000	4
Missouri	3,897,433	51	3,897,000	53	4,562,000	53
Nebraska	562,821	8	622,000	6	--	--
North Dakota	107,291	2	107,000	2	107,000	2
Ohio	197,702	4	198,000	4	198,000	4
Oregon	125,421	2	125,000	2	125,000	2
Pennsylvania	530,797	9	598,000	7	--	--
Tennessee	700,943	11	726,000	8	--	--
Texas	925,137	14	941,000	11	188,000	2
Virginia	643,258	10	682,000	7	--	--
Washington	208,821	1	209,000	1	209,000	1
Subtotal, Available or Estimate	23,672,509	304	26,787,000	322	26,448,000	322
Unobligated Balance	217,491					
Total, Available or Estimate	23,890,000	304	26,787,000	322	26,448,000	322

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES

STATUS OF PROGRAM

Federal Grain Inspection

Current activities, examples of recent progress, and programs for standardization and quality assurance activities, methods development, and compliance activities are outlined below:

STANDARDIZATION AND QUALITY ASSURANCE ACTIVITIES

Goal 2: Promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture.

Objective: 2.2 - Enhance the uniformity of grain quantity and quality measurements to promote a more standardized framework for trade in the U.S. grain marketing system.

Current Activities: The Agency compiles data for developing new and updating existing grading standards, and evaluates new methodology and equipment for determining grin classification and quality. The Agency provides reference standards for official grading procedures.

Selected Examples of Recent Progress:

1. Standardization. (Pea and Lentils; Rye; Sorghum; Oat, and Wheat)

Pea and Lentil Standards. Effective August 1, 1998, GIPSA revised the United States Standards for Whole Dry Peas, Split Peas, and Lentils. This revision incorporated the changes announced in the December 2, 1997, *Federal Register* (62 FR 6369). Specifically, the standards were revised to eliminate the classes Persian and Mixed lentils; establish a new class, Miscellaneous peas; and establish a new grading factor for lentils, "Inconspicuous Admixture."

Rye Standards. GIPSA published a final rule in the April 23, 1998, *Federal Register* (63 FR 20054) amending the United States Standards for Rye to certify dockage to the nearest tenth of a percent instead of rounding dockage down to the nearest whole percent. This change will become effective June 1, 1999.

Sorghum Standards. GIPSA published an advance notice of proposed rulemaking in the August 14, 1998, *Federal Register* (63 FR 43641) to announce the review of the United States Standards for Sorghum. This notice invites comments and suggested changes to these standards. GIPSA is interested in any comments and/or suggestions concerning these standards, including those addressing sorghum classification and/or definition of sorghum, definition of broken kernels and foreign material, and the definition of damaged kernels. GIPSA plans to propose changes for comment during FY 1999.

Oat Standards. GIPSA initiated a review of the United States Standards for Oats in FY 1997 to evaluate the need for change. After exploring the pros and cons of harmonizing oat inspection procedures with those of Canada, GIPSA determined that such harmonization would not be in the best interest of the U.S. oat industry. However, GIPSA determined that including hull-less oats in the U.S. oat standards would benefit that segment of the market involved in hull-less oat production and processing. GIPSA has prepared a proposed rule for publication in the *Federal Register* during FY 1999. GIPSA hopes to publish the final rule in FY 1999, with the standards becoming effective in FY 2000.

Wheat Standards. In FY 1995, GIPSA initiated a study to determine if the wheat standards are current with respect to garlic tolerances. The study, which was conducted at the University of Illinois, was completed in FY 1998. The research recommended the following changes to the standards: (1) garlic should be determined on a dockage-free portion; (2) discontinue the differentiation between green and dry garlic bulblets; (3) all garlic should be reported on the inspection certificate as either a count or weight basis. GIPSA is preparing a proposed rule regarding the garlic tolerances in the wheat standards that will be published in the *Federal Register* during FY 1999.

2. Corn Oil, Protein, and Starch Analysis. High-oil corn (HOC), which has had a production increase from virtually zero acres in 1993 to an estimated 1,500,000 acres in 1998, is one of the fastest growing value-enhanced products (i.e., specialty varieties of corn with particular value added end-use quality characteristics) in the United States. By the year 2000, production of HOC is expected to reach 3 million acres and represent a significant part of the corn produced and traded in the marketplace. HOC is primarily used by livestock feeders to enhance weight gain.

   In response to the market's growing interest in and demand for HOC, on July 1, 1998, GIPSA began offering corn oil, protein, and starch testing service to provide the corn industry with accurate information with which to determine value, establish premiums, and negotiate price. Costs to both the Agency and our customers of providing this service (e.g., instruments, training, etc.) were minimized by expanding the use of previously approved near-infrared transmittance (NIRT) technology and using existing instruments.

   GIPSA's implementation of this new testing service is setting a standard by which the market will operate. The market will have access to an accurate testing and measurement system that helps ensure fairness and price transparency, and especially for producers of HOC who can rely on this assessment to ensure that their crops are accurately measured.

3. Canola Dockage Procedures. GIPSA modified the procedure for determining dockage and conspicuous admixture for canola in an effort to improve inspection result consistency. Established procedures permitted the use of several different sieves to maximize the separation of weed seeds from canola when analyzing a canola sample. This procedure was intended to achieve maximum cleanout of weed seeds and similar foreign material with a minimum loss of canola. However, the procedural use of multiple sieves appeared to cause inconsistent inspection results and subsequent marketing difficulties. GIPSA, in consultation with members of the canola industry, modified the procedure to standardize to a single sieve size. Alternate sieve sizes may be used upon request if the sieve size is reported on the inspection certificate.

4. Quality Assurance\Quality Control Activities. During FY 1998, GIPSA hired a statistician to maintain the quality assurance/quality control program and provide creditable analysis of the results produced. A performance standard for inspection accuracy was developed and established as a measurement indicator within the Agency's performance plan. A mechanism was also developed to determine and track service delivery time at export facilities where GIPSA employees provide inspection service.

   While minor enhancements will continue to be added to the program in future years, GIPSA considers the development and implementation of this program completed.

5. Networking the Official System. The Official Agency (OA) telecommunications network will enhance communication within the official grain inspection and weighing system by allowing electronic mail, bulletin board functions, and bi-weekly data sharing between the official agencies and GIPSA through the Internet. Official agencies are required to use local service providers to allow them to access an Intranet or File Transfer Protocol (FTP) file server provided by GIPSA for e-mail, bulletin board, and file transfer functions. The FTP file server has been successfully

installed and is being used in the National Quality Database (NQDB) pilot. The electronic mail and bulletin board systems will be implemented in the second quarter of FY 1999. The electronic mail system will be set up such that mail to and from the official agencies will reside on the same FGIS file server, guaranteeing instant delivery.

6. National Quality Database (NQDB) Pilot. GIPSA has begun a pilot with representatives of official agencies to electronically obtain bi-weekly official sample-lot and submitted sample-lot certificate data using the Internet. This data will provide a comprehensive database that can serve as a basis for such functions as countrywide dynamic trend analysis of particular grains, maintaining and improving statistical baseline ratios used in other statistical applications, and allowing supervising field offices to use statistical algorithms to review far fewer samples from official agencies, thereby allowing a more timely response to potential problem areas.

METHODS DEVELOPMENT

Goal 2: Promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture.

Objective: 2.1 - Increase the efficiency of U.S. grain marketing by harnessing technology to streamline grain inspection and weighing processes and providing objective measures of grain quality, quantity, and end-use value.

Current Activities: The Agency conducts applied research while fulfilling its mandate to administer the Nation's grain inspection and weighing system. Identifying, evaluating, and implementing new or improved techniques for measuring grain quality are the goals of the methods development activities.

Selected Examples of Recent Progress

1. Cu-Sum Automation. GIPSA is automating the export inspection statistical shiploading plan, also known as Cu-Sum. In FY 1998, the Agency conducted a successful 4-month full-scale prototype pilot of the base system at an elevator in New Orleans. The system, which is still in beta test mode, will be installed at four more elevators in Toledo, Ohio Portland, Oregon, League City, Texas, and New Orleans, Louisiana, early in FY 1999. In addition, GIPSA plans to install the automated system at a number of elevators in the New Orleans area during the fourth quarter of FY 1999. The automated Cu-Sum system will improve the efficiency of the official system by minimizing manual data collection and calculations, and permit direct data sharing with customers and remote GIPSA offices.

2. Elemental Analyses. The presence of trace elements in grains, especially toxic elements (lead, cadmium, mercury, arsenic, selenium, etc.), is becoming a factor in the movement of grains and food commodities in both domestic and foreign markets. Many elements are naturally present in soils, but they can also be introduced through other means. It has been demonstrated that elements can be absorbed through the roots, ending up in the grain, and subsequently in processed food commodities. Recognizing this health concern, the World Health Organization has established guidelines for select elements in grains.

   In FY 1998, GIPSA validated a method to analyze commodities for iron and zinc. Select commodities were analyzed for iron and zinc to confirm that fortification levels were consistent with contractual specifications.

   In FY 1999, GIPSA will expand an ongoing wheat survey to include lead and cadmium analyses. As with other data generated through this survey program, lead and cadmium data will be shared with industry. These data are expected to demonstrate that wheat grown in the U.S. contains very low levels of lead and cadmium.

3. Type Evaluation of Mycotoxin Test Kits and Adoption of Reference Methods. Mycotoxins are toxic substances produced by a variety of molds and fungi. The Agency has been asked by farmers, grain dealers, and foreign buyers to quantitatively measure the level of mycotoxins in various grains. Using an evaluation protocol developed by the Agency, mycotoxin test kits for aflatoxin and vomitoxin have been evaluated and approved for use in the Official Inspection System. The Agency-approved instruments and specifications are generally adopted by the grain industry and, under a memorandum of understanding, the Agency performance specifications are used by the Association of Official Analytical Chemists (AOAC) Research Institute to verify the performance of mycotoxin test kits submitted to the Institute for evaluation.

Implementation of test kits into the Official Inspection System has enabled the Agency to provide analytical results rapidly and reduce the resources required to conduct the analyses. Through a routine monitoring program, the analytical capability of each mycotoxin test site is assessed on a regular basis. Naturally-contaminated grain samples, previously analyzed using the reference method, are submitted for analysis to each mycotoxin test site. The results obtained are compared to actual levels of the particular mycotoxin and appropriate action taken when discrepancies are observed.

The following are FY 1998 mycotoxin-related accomplishments:

- A new reference method for aflatoxins was developed and validated. The method utilizes robotics for sample preparation and High Pressure Liquid Chromatography for detection of the mycotoxins. This new reference method improved productivity and reduced direct labor costs.

A new test kit for aflatoxins was approved for use in the Official Inspection System. Approval of this test kit increases the number of test kits available to the Official Inspection System and the Industry.

The following mycotoxin-related projects are planned for FY 1999:

- A new test kit for vomitoxin will be approved for use in the Official Inspection System. Approval of this test kit will increase the number of test kits available to the Official Inspection System and the Industry.

- A new instrument used to detect mycotoxins will be approved for use in the Official Inspection System. The new instrument is equivalent to the existing instrument and is approximately half the cost.

- A reference method for fumonisins will be developed. The Food and Drug Administration (FDA) is expected to establish advisory levels for fumonisins in grains in FY 1999 and GIPSA must have a reference method to evaluate test kits for use in the Official Inspection System.

- Test kits for fumonisins will be approved for use in the Official Inspection System. With the establishment of FDA advisory levels for fumonisins and the approval of fumonisins test kits, GIPSA will be prepared to respond to the demand for fumonisins testing. This project is scheduled for completion in September 1999.

- GIPSA will implement a formal process to periodically review the performance of test kits approved for use in the Official Inspection System. This will ensure that test kits continue to meet GIPSA performance standards.

4. Pesticide Residue Analytical Methods Development. In FY 1998, GIPSA continued to participate in the USDA Pesticide Data Program (PDP) and 620 wheat samples and 460 soybean samples were analyzed in support of the Program. In FY 1999, GIPSA expects to address the following PDP-related needs:

   - Develop and validate a method to analyze oat samples for pesticide residues. Oat samples will be collected under the PDP and submitted to GIPSA for pesticide residue analyses. A method to analyze oats for pesticide residues must be developed and validated. Completion, by Analytical Reference and Testing Services (ARTS), is expected by August 1999.

   - Develop and validate a method to analyze peanut butter for pesticide residues. Some 600 peanut butter samples will be collected under the Pesticide Data Program and submitted to GIPSA for pesticide residue analyses. A method to analyze peanut butter will be developed and validated, as a service requested by the Agricultural Marketing Service. This process will begin about July 1999, with completion expected by June 2000.

5. Sprout Damage. Pre-harvest sprouting of wheat is of significant concern to the grain industry. Alpha-amylase is an enzyme that is produced as seeds begin the process of sprouting. In crops such as Soft Red Winter wheat, high levels of this enzyme will decrease the quality of products of soft wheat flour. Current methods, for example the Falling Number technique and visual examination of the grain for sprouting, indirectly assess the presence of the enzyme alpha-amylase. In FY 1998, GIPSA continued to investigate potential objective tests for determining sprout damage. A particular technology was reviewed and shows promise, but additional development is necessary before this technology can be considered for introduction into the Official Inspection System. In FY 1999, GIPSA will continue to investigate rapid and inexpensive technologies to objectively determine sprout damage.

6. Vitamin Analytical Methods Development for Processed Commodities. Vitamins are vital to the proper growth and development of children and for the maintenance of good health in adults. Ingredients used in preparing processed foods are often fortified with vitamins to improve the nutritive value of the final product. In response to a request from the Farm Service Agency, in FY 1997, GIPSA developed and validated an analytical technique to determine niacin in corn-soy blends. In FY 1998, GIPSA agreed to participate in a study to determine the stability of nutrients in corn-soy and wheat-soy blends. This study required the development of an analytical technique to determine vitamin A in corn-soy and wheat-soy blends and fortified vegetable oil. In FY 1999, GIPSA will develop and validate a method to analyze these commodities for vitamin A and complete the stability study.

7. Polymerase Chain Reaction (PCR) Analytical Methodology. Scientists are developing new varieties of grains that are more productive, adapted to growing climates, resistant to insults (plant, insect, microbial, etc.), and designed for specific end uses. These new varieties are being developed through breeding programs and genetic manipulation, i.e., genetically modified organisms (GMOs). As the number of grain varieties increase, it becomes increasingly difficult to subjectively differentiate among the grain varieties.

   PCR is a relatively new technique that amplifies target DNA sequences, which are unique to a particular organism, plant, or animal. The PCR technique offers the potential of objectively identifying grain varieties and genetically modified grains and, in FY 1998, GIPSA did investigate the development of PCR as an objective test for varietal identification. Minimal investigation of this technique is planned for FY 1999.

8. ISO 9002 Certification of Analytical Processes. The International Organization for Standardization (ISO) was founded in 1946 and standards issued by this organization are quickly

becoming accepted in manufacturing, trade, and communications. The American Society of Quality Control, the European Standards Institutes, and the Japanese Industrial Standards have endorsed ISO 9000 standards. GIPSA provides analytical services to the grain industry, both domestic and foreign, and it is very important that GIPSA maintain credibility as a provider of quality analytical services.

In FY 1998, two GIPSA laboratories successfully met ISO 9002 standards and received ISO 9002 certification--the Moisture Reference Laboratory and the Protein Reference Laboratory. In FY 1999, GIPSA will explore expanding ISO certification to other laboratory operations.

9. New Official Moisture Meter. In FY 1998, GIPSA developed inspection, calibration, and standardization processes for the new official moisture meter and, on August 1, 1998, implemented its use for all official corn, soybean, and sunflower seed determinations. In FY 1999, GIPSA will develop official calibrations for major grain types (such as wheat, barley, rough rice, and sorghum) and as many other grain types as possible. The new moisture meter will be used exclusively for these additional grain types beginning May 1, 1999. GIPSA will collect data, on an ongoing basis, to use for refining official calibrations for major grain types. Developing official calibrations will take place over a ten-year period for other minor grain types. GIPSA will develop improvements in grain moisture meter calibration and standardization methods by FY 2001.

10. Computer Imaging. Computer imaging is one of the most promising new technologies to contribute to accuracy, consistency, and objectivity in grain inspection and grading. In FY 1998, GIPSA developed instrument calibrations to measure the percentages of broken kernels and heat damaged kernels in milled rice. GIPSA initiated a collaborative study with the State of California to assess the adequacy of the method for officially determining the percent broken in milled rice. In FY 1999, GIPSA will complete the study and decide whether to implement the use of computer imaging equipment for this difficult test. GIPSA will partner with the Agricultural Research Service (ARS) to develop other applications for computer imaging in grain inspection and grading.

11. Wheat Dockage. The official procedures for wheat dockage require different methods when certain types of dockage are present in wheat samples. GIPSA worked with ARS and Kansas State University researchers in FY 1996, FY 1997, and FY 1998 to develop a new wheat dockage procedure that could be applied uniformly regardless of the types of dockage present. During FY 1999, GIPSA will conduct further evaluation of the developed method to assess the feasibility and market impact of changing to a uniform wheat dockage procedure.

12. Standardizing Commercial Grain Inspection Equipment. In FY 1998, GIPSA continued to participate in the cooperative effort between GIPSA, National Institute of Standards and Technology (NIST), and the National Conference on Weights and Measures to standardize commercial grain inspection equipment as part of the National Type Evaluation Program (NTEP). GIPSA serves as the sole NTEP laboratory for grain inspection equipment. The calibration data collected during FY 1995, FY 1996, and FY 1997 were used as the basis for numerous grain moisture meter calibration changes to improve the accuracy and consistency of commercial grain moisture measurements.

The NTEP Technical Sector dealing with commercial grain inspection equipment developed specifications and tolerances for commercial grain test weight measurements as part of automated grain moisture meters. GIPSA provided supporting technical guidance.

In FY 1999, GIPSA plans to continue to support NTEP as a laboratory for testing grain moisture meters and to move toward testing other types of grain inspection equipment as resources permit.

13. NIRT Standardization. In FY 1998, GIPSA applied its previously developed methods for standardizing all of the near infrared transmission (NIRT) instruments it uses for official measurements of wheat protein; soybean protein and oil; and corn oil, protein, and starch. The implementation of these methods significantly reduced the cost and complexity of maintaining official NIRT-based services. In FY 1999, GIPSA plans to further refine these methods and use them to provide cost-effective standardization for existing NIRT-based measurements and new measurements. GIPSA will investigate new calibration techniques that show potential for standardizing NIRT instrument calibrations for multiple grain types across North America, Europe, and Australia.

14. Odor Assessment. Odor is an important grain grading factor because it affects the acceptability of grain for many end uses. The presence of an objectionable odor results in the grain being assigned the lowest official grade, Sample grade. This directly affects the value of the grain. The current official method requires inspectors to directly smell grain samples contained in shallow pans. This method potentially exposes inspectors to dust, mold spores, and chemical residues. Also, differences among inspectors in sensitivity to odors make odor determinations less reproducible than most other official determinations.

GIPSA has been working with ARS to develop methods to improve the safety and objectivity of grain odor determinations. In FY 1998, GIPSA and ARS jointly selected a manufacturer to fabricate parts for six prototypes of an inspection aid that would reduce inspectors' exposure to particulate matter in grain. In FY 1999, GIPSA and ARS will complete the assembly of the prototypes and conduct a field test to assess the desirability and feasibility of using the inspection aid in official inspection laboratories.

GIPSA and ARS continued to work with two manufacturers of "electronic noses" in FY 1998. The manufacturers made some progress on their instruments, but further testing is needed in FY 1999 and beyond to assess the feasibility of using such instruments for routine official inspection.

15. Sunflower Oil. In 1998, producers began growing a new type of sunflower for the oil market. Traditionally, the sunflowers grown for oil have been high linoleic varieties. NuSun is the name that has been given to the mid-range oleic (monounsaturated) sunflower oil now being produced for the domestic vegetable oil market. Oil from NuSun varieties is lower in saturated fat content and more acceptable for deep-fat frying operations than linoleic oil. Approximately 100,000 acres of NuSun hybrids were planted in 1998. Eventually the majority of the oil sunflower seed acreage is expected to shift from traditional high linoleic type seed to mid-oleic varieties.

GIPSA uses the nuclear magnetic resonance (NMR) method for the official determination of oil in sunflower seed. The NMR instrument must be calibrated each day with sunflower seed samples with established seed weights and NMR oil values sealed in glass bottles. The existing NMR calibration standards are not capable of accurately predicting the oil content of NuSun varieties of sunflower. In July 1998, a GIPSA representative met with members of the sunflower industry to formulate a plan for developing an adjustment to the NMR calibration for NuSun type seed. As a result of this meeting, the following actions were taken:

(1) GIPSA replaced the calibration standards with new samples for which the levels of oleic/linoleic oil were established;

(2) The sunflower industry collected over 100 samples of the NuSun crop representing all of the primary growing areas, tested the samples for oleic/linoleic content, and provided GIPSA with a portion for analysis;

(3) GIPSA analyzed the samples by NMR and oil extraction methods and developed a calibration adjustment for NuSun type seed.

Since this process required the analysis of new crop samples, the adjustment factor was not available until after harvest was nearly complete. The sunflower seed industry needed an interim process for those mid-oleic and high-oleic crops being marketed during harvest to facilitate payment to producers. GIPSA developed an interim adjustment factor based on samples from 1997 NuSun test plots to provide preliminary information on the oil content. This allowed the industry to make initial payments to producers before the official calibration adjustment was developed.

16. DON Barley Study. Since 1993, infection of northern wheat and barley crops by fusarium fungi has been a continual problem. DON is one of the milder toxins produced by fusarium species of fungi that flourish during rainy growing seasons. The fungus that produces DON can cause post-production and flavor problems in beer.

After the 1997 harvest, producers in central North Dakota raised concerns about the high degree of variability in DON test results and the adverse economic impact of DON discounts on producers. In response to the concerns of variability, GIPSA participated in several informational/educational meetings to provide barley producers, grain handlers, and grain inspection quality control personnel with information about proper sampling and testing methodology.

To further address the sampling variability issue, GIPSA participated in a cooperative effort to determine if DON analysis variability could be reduced. A study was designed to evaluate the contributions to test variability from the sample, sample preparation, and the analytical method. The study was conducted in collaboration with North Dakota State University, the North Dakota Barley Council, North Dakota Grain Dealers Association, Neogen Corporation, Romer Labs, Grand Forks Grain Inspection, and the USDA, Agricultural Research Service and was concluded in June 1998.

The study did not identify any single source of variation that would, if reduced, significantly reduce variability of DON measurements in an easy and cost-effective manner. The variability is likely influenced by many sources in the DON measurement process. The observed variability could be generally attributed to the general state of technology that is continually being improved. The available technology for rapid testing of DON is somewhat limited and only a few choices exist. The market demands for highly repeatable results may not be achieved with the current technology but, at this time, no better alternatives exist.

17. Corn Oil, Protein, and Starch Testing Services. According to a recent U.S. Feed Grains Council report, high oil corn (HOC), which has had a production increase from virtually no acres in 1993 to an estimated 1,500,000 acres in 1998, is the fastest growing Value-Enhanced Corn (VEC) product in the United States. By the year 2000, production of HOC is expected to reach 3 million acres and represent a significant part of the VEC produced and traded in the marketplace. The primary use of HOC is by livestock feeders to enhance weight gain.

In response to the growing interest and demand for VEC (specialty varieties of corn with particular value added end-use quality characteristics), GIPSA expanded the use of its existing near-infrared transmittance (NIRT) testing services to accommodate the interest of producers and processors and their need for corn oil, protein, and starch analysis. On July 1, 1998, GIPSA began offering this service to provide the corn industry with accurate information with which to determine value, establish premiums, and negotiate price. The costs of providing this service (instruments, training, etc.) were minimized by the selection of previously approved NIRT technology and the use of existing instruments.

18. Wheat Protein Calibration Updates. In May 1998, GIPSA implemented an updated Hard White wheat protein calibration for official near-infrared transmittance (NIRT) instruments and began a

gradual, system-wide implementation of its Durum wheat calibration. The latter was fully implemented by July 1, 1998.

GIPSA routinely monitors the performance of its NIRT calibrations and periodically updates them in order to maintain the "robustness" of the calibration and assure reliable predictions of protein content by maintaining optimum agreement between NIRT instruments and the standard reference method, the Combustion Nitrogen Analyzer.

COMPLIANCE ACTIVITIES

Goal 2: Promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture.

Objective: 2.4 - Protect the integrity of U.S. grain marketing by regulating grain weighing and handling practices, and regulating the providers of official grain inspection and weighing services.

Current Activities: The compliance program is designed to ensure the accurate and uniform application of the USGSA and applicable provisions of the AMA. The compliance program functions include: (1) evaluating alleged violations, initiating preliminary investigations, and initiating enforcement/administrative actions for violations; (2) conducting technical reviews of FGIS' operations and monitoring appropriate corrective action; (3) administering the program for delegating State agencies and designating State and private agencies to perform official functions and monitoring their performance; (4) establishing cooperative or reimbursable agreements with States under the AMA to provide miscellaneous processed commodity, graded commodity, or rice services; (5) identifying, monitoring, and exempting, where appropriate, official agency and licensee conflicts of interest; (6) licensing personnel of delegated States and designated agencies; (7) registering persons/firms engaged in buying grain for sale in foreign commerce and engaged in handling, weighing, and transporting of grain for sale in foreign commerce; and (8) maintaining an international monitoring program which interacts with foreign governments and trade teams to exchange information and respond to complaints concerning quality and quantity grain shipments.

Selected Examples of Recent Progress:

1. Compliance Reviews. Compliance reviews are third-party reviews of GIPSA field office circuits. During FY 1998, GIPSA personnel conducted compliance reviews of 4 GIPSA field offices and 3 of their suboffices; and 33 State and private agencies (official agencies) delegated for export or designated to provide domestic services. Review teams evaluated customer satisfaction (including potential service delivery discrimination), management effectiveness, and procedural compliance. GIPSA found no instances of service delivery discrimination, but it did find various noncompliance and procedural problems within the national grain inspection and weighing system that have been or are being corrected. None of these findings appear to have affected the overall integrity of the Agency's programs, the inspection system, or the mission of the Agency. All identified problems have been or are being corrected. Overall, the field offices and official agencies are performing satisfactorily, thus meeting GIPSA's mission.

2. Delegation and Designation Program. There are 62 State and private agencies (official agencies) which are designated under the U.S. Grain Standards Act, as amended, to provide permissive official inspection and/or weighing services at domestic locations. Of these, eight are States which also are delegated to provide mandatory official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State decides to terminate the agreement. Designations terminate every 3 years.

   Under GIPSA's triennial renewal procedures, 24 official agency designations automatically terminated in FY 1998. Of the 24, GIPSA renewed 22 for full 3-year terms after reviewing each agency's performance. The other two 2 were granted a 1-year provisional designation in order to

allow them to correct problems found in their operations. One of these agencies voluntarily canceled when it sold its business to another private inspection agency; GIPSA is working with the second agency to resolve its problems.

One private agency's designation was voluntarily canceled when its corporate stock was purchased by, and operations were merged with another private agency.

New York State's designation was voluntarily canceled due to lack of inspection business. GIPSA's Baltimore Field Office now provides any needed services to the Agency's former customers.

3. Pilot Program. In FY 1998, GIPSA continued two previously established pilot programs to gather information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single area. The first pilot program addresses improving timeliness of service provided to facilities from official agencies. The program allows official agencies to provide services to facilities located outside of their assigned area on a case-by-case basis, when official services could not be provided within established time frames. During FY 1998, 5 facilities received 10 inspections. All were for barge or railcar movements.

The second pilot program established criteria for an "open season" during which official agencies could offer their services to facilities outside their assigned area if no official services had been provided there during the previous 3 months. During FY 1998, 40 facilities received 10,469 inspections -- 9,717 were railcar movements and 752 were barges.

In response to requests from the trade for additional flexibility in obtaining service from alternate providers, GIPSA also implemented a new pilot program in FY 1998 that allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 1998, 8 facilities received 17 barge inspections.

All pilot programs will be in effect until September 30, 2000.

4. Conflicts of Interest. At the beginning of FY 1998, there were five designated official agencies (private) which had been granted discretionary conflict-of-interest waivers. Four of the five agencies operated without significant problems. One of the agencies was found to have repeated noncompliances, a lack of management direction, and the inability to understand and resolve its conflict of interest. As a result, its designation was not renewed.

One of the four remaining agencies also purchased the stock of the corporation of another private agency and merged its operations in order to provide better service to the trade. The designation of the purchased agency was then canceled. The operations manager of one of the agencies was indicted for embezzling funds from the agency. The Agency is initiating appropriate action to address this situation.

5. Alleged Violations and Case Activity. At the beginning of FY 1998, 14 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 1998, GIPSA personnel opened 15 cases (14 alleged violations and 1 inquiry) and closed 15 cases, leaving 14 cases pending. Some examples of alleged violations included: deceptive loading, improper grain handling, adding non-grain substances to grain (adulteration), altering official certificates, issuing false official certificates, misuse of official certificates, exporting grain without official inspection, attempted bribery, accepting gratuities, assault of official personnel, performing official duties improperly, and employee misconduct.

FGIS personnel compiled 12 violation reports, with 5 reports requiring on-site evaluations, and the USDA's Office of the Inspector General (OIG) reviewed 3 cases. GIPSA referred three employee

misconduct cases to another USDA agency for evaluation and addressed the remaining cases by reviewing information received from its field personnel.

FGIS took administrative action in 8 of the 15 cases closed during FY 1998. These actions included a $24,000 civil penalty and 4 cautionary letters to various grain firms, official agencies, and licensed personnel. GIPSA managers initiated various personnel actions to address 3 cases; and 7 cases were closed due to insufficient evidence to prove a violation.

Moreover, during FY 1998, OIG and the Justice Department pursued criminal action in two investigations involving false weighing and falsification of grain weight certificates. One defendant pled guilty to a misdemeanor violation and received 2 years' probation and a $500 fine. The U.S. Attorney's office anticipates receiving additional guilty pleas from other defendants in these cases and possible convictions.

6. Registration Program. During calendar year 1998, FGIS issued 80 Certificates of Registration to firms that exported grain from the United States.

7. Administrative Claim. In FY 1998, Senior Judge, U.S. District Court for the District of Montana, ruled on GIPSA's wheat protein lawsuit filed by farmers and elevator operators from Montana and South and North Dakota (Gollenhon Farming et al. V. United States). The judge ordered that the defendant's Motion to Dismiss be granted. In brief, the judge dismissed all claims of the plaintiff-farmers in their entirety. The judge also dismissed all claims by the plaintiff-grain elevators except two claims that the U.S. Attorney's Motion to Dismiss did not address. The U.S. Attorney intends to address these two remaining claims through further briefs or attempts to persuade the plaintiff's attorneys to drop them.

International Monitoring

The International Monitoring program functions include (1) traveling to other countries to explain the Agency's inspection and weighing procedures; (2) briefing visiting trade and governmental teams and others on the grain marketing system, the Agency, and grain quality issues; (3) monitoring the quality and weight of grain shipments between origin and destination ports; (4) assisting USDA cooperator organizations with international market development projects, such as establishing grain inspection laboratories, testing and evaluating grain inspection equipment accuracy, and providing grain inspection training to local inspectors; and (5) preparing written or on-site responses to discrepancies about grain shipments reported through the Foreign Agricultural Service and other sources.

In FY 1998, GIPSA received 14 quality and 1 quantity discrepancies from importers on grains inspected under the U.S. Grain Standards Act, as amended. Complaints involved 23 lots loaded aboard 17 vessels.

Importers, complaints in FY 1998 involved approximately 414,755 metric tons, or about 0.4 percent by weight, of the total amount of grain exported during the year. The 19 quality and 4 quantity complaints GIPSA received in FY 1997 represented approximately 0.5 percent of the total tonnage of grain exports.

In 1998, GIPSA representatives met with 58 teams from 35 countries to explain the role of the Agency in the U.S. grain marketing system. In addition, Agency personnel provided a wide range of technical advice and support to many nations, including a wheat protein collaborative study for Asian importers.

PACKERS AND STOCKYARDS:

Packers and Stockyards:

Goal 1: Ensure a fair, open and competitive marketing environment for livestock, meat, and poultry.

Objective(s): 1.1 - Monitor, investigate, an analyze the livestock, meat, and poultry industries to determine if firms are engaging in any practice with the intent or with the effect of limiting or restricting competition. Initiate appropriate corrective action if evidence of anti-competitive practices is disclosed.

1.2 - Identify and correct unfair, deceptive, or discriminatory trade practices in the livestock, meat, and poultry industries.

1.3- Provide financial protection to livestock and poultry producers by ensuring subject firms and individuals comply with the payment, custodial, trust, bonding, and financial provisions of the P&S Act.

Current activities, examples of recent progress, and programs under the provisions of the Packers and Stockyards Act and the clear title provisions of the Food Security Act 1985.

Current Activities: The Packers and Stockyards (P&S) Act of 1921 (7 U.S.C. 181-229) is administered to assure free and open competition, fair trade practices, and financial protection to the livestock, meat, and poultry industries. The objectives of the P&S Act are to protect producers, consumers, and competitors against unfair, deceptive, or discriminatory practices as well as those that are predatory or monopolistic in nature. The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering central filing systems established by States for prenotification of security interests against farm products. Specific areas to which efforts are now being directed are:

- Surveillance of meat packer procurement practices and geographic markets to foster and maintain fair and effective competition and avoid conflicts of interest.
- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.
- Investigating packer meat merchandising and chainstore buying in order to maintain prices established by fair and competitive marketing practices.
- Investigating the financial condition and payment practices of market agencies, dealers, packers, and live poultry dealers subject to the Act to determine if they are financially sound and capable of meeting their obligations.
- Maintaining the integrity of the statutory trust for cash sellers of livestock and poultry.
- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than $500 of livestock annually) to assure payment for livestock purchased.
- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.
- Checkweighing at auction markets, terminal stockyards, and at packer and dealer buying stations to foster and maintain integrity in the weights of subject transactions.

SELECTED EXAMPLES OF RECENT PROGRESS:

1. Unfair Competitive Practices: One of the major responsibilities under the P&S Act is to assure that a fair, open, and competitive marketing system exists. Any practice, agreement, or understanding that excludes potential buyers or sellers from participating in open competition would be considered a restraint on competition. The Agency continually monitors the marketing of livestock for unfair practices, and acts to fulfill its responsibilities with regard to potential competitive restrictions.

A criminal indictment for violating the Sherman Act and Federal mail fraud statutes was handed down on December 17, 1997, in Federal District Court, Omaha, Nebraska, alleging that a salaried packer buyer conspired with a feedlot owner and his employee to defraud a cattle feeder out of $23,367 on one transaction involving 468 head of cattle. On December 26, 1997, the feedlot owner agreed to plead guilty to violating the Sherman Act for his role in the scheme. He was sentenced on February 25, 1998 to: (1) a $20,000 fine, (2) $23,367 restitution, (3) 400 hours community service, (4) 6 months electronic house arrest, and (5) 5 years probation. The packer buyer was sentenced on July 2, 1998 to: (1) a $24,000 fine, (2) $9,864 restitution, (3) 3 years probation, and (4) 8 months home confinement. The action was the result of the cooperative investigative efforts of GIPSA, the Federal Bureau of Investigation, the Department of Justice, Antitrust Division and the Nebraska Brand Committee.

An investigation of slaughter hog procurement in the western Corn Belt has been completed. The investigation includes analysis of contractual arrangements between packers and pork producers and price relationships between various procurement arrangements. Assessment was conducted to determine whether USDA's publicly reported Market News prices accurately reflect packer procurement transactions. Statistical analysis has been conducted with the cooperation of personnel from USDA's Economic Research Service and National Agricultural Statistics Service. Findings have been reported to the industry, and plans are underway to present the information to small producers in the investigation area.

In December 1998, GIPSA completed a broad investigation of fed steer and heifer procurement in the Texas Panhandle. Descriptive and graphical analysis have been completed and portions have been reported to interested industry groups. Purchase and slaughter patterns have been examined to identify potential occurrences of aberrant or unusual procurement practices. Assessment has been conducted to examine whether USDA's publicly reported Market News prices accurately reflect packer procurement transactions. Econometric and statistical analysis are being conducted under cooperative agreement with researchers at Iowa State University and the University of Nebraska. The purpose of this analysis is to identify relationships between spot market prices and non-spot purchases, and to reveal relationships that may not be apparent. A peer review of the investigation is expected during the second quarter of 1999.

GIPSA is conducting an investigation involving trade practices of the Nation's major lamb slaughterers. This investigation includes an analysis of pricing and procurement methods, procurement areas, contractual arrangements, plant and firm comparisons, seller comparisons, and related analysis. An extensive data collection effort focusing on procurement as well as sales transactions and preliminary analysis and investigation have been completed. Analysis will be conducted by Agency economists. The completion date depends on the results of the economic analysis.

GIPSA continued investigation of the procurement of slaughter cows. These investigations have focused on potential failures to compete for the purchase of cull cows at auction markets. Purchasing arrangements between and among packers and buyers are being investigated, including failures to conduct buying operations competitively and independently.

GIPSA has received information that some livestock transactions are conditioned on an agreement that the transaction price not be reported to public or private reporting services. GIPSA is concerned that the non-reporting of price as a condition of the purchase or sale of livestock may result in inaccurate and incomplete price information, adversely affecting the price discovery process. Therefore, GIPSA is considering a proposed rulemaking that would prohibit, as a violation of the Packers and Stockyards Act (P&S Act), the non-reporting of price as a condition of the purchase or sale of livestock. In order to assess the need for regulatory action, GIPSA published an Advance Notice of Proposed Rulemaking in the Federal Register to invite comments from all interested parties. Analysis of the comments received will be conducted in FY 1999.

2. Unfair Trade Practices: A major case alleging that IBP, inc, entered into a marketing agreement and paid preferential prices to an exclusive group of feedlots in Kansas was dismissed by the Chief Administrative Law Judge in September 1997. The Agency filed an appeal in November 1997 with USDA's Judicial Officer, who has been delegated authority to issue the final decision for USDA in cases arising under the P&S Act. The Judicial Officer upheld most of the Chief ALJ's initial decision dismissing the complaint, but disagreed with the Chief ALJ's conclusion that IBP did not violate the Act. He ruled that one of the terms of the agreement, the right of first refusal, has the effect or potential effect of reducing competition. Importantly, he agreed with the Agency that the appropriate standard of harm is harm to competitors, rather than the higher standard of harm to competition. In August 1998, IBP appealed the Judicial Officer's decision to the Eighth Circuit Court of Appeals and IBP was granted a stay of the Judicial Officer's order pending the outcome of its appeal.

3. Dialogue with Industry: GIPSA maintains an active dialogue with industry participants to sustain current knowledge of issues of concern. During the course of investigations, GIPSA personnel make formal and informal contacts with people in all phases of the livestock, poultry and meat industries. From these contacts, perspectives are shared about specific complaints as well as general concerns. GIPSA established a toll-free number (1-800-988-3447) as another avenue for producers and the public to voice their concerns and record their complaints about competitive, trade practice, or financial issues that may warrant investigation. When appropriate, GIPSA also seeks comment from interested parties through requests for comments published in the Federal Register. For example, comments were sought on a petition submitted by the Western Organization of Resource Councils (WORC) requesting that GIPSA initiate rulemaking to restrict certain fed cattle procurement practices. The petition has stimulated valuable discussion of economic and legal issues related to forward contracting and packer feeding of cattle and contractual arrangements for production and sale of other species as well. To foster an ongoing dialogue on the merits of the petition, GIPSA has made its assessment of the petition and comments available on its website.

4. Peer Review of Investigations: GIPSA has committed to conducting peer reviews of selected major investigations to evaluate whether GIPSA asked the right questions, collected the right data, and conducted sound analyses using appropriate models. The goal is to improve and enhance (1) procedures for conducting investigations of competitive practices in slaughter livestock and poultry markets, (2) procedures for internal quality control to use in future investigations of competitive issues, and (3) identification and development of staff who work on competition investigations. Reviewers from outside USDA will be selected who have the credentials needed to conduct sound, objective, and constructive reviews. The professional peer reviews will provide information that will assist in developing operating procedures and staff capabilities for designing, implementing, and reviewing future major competitive investigations that will be undertaken by GIPSA.

5. Payment Protection: During FY 1998, the Agency conducted 60 on-site audits of dealers and market agencies, finding 21 insolvent by $1.8 million. Analysis of annual and special reports revealed insolvencies totaling $17.6 million at another 226 dealers and market agencies. Of those

found to be insolvent, 130 completely corrected or improved their working capital by $10.1 million after being placed on notice of the deficiency.

6. Custodial Accounts: During FY 1998, compliance audits conducted on 393 custodial accounts disclosed that 187 markets had shortages totaling $5.7 million in their custodial accounts. As a result of the audit program, 138 markets restored $3.7 million. Follow-up investigations continue of those markets not correcting shortages.

7. Packer Trust: Over the last 5 years, cash sellers of livestock have been paid $8.8 million under the statutory trust provision. During fiscal year 1998, nine packer firms paid out $5 million. Nine packer trust investigations were conducted during FY 1998.

8. Live Poultry Trust: A statutory trust provision offering protection to live poultry growers and sellers became effective in February 1988. Since then the Agency has investigated 38 poultry failures with 23 resulting in payments totaling $7.3 million.

9. Frauds in Livestock Marketing: Fraudulent marketing practices, such as weight and price manipulation and misrepresentation of livestock as to origin or health continue to be concerns within the industry. Emphasis is given to investigating these practices when complaints are received or when such practices are uncovered during other investigations. During FY 1998, GIPSA issued an administrative complaint alleging one livestock dealer sold livestock to its customer after arbitrarily and fraudulently increasing the purchase weight of such livestock and misrepresenting to the customer the source of the livestock by use of fictitious names. The Agency also prepared an investigation file alleging that a livestock dealer had engaged in various fraudulent transactions. The transactions included: (1) falsification of records concerning disposition of livestock, which had been resold at an auction market rather than sold to a packer on a grade and yield basis as accounted to his customer; (2) falsification of the weight and price of livestock; (3) and in some instances, the customer received a fictitious condemnation certificate in lieu of any payment. The file was referred to the Department of Justice seeking a permanent injunction and an appropriate sanction under Section 10 of the P&S Act.

10. Scales and Weighing Activities: The Agency conducted 348 check weighing investigations at livestock auction markets, buying stations, and meat packing plants and poultry processing plants during FY 1998. More than 10,000 head of livestock were check weighed by Agency personnel during these investigations.

    The Agency conducted two formal training schools for State and local weights and measures officials. A total of 36 students from the States of Wisconsin, Michigan, Illinois and West Virginia and Agency personnel attended the schools conducted as part of the National Training program. Since the inception of this National Training Program in 1988, the Agency has conducted 24 training schools for 416 students from 41 States and the Navajo Nation. More training schools are planned for FY 1999 and beyond.

11. Carcass Merit Purchasing: During FY 1998, the Agency continued to implement its compliance review procedures to monitor the use of electronic evaluation devices used by hog slaughterers to purchase hogs on a carcass merit basis. The program ensures that the electronic measuring is accurate, properly applied and the producer receives accurate accounting for the sale. The Agency began this program approximately 5 years ago.

12. Poultry Growers Protected: A proposed rule has been developed to regulate the weighing of feed, when feed is an integral part of the payment process. This rule was developed as a result of the 3,415 comments received relative to an Advanced Notice of Proposed Rulemaking published in FY 1997. This proposed rule is currently in the Departmental clearance process. The Agency is also considering the need for further regulations that would provide growers with additional

assurances that their settlements will be equitable. The Secretary asked Congress for administrative enforcement authority on issues involving the poultry industry, as further protection for poultry growers. Agency personnel continued to participate in poultry related conferences, eliciting comments from those individuals involved in the industry in an ongoing effort to ensure that fair and equitable treatment exists between poultry growers and poultry processors.

13. Reparations: Any person harmed when a market agency or dealer violates the P&S Act may file a complaint seeking monetary damages. At the beginning of FY 1998, there were 32 docketed reparation actions pending, in which the complainants were seeking reparation in the amount of $428,875. During FY 1998, 6 additional actions were docketed or reopened, in which the complainants sought reparation in the amount of $92,131. Eight dockets were closed, in which 3 complainants were awarded a total of $12,520. At the end of FY 1998, 25 dockets were pending, in which complainants are seeking $361,080 in reparation.

14. Clear Title: Section 1324 of the Food Security Act of 1985 requires USDA to certify central filing systems established by States for prenotification of security interests against farm products. At the end of FY 1998, 19 States were operating central filing systems that have been certified under the clear title provisions of this statute.

15. Packer Bonding: All packers purchasing in excess of $500,000 worth of livestock annually must be bonded.

Packer Bonding	FY 1997	FY 1998
Value of bonds ($ in millions)	$382.1	$304.0
Number of packers bonded 9/30	433	409
Number of packer bonds called on	5	7
Value of packer bonds called on ($ in millions)	0.4	10.0

16. Registration: The Act and Regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application simultaneously with a surety bond or its equivalent.

Registration/Bonding Activity	FY 1997	FY 1998
Market agencies/dealers registered and bonded	6,900	6,391
Value of registrants' bonds ($ in millions)	244	248.9
Packer buyers - registered only	2,115	1,988

In FY 1998, 272 claimants recovered $308,440 out of $1,913,970 in claims filed against bonds maintained by dealers and market agencies that failed financially. Claims totaling approximately $528,460 are pending and expected to be paid to claimants.

17. Recruitment: GIPSA is moving forward to develop additional skills for investigations involving anticompetitive practices. Recruitment of investigators with economic and legal expertise took a high priority in FY 1998. Emphasis has been placed on contacting institutions likely to have candidates from under-represented groups. As a result of recruiting efforts, economists were placed in the Denver and Des Moines field offices as well as Washington headquarters in FY 1998.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

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

Limitation on Inspection and Weighing Services Expenses:

Not to exceed $42,557,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 percent with notification to the Appropriations Committees.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INSPECTION AND WEIGHING SERVICES

Obligations, 1999	$42,557,000
Budget Estimate, 2000	42,557,000
Change in Obligations	--

LIMITATION ON INSPECTION AND WEIGHING EXPENSES

Appropriation Act, 1999	$42,557,000
Change in Limitation	--
Budget Estimates, 2000	42,557,000

PROJECT STATEMENT

Project	1998 Actual		1999 Estimated		Increase or Decrease	2000 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Insp. & Weighing Activities. . . .	$32,519,043	453	$42,557,000	453	--	$42,557,000	453
Unobligated balance avail. start of period	-2,677,924	--	-4,116,363	--	--	-4,116,363	--
Unobligated balance avail. end of period	2,616,363	--	4,116,363	--	--	4,116,363	--
FY 1998 Supplemental	1,500,000	--	--	--	--	--	--
	1,500,000	--					
Collections . . .	32,457,482	453	42,557,000	453	--	42,557,000	453

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff-years
1998 Actual and Estimated 1999 and 2000

Inspection and Weighing

	FY 1998		FY 1999		FY 2000	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arkansas	$1,970,559	39	$2,579,000	39	$2,579,000	39
California	77,955	1	102,000	1	102,000	1
District of Columbia	8,009,307	46	10,482,000	46	10,482,000	46
Idaho	210,275	4	275,000	4	275,000	4
Iowa	279,915	4	366,000	4	366,000	4
Kansas	472,527	6	618,000	6	618,000	6
Louisiana	10,544,013	174	13,799,000	174	13,799,000	174
Maryland	662,767	11	867,000	11	867,000	11
Minnesota	348,699	5	456,000	5	456,000	5
Missouri	1,998,324	31	2,615,000	31	2,615,000	31
North Dakota	366,372	6	480,000	6	480,000	6
Ohio	1,154,159	20	1,510,000	20	1,510,000	20
Oregon	2,657,694	47	3,478,000	47	3,478,000	47
Texas	3,533,975	57	4,625,000	57	4,625,000	57
Washington	51,592	1	68,000	1	68,000	1
Subtotal, Available or Estimate	32,338,133	452	42,320,000	452	42,320,000	452
Canada	180,910	1	237,000	1	237,000	1
Total, Available or Estimate	32,519,043	453	42,557,000	453	42,557,000	453

Inspection and Weighing Services:

The official grain inspection and weighing system--a unique mix of Federal, State, and private inspection agencies--served the industry by providing about 2 million inspections in 1998, representing an estimated 215 million metric tons of grains and oilseeds.

The Agency will continue to develop new inspection and weighing services while seeking additional ways of reducing costs.

Selected Examples of Recent Progress: (Inspection and Weighing)

1. Inspection and Weighing Fees. Effective July 1, 1998, GIPSA increased, by approximately 2.9 percent, its hourly rates and certain unit rates on tests performed at other than an applicant's facility for user fees charged for official inspection and weighing of grain (63 *Federal Register* 32713). The increase was designed to generate additional revenue required to recover operational costs created by mandated cost-of-living increases to Federal salaries.

2. Rice Inspection Fees. Effective January 1, 1998, GIPSA increased its fees for Federal Rice Inspection Services (61 *Federal Register* 34714). This fee increase was intended to cover the projected operating costs and to generate sufficient revenues to maintain an appropriate operating reserve.

3. Automated Grain Handling and Weighing. GIPSA continues to assist major export elevators in their ongoing efforts to integrate automation into official weighing and grain handling operations. Five fully automated weighing systems have been approved. One elevator system is undergoing its final testing. Four elevators have systems that have been installed and are being tested. An additional elevator system has been cleared for installation. This represents a total of eleven systems. Inquiries from elevators regarding automation initiatives continue to be submitted for review. Instructions continue to be revised to keep pace with state of the art automation.

   An automated weighing system, by monitoring grain flow constantly and keeping a detailed log of elevator operation, allows GIPSA to achieve superior supervision of weighing and grain flow, and improves an elevator's efficiency.

4. Kamut Inspection Procedures. GIPSA established uniform inspection procedures for the analysis of Kamut seed. Kamut, an organically grown wheat-like grain that can be consumed by those allergic to wheat, was first introduced to the health food market in 1988 and use of it has grown steadily since that time. Producers of Kamut were interested in receiving Federal crop insurance coverage for their commodity; however, Federal crop insurance was not available because Federal inspection procedures were not established. To assist producers in obtaining crop insurance coverage, GIPSA worked with Federal Crop Insurance Corporation representatives to develop and publish Federal inspection procedures for Kamut. GIPSA implemented these procedures on April 15, 1998, as a service provided under the Agricultural Marketing Act (AMA) of 1946.

5. Contracting for Service. On June 1, 1998, a final rule was published in the *Federal Register* that amended the AMA regulations to allow GIPSA and State cooperators to use contractors to perform specified inspection services. GIPSA determined that private firms, institutions, and individuals, working under contract with GIPSA field offices and State cooperators, may be able to perform some inspection services, at certain locations, more effectively or at less cost than if those services were performed by GIPSA or State employees. Consequently, the final action allows GIPSA and State cooperators to contract for service work and to license individual contractors and those employed by contractors. Detail procedures regarding contracting guidelines are currently under development.

6. Wheat Protein Analysis. During FY 1998, GIPSA evaluated the need for increased flexibility in the certification of wheat protein. Specifically, GIPSA evaluated the need to certify wheat protein on a moisture basis other than the fixed 12 percent moisture basis. GIPSA found that some foreign buyers of U.S. wheat specify a moisture basis other than 12 percent for their contracts. Consequently, these buyers cannot receive wheat protein certification from GIPSA. To remedy this situation, GIPSA will prepare a notice to the *Federal Register* announcing its intent to offer certification on the 12 percent moisture basis and one other moisture basis specified by the applicant. This flexibility will allow GIPSA the opportunity to test wheat protein for all U.S. wheat buyers. The notice is scheduled for publication during FY 1999.

7. Grain Transportation Activity. During FY 1998, GIPSA extensively monitored the railroad congestion problem as it related to grain movements. GIPSA worked closely with the Agricultural Marketing Service's Transportation and Marketing Division in collecting and disseminating situation updates. The transportation problems also increased the amount of grain stored on the ground. As this situation increased, GIPSA closely monitored the quality and condition of the grain. Weekly information prepared by GIPSA was shared with the industry through departmental presentations and testimonies during Surface Transportation Board hearings and Senate/House subcommittee hearings. GIPSA also assigned two representatives to the Secretary's joint USDA and Surface Transportation Board Grain Logistics Task Force working group. Their grain market knowledge was utilized in developing approaches to coordinate grain transportation and grain market needs. In addition to the rail transportation issues, GIPSA also monitored the daily effects of the Pilots Agree Union strike for grain shipments via barge along the Mississippi River and its major tributaries.

8. Stowage Examination Procedures. During FY 1998, GIPSA reviewed railcar and barge stowage examination procedures and criteria to identify changes which could promote enhanced safety, efficiency, reliability, and uniformity. In consultation with the National Grain and Feed Association, the North American Export Grain Association, and the American Association of Grain Inspection and Weighing Agencies, GIPSA identified immediate changes which were implemented on September 1, 1998. These changes included conducting barge inspections from the deck of the barge and allowing additional residual grain provided the grain is the same kind to be loaded and the residual grain is not out of condition.

9. Customer Outreach. To demonstrate GIPSA's ongoing commitment to providing market-oriented inspection and weighing services, a nationwide outreach program was completed in FY 1998 that encouraged and facilitated GIPSA field office/official agency communication with the U.S. agricultural community. Agency representatives conducted group and private meetings with field office/official agency managers and grain/rice processors, handlers, and processors throughout the United States to promote the official system, demonstrate the Department's commitment to U.S. agriculture, and explore better ways to serve producers, handlers, and processors.

9. Quality Audits. In March 1997, the Farm Service Agency (FSA) initiated a pilot program to evaluate the use of "Total Quality System Audits" (TQSA) to assure the quality of processed commodities. TQSA uses combined features from International Standards Organization (ISO), Hazard Analysis Critical Control Point (HACCP), and Quality Control Analysis (QCA) systems. It is a quality concept that focuses on quality in the actual manufacturing process. The primary concept is that the manufacturer, not the Government, is responsible for ensuring quality control and contract compliance. A successful evaluation of the TQSA pilot program led to GIPSA's implementation of a "Total Quality Systems Audit" (TQSA) training program during FY 1998. The FSA-sponsored training included a 36-hour ISO 9000 lead assessor course given by the Auditor Training Institute, Inc.; and on-site practice audits of FSA's suppliers. A 6-month TQSA phase-in of corn product suppliers began in September 1998. Suppliers will operate under both end-item inspection procedures and TQSA guidelines during this interim trial period. As the corn products phase moves toward implementation, another phase of auditor training will begin. Other

suppliers are planned for inclusion in the TQSA program, provided the test is successful for corn product suppliers.

11. Railroad Track Scale Testing Program. GIPSA's involvement in testing railroad track scales was mandated by the USGSA, which required GIPSA to provide for the testing of all equipment used in the official weighing program. In 1990 legislation, GIPSA was authorized to use their equipment to test commercial scales, thereby helping the railroad industry accomplish routine testing of many commercial track scales. The equipment GIPSA uses for these services is unique. The test weight standards, which are held to a tolerance several times more precise than the tolerance allowed for such commercial equipment, are contained in three special railcars owned by GIPSA. The three cars move across the country to meet an ever-increasing demand for the specialized testing services that GIPSA provides.

In FY 96, GIPSA responded to increasing requests for service by expanding the program to testing scales on a cost recovery basis. The first service agreement to test 54 scales was signed by the Norfolk Southern Corporation (NSC) in 1996. In FY 99, GIPSA tested 112 NSC scales.

A growing number of railroads are availing themselves of this unique testing service which GIPSA runs on a user fee basis. Due to downsizing and restructuring in the railroad industry, GIPSA anticipates continued growth in this program as many railroads move away from testing their own equipment and move towards contractual testing arrangements with GIPSA as an impartial, third-party railroad track scale testing expert.

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ISBN 0-16-058434-5

