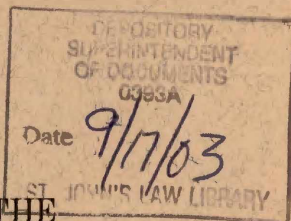


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**AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RELATED
AGENCIES APPROPRIATIONS FOR 2004**

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION



**SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND
DRUG ADMINISTRATION, AND RELATED AGENCIES**

HENRY BONILLA, Texas, *Chairman*

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JACK KINGSTON, Georgia	ROSA L. DELAURO, Connecticut
GEORGE R. NETHERCUTT, Jr., Washington	MAURICE D. HINCHEY, New York
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NOTE: Under Committee Rules, Mr. Young, as Chairman of the Full Committee, and Mr. Obey, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

HENRY E. MOORE, MARTIN P. DELGADO, MAUREEN HOLOHAN, and JOANNE L. PERDUE,
Staff Assistants

PART 7

**FARM AND FOREIGN AGRICULTURAL SERVICE
PROGRAMS AND FOOD SAFETY PROGRAMS**

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2004

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RE- LATED AGENCIES APPROPRIATIONS FOR 2004

WEDNESDAY, MARCH 5, 2003.

FARM AND FOREIGN AGRICULTURAL SERVICES

WITNESSES

J.B. PENN, UNDER SECRETARY

JAMES R. LITTLE, ADMINISTRATOR, FARM SERVICE AGENCY

**A. ELLEN TERPSTRA, ADMINISTRATOR, FOREIGN AGRICULTURAL
SERVICE**

W. KIRK MILLER, GENERAL SALES MANAGER

**ROSS J. DAVIDSON, JR., ADMINISTRATOR, RISK MANAGEMENT AGEN-
CY**

**STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRI-
CULTURE**

INTRODUCTION OF WITNESSES

Mr. BONILLA. The subcommittee will come to order.

We are delighted today to have with us for our hearing Dr. J.B. Penn, the Under Secretary for Farm and Foreign Agricultural Services; Mr. James Little, who is joining us with the—he is Administrator of the Farm Service Agency; Ms. Ellen Terpstra, the Administrator of the Foreign Agricultural Service; Mr. W. Kirk Miller, the Department's General Sales Manager; and Mr. Ross Davidson, the Administrator of the Risk Management Agency; and, of course, Steve Dewhurst, the Department's Budget Officer.

MEMBERS' OPENING REMARKS

We have read your statements and appreciate your submitting them in advance, and they will be included in the record.

Before I turn to you, Dr. Penn, for your opening statement, I would like to recognize Ms. Kaptur for any opening comments she may have. But I would like to, before I do that, acknowledge that Mr. Miller is from her home State of Ohio, attended Ohio State University and no doubt thought that that end zone pass interference call was the right call in the championship game this last January.

So Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman, and I appreciate your acknowledgment of a Buckeye up there at the table. It is a welcome change, and we wish all of you success and appreciation for your

service to the people of our country and, indeed, the people of the world.

Dr. Penn, we want to welcome you and all of your colleagues and to say that I know that there is a lot of pressure on you because of the adoption of the 2002 farm bill and the recent disaster package, and that is a lot of effort for the Farm Service Agency. I want to thank the Secretary and the Department for responding immediately to some of the issues that we brought up here last week about staffing difficulties in various offices and trying to provide sufficient staffing to accommodate farmers who are applying out there.

So I want to thank the Department for its speedy acknowledgment of the need that was presented last week.

I also want to mention on the crop insurance issue, as we begin, we obviously hear from many farmers around the country who claim that they can't get insurance because of the crops they raise. Then other farmers who aren't buying insurance because they say, well, you know, 1 out of 5 years, we will take the losses. The inability of the insurance system to reach broadly remains a difficulty for us.

In terms of the Foreign Agricultural Service—and we will have questions on this—they really face a very daunting task, and I personally will ask questions about this. I am concerned about the inadequacy of resources to do the job and how we are going to meet the demands, not only in terms of Central Asia and the Middle East, but the Asian Peninsula and other places around the world.

So we look forward to your testimony this morning.

And thank you, Mr. Chairman, very much. It is a pleasure to be here today.

Mr. BONILLA. Thank you, Ms. Kaptur.

J.B., bear with us. We have a lot of members of the full committee that are at simultaneous hearings, so people will be coming in and out. As you may have heard, we are trying to—we are going to try to get our appropriations bills done all across the board as early as possible this year. This subcommittee has a lot of pride in the fact that they have—that we have worked together to get our bills done in a timely fashion in the last couple of years, and we fully expect to do that again.

We are going to—so we are cramming in a lot of hearings that are running simultaneous with our different subcommittees. On this subcommittee, we expect to conclude our hearings by the end of the month, by March 20th.

So with that, I would ask you to proceed.

UNDER SECRETARY'S OPENING STATEMENT

Dr. PENN. Thank you, Mr. Chairman. It is a pleasure to be back with you again and before the Committee.

As you noted, we have the administrators from our agencies, except for Mr. Little, who somehow has been waylaid on his way here, and so we expect him momentarily. And we also have, as you noted, Steve Dewhurst, who is well known to this Committee. I will be very brief in my remarks, because I know that you have seen the prepared statements.

I would like to just begin by noting the importance of the Farm and Foreign Agricultural Services mission area to the entire Department of Agriculture. We are at the forefront in trying to meet the challenges that our farmers and ranchers face in the 21st century, and as Congresswoman Kaptur noted, we have had a lot of challenges this past year. First, we had the farm bill, which was enacted in May and made applicable to the 2002 year. So that was a massive undertaking for us, and it is still ongoing.

We also had a very severe drought that affected considerable parts of the country last year; and then, along with that, we had the failure of the Nation's largest crop insurance company, which we had to work through. Now we are involved in implementing the emergency disaster program that was passed on February 20th.

And at the same time, as you have heard, we have this very ambitious trade negotiation agenda that is underway, and we are also dealing with all of the problems involved in keeping open the markets that we have already gained for the products of our farmers and ranchers.

The budget proposal that we are going to discuss today fully supports continuation of these activities, and we think that it is more than adequate to enable us to do a successful job for American agriculture.

FARM SERVICE AGENCY

I would like to note the three agencies individually for just a moment. The Farm Service Agency, which Mr. Little heads, is, of course, the one in which we have the most presence around the country. We have perhaps 2,500 locations. This is an agency that interacts most directly with farmers and ranchers; and we have been heavily involved, as the Congresswoman noted, in implementing the 2002 farm bill. That is a very complex farm bill. It enabled producers to update bases and yields, which they hadn't been able to do for many years before, and it posed a lot of difficult economic decisions. And so we have been working very diligently to try to get all of the producers enrolled and to try to get the benefits going to the farmers and ranchers as quickly as we can.

We think that the progress on program sign-up has been satisfactory. We would like it to be a little faster, of course, but we believe we will be able to complete that job by April 1.

We have paid out \$2.2 billion thus far in direct and counter-cyclical payments as a result of the sign-up. We have paid out \$1.1 billion in Milk Income Loss payments under the new program that was included in the farm bill. And the Congress enabled a Peanut Quota Buyout Program, which was worth \$1.3 billion, and thus far, we have paid out \$1.2 billion. So we are nearing the end of that program.

And in addition, we have made the Apple Market Loss Assistance and several other payments thus far this year.

Our budget places priority on enhancing FSA's ability to continue to assist producers. We propose a 2004 program level for salaries and expenses of \$1.3 billion, and that supports our ongoing ceiling of 5,900 Federal staff years and 10,800 non-Federal county staff years.

In addition to personnel, we continue to modernize our services. This is an area that lends itself well to modernization with information technology; and so we are implementing geographical information systems. The President's budget has \$42 million included for that purpose, but it appears under the Office of the Chief Information Officer.

And I would note that FSA, since the mid-1990s, has played a critical role in providing loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their operations. By law, a substantial portion of the direct loan funds is reserved each year for beginning and limited-resource and socially disadvantaged farmers and ranchers. And so our budget proposal includes funding for \$850 million in direct loans and \$2.7 billion in guarantees. We think that these numbers are sufficient to meet the needs that we are going to encounter throughout fiscal year 2004.

RISK MANAGEMENT AGENCY

Turning quickly to the Risk Management Agency, led by Mr. Davidson, the Federal Crop Insurance program, we believe, plays a very important role already and can play a much more significant role in helping producers manage their risk. Last year, crop insurance provided \$37 billion in protection on over 215 million acres, and that was 4 million acres more than the previous year.

For point of reference, we produced \$200 billion worth of agricultural output. The Risk Management Agency is insuring \$37 billion of that. We are budgeting for slightly lower participation in 2004, based on estimates of planned acreage and expected market prices for the year.

Our budget also includes a legislative proposal to reduce the administrative expense reimbursement from 24.5 percent to 20 percent of the premium to the companies.

The 2004 budget requests an appropriation of such sums as necessary for the mandatory costs associated with the program, and that, of course, will provide the necessary resources that we need to meet the program expenses at whatever level the producers may choose to participate.

For salaries and expenses for the Risk Management Agency, \$78 million in discretionary spending is proposed, and that is an increase of \$7.8 million for this agency.

We also have nearly \$9 million for RMA information technology, which falls under the departmentwide common computing environment, and that will provide for upgrading a lot of the IT facilities of the agency which have not been upgraded for a decade or more.

FOREIGN AGRICULTURAL SERVICE

And finally, Mr. Chairman, the Foreign Agricultural Service, and USDA's international activities. I think that everyone here would agree that we can't overstate the importance of expanding market opportunities for America's farmers and ranchers. That is among our very highest priorities and certainly the highest priority of the Foreign Agricultural Service.

As I mentioned, we continue our trade expansion efforts on several fronts. We have the expansion of new trade agreements as a

top priority, including the multilateral negotiations on the Doha development agenda. In addition to that, we have found that we have to devote more resources now to maintaining the markets that we already have open. The difficulties we have with China and with Russia and with Mexico have been widely reported, and it takes a lot of resources, not only from the Department of Agriculture, but also from our interagency colleagues, to make sure that everybody lives up to the trade agreements that they have already entered into.

And I would just note, Mr. Chairman, that this month marks the 50th anniversary of the Foreign Agricultural Service. We are so privileged to have Ms. Terpstra as the Administrator, who is far younger than her agency.

The budget provides funding of \$145 million for 2004, and this supports several of our major activities. We have 20 additional staff-years proposed for this agency to support the trade negotiations, to give us some capability in the important area of biotechnology and in sanitary and phytosanitary activities. We also will expand our trade capacity-building activities, and then we have to meet the pay costs and our payments to the Department of State for the administrative services that are provided to our foreign missions.

Also, FAS, as the committee knows, administers the major export promotion and market development activities, and these are guided by the new farm bill. The amount of funding for these activities is indicated in the new farm bill, and our budget fully reflects those funding levels.

Now, for our commitment to alleviating hunger and improving food security in developing countries through food assistance, the budget includes a proposal of \$1.6 billion in total. This includes \$1.3 billion for Public Law 480 for both Title I and Title II. We also have included \$50 million of appropriated funding for the McGovern-Dole International Food for Education and Child Nutrition Program, which was included in the 2002 farm bill.

So, Mr. Chairman, let me conclude by saying that we view this as a very modest proposal. We think it is a very positive proposal. It is intended primarily to enable us to continue to provide the services that we have been providing, and we appreciate the support of the committee.

Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, J.B.

[The prepared statements of J.B. Penn, James R. Little, Ross J. Davidson, Jr., and Ellen Terpstra follow:]

**Statement by J.B. Penn
Under Secretary for
Farm and Foreign Agricultural Services
United States Department of Agriculture
Before the House Subcommittee on Agriculture,
Rural Development, Food and Drug Administration,
and Related Agencies**

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to present the 2004 budget and program proposals for the Farm and Foreign Agricultural Services (FFAS) mission area of the Department of Agriculture (USDA). Accompanying me this morning are the Administrators of the three agencies within our mission area: James Little, Administrator of the Farm Service Agency; Ross Davidson, Jr., Administrator of the Risk Management Agency; and Ellen Terpstra, Administrator of the Foreign Agricultural Service. We also have with us Kirk Miller, the Department's General Sales Manager, and Stephen Dewhurst, the Department's budget officer.

Statements by each of the Administrators providing details on the agencies' budget and program proposals for 2004 have already been submitted to the Committee. My statement will summarize those proposals, after which we will be pleased to respond to any questions you may have.

Mr. Chairman, Secretary Veneman has just released a new strategic plan that provides the framework for achieving the Department's policy and program objectives. One of the five primary goals established in the plan is to "enhance economic opportunities for American agricultural producers". The programs and services of the FFAS mission area are at the heart of the Department's efforts to respond to the challenges of the 21st century and enhance economic opportunities. Through the wide range of services provided by our agencies -- price and income supports, farm credit

assistance, risk management tools, conservation assistance, and trade expansion and export promotion programs – we provide the foundation for ensuring the future economic health and vitality of American agriculture.

This past year, the FFAS agencies and programs were challenged by a number of significant developments to which they responded effectively. In May, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) was enacted, and we undertook the massive task of ensuring timely and efficient implementation of this far-reaching and complex legislation. Sections of the United States experienced drought this past summer, and our risk management resources were taxed to meet the most pressing needs of drought-stressed producers. Now, we are undertaking the task of implementing the supplemental emergency disaster assistance provisions of the 2003 omnibus appropriations act. At the same time, the workload associated with our trade negotiation and enforcement responsibilities has continued to grow, and 2003 will be a critical year for negotiations aimed at further reducing trade barriers and opening new markets overseas.

The 2004 budget proposals we are discussing today fully support continuation of these activities and ensure our continued efforts on behalf of America's agricultural producers. In particular, the budget supports the implementation of the domestic commodity and income support, conservation, trade, and related programs provided by the new Farm Bill. It fully funds our risk management and crop insurance activities. It supports the Administration's export expansion goals by providing a program level of \$6 billion for the Department's international activities and programs. Also, it provides for the continued delivery of a large and complex set of farm and related assistance programs, while improving management and the delivery of those programs.

Farm Service Agency

The Farm Service Agency (FSA) is our frontline agency for delivering farm assistance and is the agency the majority of farmers and ranchers interact with most

frequently. Producers come to FSA to participate in farm programs, including programs involving direct and countercyclical payments, commodity marketing assistance loans, loan deficiency payments, farm ownership and operating loans, disaster assistance; and conservation programs such as the Conservation Reserve Program (CRP). Because FSA plays a lead role in implementing provisions of the new Farm Bill, the budget places a priority on enhancing the ability of FSA to provide better service to our producers more efficiently.

Farm Program Delivery

The new Farm Bill signed in May 2002 required immediate action by FSA to formulate and put into effect a new set of programs for the 2002 crops. With about 2.1 million farms eligible for the complex, new Direct and Counter-cyclical Payments Program, FSA is confronting a major implementation challenge. So far, progress has been encouraging, and we are monitoring the process closely. Approximately \$2.2 billion in direct and counter-cyclical payments had been paid out as of February 18th, and payments were rising rapidly as signup continues. In addition, over \$1 billion in Milk Income Loss Contract payments have been made to date to dairy producers, and about \$1.2 billion in Peanut Quota Buyout payments have been made along with Apple Market Loss Assistance and other payments issued so far this fiscal year.

FSA is also gearing up to implement the newly passed disaster assistance programs. The magnitude and complexity of the programs being implemented will continue to reinforce the need to improve customer service efficiency in FSA and the other county-based conservation and rural development agencies. FSA will continue to face a substantial workload through 2004, as new Farm Bill programs are implemented. As the initial work associated with commodity programs signup in 2003 moderates, the workload associated with supporting the expansion of the Farm Bill mandated conservation programs will rise in 2004 and beyond.

The proposed 2004 program level for FSA salaries and expenses of \$1.3 billion will support a ceiling of about 5,900 Federal staff years and 10,800 non-Federal county staff years. The proposed level for 2004 will maintain permanent non-Federal county staffing at prior year levels, while reducing the number of temporary non-Federal staff, which had been increased in 2003 and earlier years to support supplemental assistance programs and to begin Farm Bill implementation in 2002 and 2003. The agricultural assistance title of the 2003 omnibus appropriations act provides \$70 million for the administrative costs of implementing that title, as well as title I of the 2002 Farm Bill. Federal staff years for 2004 are near prior year levels except for an increase of 56 staff years to support the Geographical Information System (GIS) initiatives to improve services to producers and enhance efficiency.

The Administration places high priority on management initiatives and investments in technology to deliver improved, more efficient services to rural customers by continuing to streamline and modernize the field offices and Service Centers. Although we have established a high number of consolidated Service Centers and have made major strides in replacing separate-agency, aging information technology systems with the Common Computing Environment and re-engineered business processes, additional steps are needed to realize the full benefits.

A key component in these efforts is the continued initiative to put the GIS in place to replace normal hard-copy paper maps and data files with an integrated digital system. The GIS will enable producers and the Service Center agencies to electronically share and process vital information on farm records, soils, and aerial photography in ways that can dramatically improve efficiency. The President's budget proposes \$42 million in appropriated funds under the Office of the Chief Information Officer for FSA's component of the Common Computing Environment to support GIS and related FSA investments.

FSA also will work on modernizing its farm credit program servicing activities, and we will review Service Center office processes and structure to explore additional ways to provide services at lower cost.

Commodity Credit Corporation

Disaster and commodity price and income support programs administered by FSA are financed through the Commodity Credit Corporation (CCC). CCC also is the source of funding for a number of conservation programs administered by USDA, and it funds many of the export programs administered by the Foreign Agricultural Service. CCC borrows funds directly from the Treasury to finance those programs.

Changes over the last decade in commodity, disaster, and conservation programs have dramatically changed the level, mission, and variability of CCC outlays. CCC net outlays have declined from a record of \$32 billion in 2000 to \$22.1 billion in 2001 and \$15.7 billion in 2002.

CCC net outlays for 2004 are currently estimated at \$15.1 billion, down approximately \$900 million from the 2003 estimated level of \$16.0 billion. These estimates reflect the new Farm Bill but do not include the supplemental emergency disaster assistance provided in the recently passed omnibus appropriations bill for 2003.

Annual agriculture appropriations acts authorize CCC to replenish its borrowing authority as needed from the Treasury, up to the amount of realized losses at the end of the preceding fiscal year. This authority provides CCC with the flexibility to request funds as needed from the Treasury, up to the actual losses recorded for the most recent year. For 2002 losses, CCC was reimbursed \$17.7 billion.

Conservation Programs

Conservation program outlays will account for over 10 percent of CCC expenditures in 2003. The Farm Bill authorized direct CCC funding for the CRP administered by FSA and dramatically increased funding for several conservation programs administered by NRCS. Funds for several conservation programs are transferred to NRCS and presented in the budget estimates for that agency.

The Farm Bill reauthorized CRP through 2007 and set enrollment in the program at 39.2 million acres. Enrollment in CRP is expected to increase gradually to 39.2 million acres by fiscal year 2006 through both general signups and continuous signups, as well as through the Conservation Reserve Enhancement Program (CREP) and Farmable Wetlands Program (FWP) provisions.

The President's budget does not request additional appropriated funding for the Emergency Conservation Program for 2004 because it is impossible to predict natural disasters in advance and, therefore, difficult to forecast an appropriate level of funding.

Farm Loan Programs

FSA plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations. By law, a substantial portion of the direct loan funds are reserved each year for assistance to beginning, limited resource, and socially disadvantaged farmers and ranchers. For 2004, 70 percent of direct farm ownership loans are reserved for beginning farmers and about 35 percent are made at a reduced interest rate to limited resource borrowers, who may also be beginning farmers.

The 2004 budget includes funding for about \$850 million in direct loans and \$2.7 billion in guarantees. During 2001 and 2002, the Department shifted funding from

guaranteed operating loans to meet excess demand in the direct loan programs. The levels requested for 2004 reflect those shifts and are expected to reflect actual program demand more accurately. The overall reduction is due primarily to higher subsidy rates for the direct loan programs, which make those programs more expensive to operate than guarantees. However, we believe the proposed loan levels will be sufficient to meet the demand in 2004.

The 2004 budget maintains funding of \$2 million for the Indian Land Acquisition program. For the Boll Weevil Eradication program, the budget requests \$60 million, a reduction of \$40 million from 2003. This reduction is due to the successful completion of eradication efforts in several areas. The amount requested is expected to fund fully those eradication programs operating in 2004. For emergency disaster loans, carryover funding from 2003 is expected to provide sufficient credit in 2004 to producers whose farming operations have been damaged by natural disasters.

Risk Management Agency

The Federal crop insurance program represents one of the strongest safety net programs available to our Nation's agricultural producers. It reflects the principles of this Administration contained in the *Food and Agricultural Policy* report by providing risk management tools that are compatible with international trade commitments, creates products and services that are market driven, harnesses the strengths of both the public and private sectors, and reflects the diversity of the agricultural sector.

In 2002, the crop insurance program provided about \$37 billion in protection on over 215 million acres, which is about 4 million acres more than were insured in 2001. Our current projection is that indemnity payments to producers on their 2002 crops will exceed \$4 billion, which is about \$1 billion more than was incurred on 2001 crops.

The crop insurance program has seen a significant shift in business over the past several years -- producers have chosen to buy-up to higher levels of coverage as a result

of increased premium subsidies provided in the Agricultural Risk Protection Act of 2000 (ARPA). The number of policies, acres, liability, and premium all increased more than 40 percent for coverage levels 70 percent and higher.

Our current projection for 2004 shows a modest decrease in participation. This projection is based on USDA's latest estimates of planted acreage and expected market prices for the major agricultural crops, and assumes that producer participation remains essentially the same as it was in 2002.

The 2004 budget includes a legislative proposal to reduce the percentage of administrative expense reimbursements from 24.5 percent to 20 percent of premium. This proposal is estimated to save taxpayers about \$68 million in 2004. A 1997 study of the crop insurance program by the General Accounting Office (GAO) indicated that higher premiums had resulted in substantially higher reimbursements to the companies for delivering essentially the same number of policies. In 1998, Congress responded to that report by imposing the current cap of 24.5 percent on reimbursements. Since that time, Congress has enacted a number of reforms to crop insurance designed to encourage participation at higher levels of coverage. Although the number of policies sold has remained virtually unchanged, total premiums in 2002 are more than 50 percent higher than in 1998, and reimbursements have increased by about \$229 million over that time.

Savings in reimbursements to the companies are achievable. About 95 percent of the policies sold annually are renewals, which require less work to maintain and service than do policies sold for the first time. Further, in 2000, Congress passed the Freedom to e-File Act, which mandated that Federal Agencies provide access to all forms and other program information via the internet and provide for the electronic filing of all required program paperwork. Today, the vision Congress expressed through that mandate is a reality for agricultural producers participating in the Federal crop insurance program who are doing most of the paperwork on their own.

The 2004 budget requests an appropriation of "such sums as necessary" as mandatory spending for all costs associated with the program, except for Federal salaries and expenses. This level of funding will provide the necessary resources to meet program expenses at whatever level of coverage producers choose to purchase. For salaries and expenses of the Risk Management Agency (RMA), \$78.5 million in discretionary spending is proposed, an increase of about \$8 million above 2003. This net increase includes additional funding mainly for information technology, maintenance costs, increased monitoring of the insurance companies, and pay costs.

At this time I would like to return to the budget request for the common computing environment (CCE). This budget includes about \$8.7 million for information technology needs of RMA under the CCE. This amount is in addition to any funding requested within the salaries and expenses of RMA. Historically, funding under the CCE has been reserved for the Service Center agencies. However, in the ARPA legislation passed in 2000, Congress mandated a new role for FSA to assist RMA with program compliance and integrity in the crop insurance program. That mandate has required a greater level of coordination and data sharing between these two agencies. The best way to ensure the level of coordination required is to provide funding under the controls of the CCE.

RMA's information technology system is aging; the last major overhaul occurred about 10 years ago. Since that time, the crop insurance program has expanded tremendously. Catastrophic coverage and revenue insurance products have been initiated and coverage for new commodities has been added, including many specialty crops and more recently livestock. In short, RMA's information technology system has not kept pace with the changes in the program. The funding requested under the CCE will provide for improvements to RMA's existing information technology system to improve coordination and data sharing with the insurance companies and with FSA. The funding will also provide for the development of a new information technology architecture to support the way RMA will need to do business in the future with strong consideration to shared resources under the CCE.

Foreign Agricultural Service

The importance of international markets for America's farmers and ranchers cannot be overstated and, thus, improving market access and expanding trade are among our highest priorities for American agriculture. Expanding international market opportunities is one of the key objectives set forth in the Department's new strategic plan.

We continue to pursue our trade expansion efforts on many fronts. At the center of these efforts is the negotiation of trade agreements that will reduce barriers and improve access to overseas markets. We expect 2003 will be a crucial year for these efforts. At the World Trade Organization (WTO) multilateral negotiations, where United States has tabled an ambitious proposal for reform of agricultural trade, we are entering a critical phase. March 31st is the deadline for reaching agreement on the modalities -- or formula -- for reducing protection and trade-distorting subsidies. As the deadline approaches, we have stepped up our efforts in the negotiations to press for real and effective trade reform.

We also are engaged in a number of regional and bilateral negotiations to establish free trade agreements. Negotiations to establish a Free Trade Area of the Americas (FTAA) are entering an important phase. Last month, countries tabled specific offers to reduce trade barriers in key areas, including agriculture. The United States will host the next FTAA Ministerial in November, and we will be working diligently to move the negotiations along. Our goal is to provide greater trade opportunities in this market of 800 million consumers with an annual Gross Domestic Product of \$13 trillion. At the same time, we will be engaged in negotiations this year with Central American countries, the Southern African Customs Union, Australia, and Morocco to reach free trade agreements that will improve trade opportunities for American farmers and ranchers.

Our trade policy activities are not limited to negotiating new agreements however. As new agreements have been implemented, we have stepped up our efforts to monitor

compliance and ensure that U.S. trade rights are protected. These efforts are essential as evidenced this past year during which the Department worked diligently to resolve a number of trade problems, such as China's restrictions on soybean imports and its implementation of its WTO accession commitments including tariff-rate quota administration and export subsidy obligations; Russia's ban on U.S. poultry imports; and Mexico's continuing implementation of provisions of the North American Free Trade Agreement.

As traditional trade barriers fall, we find a rise in technical barriers to trade including resistance to adoption of new technologies, such as biotechnology, and increased use of sanitary and phytosanitary measures. It is fundamental to our maintaining market access to encourage the adoption by our trading partners of science-based regulatory systems. In this regard, it has become increasingly important to improve these countries' capacity to trade so that they can take part in negotiations, implement agreements, and connect trade liberalization to a program for economic reform and growth. This work is important because it helps to engage developing countries in the development and implementation of trading rules and guidelines and, thereby, helps to ensure the success of the trade negotiating process and the fair implementation of its results.

One other area that will be of major focus this year will be implementation of the new Trade Adjustment Assistance for Farmers program that was authorized in the Trade Act of 2002. Under the new \$90 million program USDA is authorized to make payments to eligible producers when the current year's price of an agricultural commodity is less than 80 percent of the national average price during a preceding 5-year period and the Secretary determines that imports have contributed importantly to the price decline. The Department is currently working to establish the new program, which will be implemented once the rule-making process has been completed.

FAS Salaries and Expenses

The Foreign Agricultural Service (FAS) serves as the lead agency in the Department's international activities and plays a critical role in our efforts to expand and preserve overseas markets. This month marks the 50th anniversary of FAS, an important milestone for the agency and for the Department.

Much has changed during the past 50 years, not the least of which is the importance of international markets for U.S. farmers and ranchers and the FAS programs that support our agricultural community to take advantage of those opportunities. U.S. agricultural exports were \$2.8 billion during 1953, while imports were higher at \$4.3 billion. By fiscal year 2002, exports had grown to just over \$53 billion and imports to \$41 billion.

This morning, our more immediate concern is ensuring that FAS has the necessary resources and staffing to continue their important work as we face new trade challenges together with the U.S. agricultural community. The budget provides total appropriated funding for FAS of \$145.2 million for 2004, and supports a number of important trade-related initiatives.

First, an additional 20 staff years are provided to FAS to facilitate the agency's active involvement in ongoing multilateral, regional, and bilateral trade negotiations and to bolster its efforts to address rapidly growing market access constraints related to biotechnology, and sanitary and phytosanitary measures. These will be funded from a centralized fund to be established in the Office of the Secretary to support cross-cutting USDA trade-related and biotechnology activities.

Funding also is provided to FAS for a trade capacity building initiative to support a number of critical activities supporting our trade policy agenda. This includes assistance to countries to implement the Cartagena Protocol on Biosafety. If countries misinterpret the Protocol, it can seriously impede international trade, product

development, technology transfer, and scientific research. FAS will work with developing countries so that science-based, transparent, and non-discriminatory standards are adopted and, by doing so, will help to avoid potential disruptions to trade or other problems.

Funding is also provided for a USDA contribution to the Montreal Protocol Multilateral Fund. The Fund was established in 1991 to help developing countries switch from ozone depleting substances to safer alternatives. The USDA contribution will supplement contributions by the Department of State and Environmental Protection Agency to the Fund and will further U.S. agricultural interests in the implementation of the Protocol.

Finally, the 2004 budget requests additional funds for FAS for a number of non-discretionary administrative requirements, including pay cost increases, inflation, and higher payments to the Department of State for administrative services provided at overseas posts.

Export Promotion and Market Development Programs

FAS administers the Department's major export promotion and market development programs that are key components in our efforts to expand exports. The 2002 Farm Bill provided increased funding for a number of these programs in order to bolster our trade expansion efforts on behalf of U.S. agriculture, and the President's 2004 budget proposals fully reflect those increases.

For the market development programs, including the Market Access Program and the Foreign Market Development Cooperator Program, the budget provides \$164 million, an increase of \$15 million above 2003. Included in this amount is \$2 million for the Technical Assistance for Specialty Crops program that was authorized in the Farm Bill. Under the program, grants are provided to assist U.S. organizations in activities designed to overcome phytosanitary and related technical barriers that prohibit the export of U.S.

specialty crops. FAS worked very hard in getting that program up and running so that 2002 programming could be implemented by the end of last year. Final regulations for the program are currently under development and are expected to be published later this spring, which will allow 2003 programming to move forward.

For the CCC export credit guarantees, the largest of our export programs, the budget includes a program level of \$4.2 billion. We experienced strong growth in the supplier credit guarantee program during 2002, with sales registrations once again doubling the previous year's level.

The budget also includes projected program levels of \$57 million for the Dairy Export Incentive Program and \$28 million for the Export Enhancement Program (EEP).

International Food Assistance

The United States continues its commitment to alleviating hunger and improving food security in developing countries through the provision of food assistance. The budget includes a total program level for U.S. foreign food assistance of nearly \$1.6 billion. This includes \$1.3 billion for P.L. 480 Title I credit and Title II donations, which is expected to support the export of 3.1 million metric tons of commodity assistance. The Farm Bill increased the annual minimum tonnage for Title II donations to 2.5 million metric tons and, based on current price projections, the budget provides sufficient funding to meet that requirement.

The budget also provides \$50 million of appropriated funding for the McGovern-Dole International Food for Education and Child Nutrition Program. As the Committee will recall, the Farm Bill authorized this new program, which succeeds the Global Food for Education Initiative pilot program that the Department carried out during 2001 and 2002. For 2003, the program will be funded through the CCC but, beginning in 2004, is to be funded through annual appropriations. FAS is currently developing regulations that are needed to implement the program. Once we have completed the regulatory process,

FAS will request proposals from private voluntary organizations, the World Food Program, and other groups to begin implementation of the program.

The budget also includes a program level of \$151 million for the CCC-funded Food for Progress programs during 2004. The Farm Bill authorized an increase in transportation and other non-commodity costs in order to support the minimum annual program level of 400,000 metric tons for Food for Progress activities established in the Bill. Finally, the budget also assumes that donations of nonfat dry milk will continue under the authority of section 416(b) of the Agricultural Act of 1949. The value of the assistance and associated costs are projected to total \$118 million.

This concludes my statement, Mr. Chairman. The agency administrators and I would be pleased to answer any questions you or other Members of the Committee may have.

FARM SERVICE AGENCY

Statement of James R. Little, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to present the fiscal year (FY) 2004 budget for the Farm Service Agency (FSA). This budget supports the FSA programs that will ensure a strong, viable U.S. agriculture market. Before addressing the details of the budget, however, I would like to comment on some of the initiatives that FSA has undertaken over the last year.

Farm Bill Implementation

Even before the law was signed on May 13, 2002, FSA had begun stepping up to the challenge of implementing the Farm Security and Rural Investment Act of 2002. Recognizing how vitally important this far-reaching and complex piece of legislation is to America's farmers and ranchers, FSA employees in headquarters and across the nation have dedicated themselves to its effective and timely implementation.

Approximately 2.1 million farms have been determined to be eligible for the new Direct and Counter-Cyclical Payments (DCP) Program. As of January 31, we had signed up about one-third of eligible producers. Another third of eligible producers are expected to elect the default and roll their existing production flexibility contract base and yield numbers forward. We are concentrating our efforts on signing up the remaining third. To facilitate this effort the Secretary recently announced procedures for establishing yields and bases in certain situations where producers cannot obtain production records. During the first round of direct and counter-cyclical payments beginning in November, FSA has issued \$1.1 billion: \$794 million direct and \$261 million counter-cyclical. The second round of counter-cyclical payments began February 3. Both direct and counter-cyclical payments continue daily, based on new sign-ups.

Our mission is to ensure that producers have the information they need to make informed decisions about program participation. While the DCP Program has been a major focus, we have also worked diligently to provide a steady stream of information on other important programs such as the milk income loss compensation program, the peanut buyout program, new loan rates, and the addition of pulse crops, disaster relief, and other highly visible issues important to the agriculture community. At the same time, we have been working to ensure that county office employees on the front lines of program delivery have the information they need to do their jobs. We developed extensive training sessions and materials for State office employees, who then trained the trainer. We created a tremendous network and, in the end, trained hundreds of thousands of farmers nationwide. Recognizing that the effectiveness and timeliness of Farm Bill implementation hinges upon the quality and timeliness of information, FSA is committed to providing the best.

Through their arduous efforts, FSA employees succeeded in implementing extensive new programs and program changes in record time. In spite of our aggressive efforts to make Farm Bill information available, the complexity of the program options meant that many producers still require extensive individual attention from our staff at the local level. Service Center employees have shown tremendous dedication in providing this personal customer service while accomplishing a multitude of administrative tasks necessary to complete program delivery. We deeply appreciate the commitment that these employees have shown to serving America's farmers and ranchers.

The implementation challenge was made more daunting agencywide by the need to partially rely on old technology systems. As you know, we are in the process of transitioning to improved systems under the Common Computing Environment. Once the transition is complete, we will fully reap the benefits of the infrastructure improvements. Meanwhile, the extremely tight deadlines for some of our implementation milestones necessitated the use of every possible avenue for software development and deployment.

The use of technology has proven to be of tremendous assistance, however. We have supplemented our FSA website with a dedicated FSA Farm Bill site which provides a wealth of information ranging from program details to updated enrollment data, to frequently asked questions. We also provide the opportunity for users to submit additional inquiries. The website offers on-line program forms to allow producers to e-file applications in compliance with the Government Paperwork Elimination Act, and it provides calculation tools such as the base and yield update analyzer developed by Texas A&M University.

Also contributing to our Farm Bill implementation success is an extensive training initiative carried out jointly by FSA, State extension services, and the Farm Foundation. In August and September of 2002, this partnership conducted four regional train-the-trainer meetings to provide Farm Bill education to a diverse array of representatives of State extension services, Native American councils and tribal organizations, 1862 and 1890 universities, farm organizations, farm consulting firms, farm management organizations, farm lenders, and agribusiness leaders. Using materials provided at the sessions, attendees were able to replicate the training within their own organizations to train an additional 1,000 trainers, who in turn provided training to their various target audiences of farmers and ranchers across the nation. In addition, attendance by the press helped to ensure that early and accurate Farm Bill information would be disseminated through the media. This partnership of Federal, State, and private organizations drew upon the strengths of each and made possible a quality of training that far exceeded the individual capacity of any one of the participants. The success of this effort helped to provide producers the early understanding they needed to make informed management decisions under the new legislation.

As we look ahead to continued Farm Bill administration, we are committed to utilizing technology and process improvements to enhance our performance and deliver the quality of service that America's producers and taxpayers have the right to expect.

Warehouse Act Implementation

FSA has also been engaged in implementing changes under the Grain Standards and Warehouse Improvement Act of 2000, which effected revisions in the law pertaining to federally licensed warehouse operators. USDA has clearly defined the issue of Federal Pre-emption. Pre-emption is defined as the exclusive jurisdiction of USDA over a Federally licensed warehouse for the activities related to the merchandizing and storage of grain. We have developed an action plan for implementation that improves warehouse regulations and better protects the interests of producers and other depositors. One measure we are proposing is to upgrade net worth and financial reporting requirements for obtaining a Federal warehouse license. Revised licensing agreements should be available early this spring for review by warehouse operators prior to commencement of the 2002 harvest.

Civil Rights

No matter how efficient the program delivery, no legislation can be considered properly implemented unless all producers have equal access to the programs provided by law. Throughout most of the country, equal access is the norm, and FSA employees take pride in serving our diverse customer base. We are doing everything we can to ensure every customer is treated with dignity and respect. To that end, FSA has developed a civil rights action plan to address issues of unequal access and disparate treatment. The plan identifies areas where improvements can be made and to ensure preventive measures are in place, such as oversight of loan servicing and outreach at the State level. We are investigating reports we have received of disparate treatment in certain locales, and if it is found that discrimination is taking place we will implement corrective strategies such as intensive education programs and measures to hold employees accountable. We intend to ensure that FSA employees at every level and in every part of the country offer superior customer service.

Program Outreach

Working in tandem with FSA's civil rights effort is our ongoing program outreach initiative. For FY 2003 we have developed a plan for 18 projects to reach out to various under-

served populations across the country. One of the projects included in our plan is an expansion of the American Indian Credit Outreach Initiative, which originated as a pilot project in Montana and achieved resounding success. The project was expanded to 10 States in FY 2002, with continued success. Our plan calls for expanding this project to 31 Northern States in 2003 and to all of the Lower 48 in 2004.

To bolster our outreach efforts we have added to our National office an Asian American/Pacific Islander Outreach Coordinator and an African American Outreach Coordinator. We have also done some internal realignment to bring the coordinator of the Mediation Grants Program into closer working relationship with the Outreach Staff.

Management Initiatives

FSA has been an active participant in many of the management achievements that Secretary Veneman has already brought to the Committee's attention. Some of these fall within the scope of the President's Management Agenda, and some are separate initiatives. I would like to highlight a few of these areas.

Strategic Management of Human Capital. FSA participated in the development and implementation of the USDA Human Capital Plan that directly links to the Department's newly revised strategic plan. It will serve as a guide for FSA's strategic management of human capital. Some of the actions FSA is taking are:

- Workforce Planning and Deployment. FSA continues to assess the projected skills gaps of mission critical positions over a 5-year period and develop strategies to reduce the gap.
- Talent and Leadership Development and Succession. FSA has developed a concentrated recruitment plan that includes diversity outreach programs, focused college recruitment, and the strategic use of hiring flexibilities. With the web-based application system nearly operational, process times to fill vacancies are declining. In addition, an Employee

Placement Follow-up Program has been developed to better ensure high quality new hires, and an exit interview process will also aid in identifying better retention strategies.

- Management Development. FSA has also begun to develop and implement several new or improved management training programs to ensure that an adequate pool of qualified candidates is available for future leadership positions.

Improving Financial Performance. FSA has demonstrated its commitment to improving financial performance and our accountability to the American people by gaining an "unqualified" – that is, clean – audit opinion for our FY 2002 financial statements. A clean audit opinion is an indicator of sound financial management. It assures the public that the financial data is reliable, accurate, and complete, and it enables users to make informed decisions and manage resources wisely.

To ensure that we perpetuate this accomplishment, we are taking a number of steps, such as

- streamlining reporting processes by improving business practices and replacing manual tasks with automated processes
- improving coordination and oversight by working closely with the USDA Office of the Chief Financial Officer to ensure the financial statements are in compliance with Federal and Departmental accounting policies and standards
- taking action to identify possible weaknesses, and implementing controls to eliminate those weaknesses
- continuing to improve financial performance by consolidating and integrating financial systems and improving internal controls and systems documentation.

These actions, together with progress we have made in complying with the Debt Collection Improvement Act of 1996, serve to improve FSA's credibility in the eyes of Congress and the American people.

Expanded Electronic Government. In partnership with the other Service Center agencies, FSA met the requirements of the Freedom to E-File Act in 2002 by posting over 300 electronic forms for producer access through our common eForms service site, <http://forms.sc.egov.usda.gov>.

Farm Credit Program Loan Servicing. FSA is working with the Department to identify and implement improvements to modernize loan servicing, including mailings, billings, collections, and correspondence. However, since this effort is still in progress, specific savings have not been identified and are not reflected in our 2004 budget request.

BUDGET REQUESTS

Turning now to the specifics of the 2004 Budget, I would like to highlight our proposals for the commodity and conservation programs funded by the Commodity Credit Corporation (CCC); the farm loan programs of the Agricultural Credit Insurance Fund; our other appropriated programs; and administrative support.

COMMODITY CREDIT CORPORATION

Domestic farm commodity price and income support programs are administered by FSA and financed through the CCC, a government corporation for which FSA provides operating personnel. Commodity support operations for corn, barley, oats, grain sorghum, wheat and wheat products, soybeans, minor oilseed crops, cotton (upland and extra long staple), rice, tobacco, milk and milk products, honey, peanuts, pulse crops, sugar, wool and mohair are facilitated primarily through loans, payment programs, and purchase programs.

The 2002 Farm Bill authorizes CCC to transfer funds to various agencies for authorized programs in fiscal years 2002 through 2007. It is anticipated that in fiscal year 2003, \$1.6 billion will be transferred to other agencies.

The CCC is also the source of funding for the Conservation Reserve Program (CRP) administered by FSA, as well as many of the conservation programs administered by the Natural Resources Conservation Service. In addition, CCC funds many of the export programs administered by the Foreign Agricultural Service. When called upon, CCC also finances various disaster assistance programs authorized by Congress.

Program Outlays

The 2004 budget estimates largely reflect supply and demand assumptions for the 2003-crop, based on November 2002 data. CCC net expenditures for FY 2004 are estimated at \$15.1 billion, down about \$1 billion from \$16.0 billion in FY 2003.

This nearly \$1 billion net decrease in projected expenditures is attributable to reduced outlays for several programs such as Milk Income Loss Contract payments, peanut quota buyout payments, and net marketing assistance loan outlays, which more than offset increased outlays for direct and counter-cyclical payments.

Reimbursement for Realized Losses

Annual appropriations acts authorize CCC to replenish its borrowing authority, as needed, from Treasury, up-to the amount of realized losses recorded in CCC's financial statements at the end of the preceding fiscal year. For FY 2002 losses, CCC was reimbursed \$17.7 billion.

Conservation Reserve Program

The Conservation Reserve Program (CRP), administered by FSA, is currently USDA's largest conservation/environmental program. It is designed to cost-effectively assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive acreage, normally devoted to the production of agricultural commodities, to a long-term resource-conserving cover. CRP participants enroll

acreage for 10 to 15 years in exchange for annual rental payments as well as cost-share assistance and technical assistance to install approved conservation practices. The 2002 Farm Bill increased enrollment under this program from 36.4 million acres up to 39.2 million acres.

During FY 2002, no general CRP sign-up was held, but about 425,000 acres were signed up under continuous sign-up, the Conservation Reserve Enhancement Program (CREP), and Farmable Wetlands Program (FWP) provisions. In total, CCC entered into 5 CREP agreements in partnership with States, with the primary benefit being in improving water quality. One-year contract extensions were also offered for contracts scheduled to expire September 30, 2002. On October 1, 2002, contracts were extended on about 1.6 million acres, representing 90 percent of expiring contracts.

The FY 2004 budget does assume general sign-ups in fiscal years 2003 and 2004, to enroll approximately 2.8 million acres and 1.8 million acres, respectively. In each of fiscal years 2003 and 2004, we also expect to enroll 600,000 continuous sign-up and CREP acres, as well as 100,000 FWP acres. We plan to begin enrollment this spring.

Overall, CRP enrollment is assumed to gradually increase from 34 million acres at the end of FY 2002 to 39.2 million acres by FY 2006, while maintaining a reserve sufficient to provide for enrollment of 4.2 million acres in continuous sign-up and CREP. In May 2000, new continuous sign-up and CREP participants became eligible for additional financial incentives. Designed to boost participation, USDA has allocated \$147 million for one-time, up-front incentive payments in each of fiscal years 2003 through 2006. Actual incentives for FY 2002 were approximately \$115 million.

FARM LOAN PROGRAMS

The loan programs funded through the Agricultural Credit Insurance Fund provide a variety of loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations.

The FY 2004 Budget proposes a total program level of about \$3.5 billion. Of this total, \$2.7 billion is requested for guaranteed loans, offered in cooperation with private lenders. The FY 2004 Budget allocates a larger share to the direct loan programs than the 2003 request, to align more closely with actual program demand. In 2001 and 2002, FSA transferred unused guaranteed loan funding to the direct loan programs as provided by law, and we anticipate making a similar transfer in 2003. However, by increasing the proportion of direct loan funding up front, we will avert delays that might occur in connection with the inter-program transfer of funds. This is the most efficient utilization of funds, since direct loans are targeted to the most needy borrowers who cannot obtain credit otherwise.

For direct farm ownership loans we are requesting a loan level of \$140 million. The proposed program level would enable FSA to extend credit to about 1,200 small and beginning farmers to purchase or maintain a family farm. In accordance with legislative authorities, FSA has established annual county-by-county participation targets for members of socially disadvantaged groups based on demographic data. Also, 70 percent of direct farm ownership loans are reserved for beginning farmers and about 35 percent are made at a reduced interest rate to limited resource borrowers, who may also be beginning farmers. For direct farm operating loans we are requesting a program level of \$650 million to provide nearly 14,000 loans to family farmers.

For guaranteed farm ownership loans in FY 2004, we are requesting a loan level of \$1 billion, about the same as FY 2003. This program level will provide approximately 3,500 farmers the opportunity to acquire their own farm or to preserve an existing one. One critical use of guaranteed farm ownership loans is to allow real estate equity to be used to restructure short-term debt into more favorable long-term rates. For guaranteed farm operating loans we propose an FY 2004 program level of approximately \$1.7 billion to assist about 10,000 producers in

financing their farming operations. This program enables private lenders to extend credit to farm customers who otherwise would not qualify for commercial loans and ultimately be forced to seek direct loans from FSA. We are particularly proud of our guaranteed loan program, which is one of the most successful in the government system. In fact, in FY 2002 we set a record for guaranteed farm ownership loans.

In addition, our budget proposes program levels of \$2 million for Indian tribal land acquisition loans and \$60 million for boll weevil eradication loans. For emergency disaster loans, carryover funding from 2003 is expected to provide sufficient credit to producers whose farming operations have been damaged by natural disasters.

OTHER APPROPRIATED PROGRAMS

State Mediation Grants

State Mediation Grants assist States in developing programs to deal with disputes involving a variety of agricultural issues – distressed farm loans, wetland determinations, conservation compliance, pesticides, and others. Operated primarily by State universities or departments of agriculture, the program provides neutral mediators to assist producers, primarily small farmers, in resolving disputes before they culminate in litigation or bankruptcy. States with certified mediation programs may request grants of up to 70 percent of the cost of operating their programs.

The FY 2004 Budget requests \$4 million. As of February 20, no grants have been issued for FY 2003; however, we expect to issue grants to 29 States this fiscal year. We have found that providing partial funding to the States complicates grant administration. For FY 2004 we anticipate that between 28 and 32 States will receive mediation grants.

Emergency Conservation Program

It is impossible to predict natural disasters and, therefore, difficult to forecast an appropriate funding level for the Emergency Conservation Program. The President's Budget

does not include a request for this program, since a significant amount of the supplemental funding provided in FY 2002 for ECP remained available for carryover to operate the program in 2003. As of February 20, only \$22 million has been allocated in FY 2003, to share the cost of repairing damage to agricultural land caused by floods, tornadoes, and other disasters, and to provide water enhancement measures during the drought emergencies affecting much of the country. If the remaining \$900 thousand is allocated, additional funding may be necessary.

Dairy Indemnity Program

The Dairy Indemnity Program (DIP) compensates dairy farmers and manufacturers who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets due to residues of certain chemicals or other toxic substances. Payees are required to reimburse the Government if they recover their losses through other sources, such as litigation. As of February 20, we have paid DIP claims totaling \$109 thousand in six States.

The FY 2004 appropriation request of \$100 thousand, together with unobligated carryover funds expected to be available at the end of FY 2003, would cover a higher than normal, but not catastrophic, level of claims. Extended through 2007 by the 2002 Farm Bill, DIP is a potentially important element in the financial safety net for dairy producers in the event of a serious contamination incident.

ADMINISTRATIVE SUPPORT

The costs of administering all FSA activities are funded by a consolidated Salaries and Expenses account. The account comprises direct appropriations, transfers from loan programs under credit reform procedures, user fees, and advances and reimbursements from various sources.

The FY 2004 Budget requests \$1.3 billion from appropriated sources including credit reform transfers. The request reflects decreases in non-Federal county staff-years and operating expenses, partially offset by increases in pay-related costs to sustain essential program delivery.

The FY 2004 request reflects a ceiling of 5,917 Federal staff years and 10,784 non-Federal staff years. Temporary non-Federal county staff years will be reduced from the FY 2003 level due to the declining workload associated with implementing commodity program provisions of the Farm Bill. However, permanent non-Federal county staff years are estimated to increase slightly to support Farm Bill requirements in the conservation area, where the workload is expected to remain at significant levels.

Federal staff years will increase by 56 to support the Geospatial Information Systems initiative, which will be funded by the Common Computing Environment account of the Office of the Chief Information Officer. This, and other CCE initiatives will lead to more efficient and effective customer services and will help move FSA and other Service Center Agencies into the e-Government era, resulting in significant long-term savings and administrative improvements.

Mr. Chairman, this concludes my statement. I will be happy to answer your questions and those of the other Subcommittee Members.

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RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION

Statement of Ross J. Davidson, Jr., Administrator
before the Subcommittee on Agriculture, Rural Development and Related Agencies

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you to testify in support of the President's fiscal year (FY) 2004 budget for the Risk Management Agency (RMA). RMA has made rapid progress in meeting its legislative mandates to provide an actuarially sound crop insurance program to America's agricultural producers. However, more needs to be done. The program is expected to provide approximately \$38 billion in risk protection on about 208 million acres in 2004, representing approximately 80 percent of the Nation's planted acres for principal crops.

RMA's primary mission is to promote, support and regulate the delivery of sound risk management solutions to preserve and strengthen the economic stability of America's agricultural producers. Our key objectives in support of that mission are to:

- Provide widely available and effective risk management solutions;
- Ensure customers and stakeholders are well-informed;
- Provide a fair and effective delivery system;
- Maintain program integrity;
- Provide excellent service.

To achieve these objectives, RMA's total FY 2004 budget request is \$3.4 billion. The funding level proposed for the Federal Crop Insurance Corporation (FCIC) is \$3,300,187,000 and for the Administrative and Operating Expenses the request is \$78,488,000. This budget request includes a legislative proposal to reduce the administrative expense reimbursement to the insured companies.

FCIC FUND

The FY 2004 budget proposes that "such sums as may be necessary" be appropriated to the FCIC Fund. This ensures the program is fully funded to meet producers' needs. The current estimate of funding needs is based on USDA's latest projections of planted acreage and expected market prices. The FY 2004 budget requests an increase of \$389.2 million from \$2.9 billion in FY 2003 to \$3.3 billion in FY 2004. The budget request includes increases of \$69.9 million for Premium Subsidy, \$30.3 million for Delivery Expenses, \$10.0 million for mandated Agricultural Risk Protection Act of 2000 (ARPA) activities, and \$346.8 million for reimbursement to the Insurance Fund for U.S. Treasury transfer for excess 2002 crop year losses. The legislative proposal is expected to save approximately \$67.8 million in 2004 by reducing the administrative expense reimbursement rate paid to the insured companies from 24.5 percent to 20 percent. These savings are achievable principally because there has been a substantial growth in premium dollars and reimbursements have increased proportionally -- in essence, insuring the same number of acres at higher levels of coverage.

ADMINISTRATIVE AND OPERATING EXPENSES (A&O)

RMA's FY 2004 request of \$78.5 million for Administrative and Operating Expenses represents an increase of about \$8 million from FY 2003. This budget will support increases for information technology (IT) initiatives in the amount of \$5.5 million. These IT funds are targeted towards the continual maintenance and enhancement of the corporate operating systems necessary to run the program. Included in the total request is \$1.0 million to expand the monitoring and evaluation of reinsured companies, and \$1.3 million for pay cost for a staffing level of 568 employees.

Finally, this budget also includes a funding request of about \$8.7 million for information technology for the RMA under the Common Computing Environment (CCE) in the budget of the Chief Information Officer. This amount is in addition to the funding requested above the administrative and operating expenses of RMA. Historically, funding under the CCE has been reserved for the service center agencies. The Department is working aggressively to coordinate its information technology resources to ensure greater efficiency in software development, hardware acquisition and maintenance and in sharing common data among its various agencies. The best way to ensure the level of coordination required is to provide funding under the controls of the CCE.

In addition, RMA has an aging information technology system, the last major overhaul occurred about 10 years ago. Since that time the crop insurance program has expanded tremendously. Catastrophic coverage and revenue insurance products have been initiated and coverage for new commodities has been added including many specialty crops and

more recently livestock. In short, RMA's information technology system has not kept pace with the changes in the program. The funding requested under the CCE will provide for improvements to RMA's existing information technology system to improve coordination and data sharing with the insurance companies and FSA. The funding will also provide for the development of a new information technology architecture to support the way RMA will need to do business in the future.

PROGRAM HIGHLIGHTS

Board of Directors

A new FCIC Board of Directors (Board) was appointed in 2002. This Board and I have set an aggressive agenda to address producers' issues and challenges in the crop insurance program. This agenda increases participation in the program, ensures outreach to small and limited resource farmers, expands programs where appropriate, affirms program compliance and integrity and ensures equity in risk sharing. Nine Board meetings were held during 2002. The Board approved 26 programs in FY 2002 and is considering another 18 programs. Private companies submitted five of the approved programs. Two of these were livestock programs. RMA is efficiently contracting for and reviewing new products, and promoting new risk management strategies.

In 2002, RMA provided approximately \$37 billion of protection to farmers, and expects indemnity payments for 2002 losses of approximately \$4.2 billion. The expected loss ratio for 2002 is 1.42 compared to 1.0 for 2001. In 2002, much of the agriculture region across the United States suffered from severe drought conditions. The increase in the

loss ratio reflects this. As a result, the amount of claim payments made under the crop insurance program increases significantly. This shows that the agriculture community is successfully benefiting from the risk management tools the government provides. RMA continues to evaluate the crop insurance program to identify areas for improvement and to create new products for commodities that are not offered coverage under the current crop insurance programs so that the government can eliminate or at least substantially reduce the need for ad-hoc disaster assistance payments to the agriculture community. The participation rate was approximately 80 percent. While participation in the program is voluntary, subsidizing the premium paid by farmers for coverage encourages participation.

Increases in subsidies resulting from the passage of ARPA had a positive affect on participation. Since 2000, farmers have shown a trend of choosing to purchase higher levels of buy-up protection and revenue coverage policies. In 2002, over 50 percent of the insured acreage was insured at 70 percent or higher level of coverage compared to only 9 percent in 1998. The high participation rate and the higher levels of coverage, purchases by participants have added to the ability for Crop Insurance to become the main risk management tool for America's farmers. We have made additional improvements recently that will continue this trend. In addition, the increased number of farmers buying up higher levels of coverage has generated the efficiencies reflected in the proposal to lower the administrative expense reimbursement rate.

Program Compliance and Integrity

RMA, with the assistance of the Farm Service Agency (FSA) and private sector insurance providers, works to improve program compliance and maintain the integrity of the Federal Crop Insurance Program. In order to complete ARPA requirements, RMA executed procedures for the FSA to refer potential crop insurance abusers. RMA established a fraud case management system and improved the sanction process. In addition, RMA implemented data mining projects and fine-tuned the data reconciliation process.

Last year RMA achieved a 700 percent increase in referrals on possible instances of fraud through data mining and analysis, a formalized alliance with FSA, and collaboration with approved insurance providers. These results demonstrated the direct impact of RMA's public effort to prevent fraud and saw an estimated \$94 million reduction in program costs by preventing potential fraudulent claims during October 2000 through December 2001. This strategy and its effects are discussed further in the RMA's *Program Compliance and Integrity Annual Report to Congress*.

Livestock Insurance Plans

The FCIC Board approved two pilot insurance programs for Iowa swine producers to protect them from declining hog prices. The two approved programs are the Livestock Gross Margin Pilot and the Livestock Risk Protection Pilot. Both policies are available from private insurance agents. Authorized under ARPA, these types of livestock insurance programs provide livestock producers with effective price risk management tools. RMA is providing \$19 million in coverage on approximately 304,000 hogs for the

2003 reinsurance year. Pilot program length will be determined by farmer participation and financial performance of the program.

The Livestock Gross Margin (LGM) pilot protects swine producers from price risks for six months and up to 15,000 hogs per period. The policy protects the gross margin between the value of the hogs and the cost of corn and soybean meal. Prices are based on hog futures contracts and feed futures contracts. LGM protects producers if feed costs increase and/or hog prices decline, depending on the coverage level selected by the producer. Coverage levels range from 85-100 percent. LGM sales began in July 2002. There are two sale periods each year -- January and July.

The Livestock Risk Protection (LRP) pilot protects producers against declining hog prices if the price index specified in the policy drops below the producer's selected coverage price. Swine can be insured for 90, 120, 150, or 180 days, up to a total of 32,000 animals per year. Unlike traditional crop insurance policies which have a single sales closing date each year, LRP is priced daily and available for sale throughout the year. Coverage levels range from approximately 70-95 percent of the daily hog prices. In addition, the FCIC Board recently approved LRP for both fed and feeder cattle beginning in 2003. We expect these programs to be available in late spring.

Adjusted Gross Revenue - Lite

The FCIC Board approved the Adjusted Gross Revenue-Lite (AGR-Lite) insurance plan in late 2002 and began sales for 2003. This product was submitted to FCIC through

Section 508(h) of the Federal Crop Insurance Act. AGR-Lite is available in most of Pennsylvania and covers whole farm revenue up to \$100,000, including revenue from animals and animal products. RMA encourages other states to develop similar programs.

Adjusted Gross Revenue (AGR) Cost-Share Program

ARPA authorized cost-sharing to assist producers in reducing financial risk through product diversification. To meet this directive, FCIC announced a cost-share program for AGR insurance that was made available in 11 underserved Northeastern States: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, Rhode Island, and Vermont. Under this program, FCIC paid 50 percent of the producer-paid premium and the full \$30 administrative fee.

Cost of Production

In 2001, RMA contracted for research and development of a Cost of Production (COP) insurance pilot program for 12 crops (soybeans, corn, cotton, wheat, rice, almonds, peaches, cranberries, apricot, nectarines, onions, and sugarcane). The FCIC Board considered an initial COP program for cotton this past fall. Expert reviewers and the Board indicated several significant issues for further review. As a result, the Board concluded that more work is needed to successfully bring producers a COP policy to meet their needs. Currently, RMA and the contractor are working diligently to find solutions to these issues. Should the issues be resolved and a cotton pilot program is successful, RMA plans to expand COP coverage to other crops.

Forage and Rangeland

RMA currently offers the Group Risk Plan (GRP) Rangeland Pilot in twelve Montana Counties. GRP is an alternative risk management tool based on the experience of the county rather than individual farms. It indemnifies the insured in the event the county average per-acre yield (the "payment yield") falls below the insured's "trigger yield." We are doing everything possible to ensure payment yields accurately and fairly represent the production experience of Montana's rangeland producers. RMA is diligently working with the Montana Agricultural Statistics Service as well as the Farm Service Agency (FSA) to obtain the best data needed to develop appropriate payment yields. While considerable interest has been generated in the program, we recognize specific problems need solutions. RMA contracted for an evaluation of the GRP program and is looking forward to potential solutions for making this product more effective. RMA also contracted for a feasibility study specifically for pasture and rangeland. This study suggested a risk management program could be developed for these individual crops, and RMA is proceeding with the development in FY 2003.

Nursery Crops

RMA recently completed work on many significant changes to the nursery program. RMA will be contracting for a cost benefit analysis leading to a proposed rule in the *Federal Register*. The nursery industry will have the opportunity to comment on the rule, which is expected to be announced as a proposed rule during the 2003 calendar year. These changes were in response to producers' requests to modify the program to align it

more closely with production practices and producer needs, balanced with the need to maintain program integrity.

Research and Development

During FY 2002, over \$19 million was obligated to qualified public and private organizations for research, feasibility studies, and development of risk management products. This represents approximately 45 contracts and partnership agreements. Examples include Florida fruit trees; Hawaii tropical fruit and tree research and development; livestock disease research and a sorghum pilot program; risk reduction for specialty crops in the southeast; direct marketing of perishable agricultural crops; and an apiculture insurance product, among others.

Risk Management Education

During FY 2002, RMA focused its outreach and education program on underserved states, specialty crop producers, the Dairy Options Pilot Program, grants through the Cooperative State Research, Education, and Extension Service, and the Adjusted Gross Revenue (AGR) Cost Share Program. In 2002, RMA established cooperative agreements in historically underserved states with respect to crop insurance; 13 cooperative agreements totaling \$1.8 million were established to deliver crop insurance education to producers in Connecticut, Maine, New Hampshire, Pennsylvania, Vermont, West Virginia, Delaware, Maryland, New Jersey, New York, Utah, and Nevada. These cooperative agreements expand the amount of risk management information available to producers and promote risk management education opportunities. The agreements will

also inform agribusiness leaders of increased emphasis on risk management and deliver risk management training to producers emphasizing outreach to small farms.

In addition, RMA awarded 72 partnership agreements to specialty crop producers at a total cost of \$3.7 million. RMA is in partnership to deliver risk management education to specialty crop producers with state departments of agriculture, universities, grower groups, and private agribusinesses. In conjunction with the Future Farmers of America, RMA also promotes youth participation and education in agriculture.

National Outreach Program

RMA has implemented several initiatives to increase awareness and service to small and limited resource farmers, ranchers, and other underserved groups. During 2002, customized regional and local workshops were held in several regions to deliver proven survival strategies directly to the producers. Forty-five competitively awarded partnership, with community-based, educational and nonprofit organizations will use \$3.2 million to educate women, limited-resource, and other traditionally underserved farmers and ranchers. For example, an agreement with the Agricultural and Land Based Training Association will provide risk management training to beginning Latino farmers on the central coast of California. RMA is sponsoring and participating in approximately 15 Farm Bill briefings nationwide, targeting small and limited resource farmers and ranchers. In addition, the second national *Survival Strategies for Small and Limited Resource Farmers and Ranchers* is currently scheduled for November 2003 in California.

PROGRAM ISSUES/CONCERNS

RMA received notice in November of the business failure of one of its larger reinsured companies, American Growers Insurance Company (AGIC). The Nebraska Department of Insurance took action under state law to place AGIC under regulatory supervision and later moved to place the company under a rehabilitation order. RMA has devoted significant resources to ensure that producers insured by AGIC are paid in full and on time. Our primary objectives are to protect policyholders, taxpayers and the integrity of the program. RMA is working with the Nebraska Department of Insurance to meet these objectives. RMA has established procedures for policyholders to transfer from AGIC to other approved providers. The transfer of fall 2003 policies is essentially complete. Spring policy transfers are being processed. RMA will continue to provide the necessary oversight, regulatory collaboration, and resources until the 2002 crop year claims are complete and existing 2003 policies have been transferred to another insurance provider.

PROGRAM STRATEGIES/OVERSIGHT

The President's FY 2004 budget includes \$1.0 million for monitoring and evaluating the reinsured companies. RMA is increasing oversight of the reinsured companies to promote a fair and effective delivery system. The actions being taken by RMA are:

- (1) Closer and more frequent monitoring of the current and emerging financial condition of each reinsured company;

- (2) Greater disclosure and transparency of specific operating expenses, including distribution system costs, and enhanced assessment of potential financial and operating exposures;
- (3) Comprehensive reviews of the Federal Crop Insurance Corporation's product portfolio and all manuals, handbooks and basic policies to identify process and product efficiencies;
- (4) Comprehensive evaluations of the current regulatory structure and dispute resolution procedures to identify any changes that would enable RMA to more proactively and cost-effectively ensure program integrity, service to the policyholder and protection of the taxpayers' interests;
- (5) Working with the reinsured companies and other delivery participants to review the current cost structure of the industry, to identify and pursue real cost savings, explore opportunities that may allow more effective risk diversification consistent with the market orientation of the program, and explore resource sharing where appropriate and effective; and
- (6) Increased monitoring and oversight of the insured companies' financial condition to protect program integrity. If FCIC determines that a reinsured company is (a) incurring expenses that jeopardize the financial stability of the company; (b) accepting business beyond its capacity to service or financially support that business; or (c) otherwise operating in a manner that adversely affects its financial condition or continued participation in the Federal Crop Insurance Program, then RMA will use all remedies available to protect the program.

We will also pursue actions necessary to enhance the safety and soundness of the product delivery system.

CONCLUSION

As shown by my testimony today, the RMA crop insurance plan is working; higher participation and higher levels of coverage substantiate that Crop Insurance is becoming the main risk management tool for America's producers. Over \$4 billion in coverage will go directly to producers this year. Buy-up coverage has dramatically increased. Insurance coverage has expanded to forage, fruits and vegetables, nursery products and livestock. Thousands of producers have participated in education and outreach activities. Cooperative agreements with state universities and department of agriculture have been established. New enforcement and sanction authority has been implemented as provided by ARPA. I ask that you approve this budget so RMA, under the direction of the USDA, can continue to provide an actuarially sound crop insurance program to America's agricultural producers. Thank you, Mr. Chairman and members of this committee. This concludes my statement. I will be happy to respond to any questions.

**Statement of A. Ellen Terpstra, Administrator
Foreign Agricultural Service
U.S. Department of Agriculture
Before the House Subcommittee on Agriculture,
Rural Development, Food and Drug Administration, and Related Agencies
Washington, D.C.**

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to review the work of the Foreign Agricultural Service (FAS) and to present the President's budget request for FAS programs for fiscal year (FY) 2004.

This year, as FAS celebrates its 50th anniversary as an agency, we have an opportunity to review our history and make sure we are prepared for tomorrow's challenges. In 1953, Secretary of Agriculture Ezra Taft Benson issued four challenges to the new agency:

- Supply American agriculture with current market information;
- Promote the sale of American farm products abroad;
- Remove obstacles to foreign trade; and
- Help other countries become better customers through technical assistance, foreign investment, greater use of credit and other means.

Through all the changes of the past 50 years – new nations, new technologies, new food and agricultural products, to name just a few – those activities remain the core of our agency's work. The work we do supports the Department's strategic objectives of expanding international market opportunities and supporting international economic development and trade capacity building.

The challenges the new FAS faced in 1953 are not unlike the challenges we face today – the excess productive capacity of U.S. agriculture, continued global agricultural policy reform, weather uncertainties and competition. At the same time, the U.S. export situation is incredibly

different. During the 1950s, our agricultural trade balance was awash in red ink. In 1953, for example, U.S. agricultural imports were \$4.3 billion and exports were \$2.8 billion, leaving a trade deficit of \$1.5 billion. In sharp contrast, for fiscal 2002, U.S. agricultural exports topped \$53 billion and imports were \$41 billion, producing a surplus of more than \$12 billion.

In the early 1950s, six of our top 10 export markets were in Western Europe. Now half are in Asia and only two are in Europe. Also, Canada and Mexico, our partners in the North American Free Trade Agreement, ranked 1 and 3 in 2002. Together, they took 29 percent of our total agricultural exports, up from 11 percent in the early 1950s when Mexico was not even in the top 10.

Bulk commodities dominated the U.S. trade picture back then. The big three at the time – wheat, cotton and tobacco leaf – accounted for up to 60 percent of total U.S. agricultural export value. A USDA report at the time boasted that our soybean exports set a record in 1953 – 42 million bushels. We now export about a billion bushels a year. In the early 1950s, meats trailed animal fats in export volume and value, and horsemeat tonnage beat poultry meat. Like meats, fruits and vegetables show huge export gains over the past 50 years. In 1952 and 1953 combined, we exported 164 million pounds of fresh apples, compared with 2.9 billion pounds in 2000-2001.

Many factors contributed to these changes. The global marketplace has grown enormously – more people, more production, higher incomes and much, much more trade. World population increased from about 2.7 billion in 1953 to a projected 6.3 billion this year. Urban populations have more than tripled.

Rising incomes have expanded trade not only by generating demand for more food, but also by helping to alter diets, sharply boosting per capita global consumption and trade in meats,

cereals, fruits and vegetables, and processed grocery products. At the same time, trade liberalization, changing market structures and new technologies in processing, storage and shipping created new opportunities and new markets.

American producers, processors and exporters took advantage of these growing opportunities by increasing their productivity, improving quality and variety, and intensifying marketing efforts. And through it all, government— including FAS — and the private sector developed a strong partnership, working together on market development and promotion programs, market-opening negotiations and new trade agreements, food and technical assistance, and research and quality improvements.

While we still face many challenges, we continue to believe that world markets offer rewarding growth opportunities and play a vital role in the future strength and prosperity of American agriculture.

FAS Program Activities

Throughout our 50 years, Congress has given us many tools to help us expand export opportunities for U.S. agricultural, fish, and forest products. Last year, we continued to use our long-standing export programs vigorously and have implemented new initiatives contained in the Farm Security and Rural Investment Act of 2002.

The 2002 Farm Bill established the Technical Assistance for Specialty Crops program and authorizes \$2 million in Commodity Credit Corporation funds for each fiscal year from 2002 to 2007. We moved quickly to implement the program and allocated \$2 million to 18 entities for FY 2002 under this program, which is designed to address unique barriers that prohibit or threaten the export of U.S. specialty crops.

The Farm Bill also increased the Market Access Program to \$100 million for 2002, and

those funds were allocated to 65 trade organizations to promote their products overseas. The Farm Bill increased funds for the Foreign Market Development Program, and FAS approved marketing plans totaling \$34.5 million for 24 trade organizations for FY 2002.

The Emerging Markets Program is authorized at \$10 million each year to promote increased market access for U.S. commodities and products in emerging markets. A total of 82 projects were approved for FY 2002. The Quality Samples Program provides funds so U.S. organizations can provide commodity samples to foreign buyers to help educate them about the characteristics and qualities of U.S. agricultural products. FAS allocated \$1.6 million in FY 2002 to 21 organizations under this program.

The export credit guarantee programs facilitated sales of nearly \$3.4 billion in U.S. agricultural products last year. The GSM-102 program helped U.S. exporters register sales of nearly \$650 million in the South America region and over \$395 million to Turkey, two areas where the program is most successful. U.S. exporters continue to discover the benefits of the Supplier Credit Guarantee Program. We issued over \$452 million in credit guarantees under this program in 2002, and we project continuing growth for this newer GSM program.

With the aid of the Dairy Export Incentive Program (DEIP), U.S. exporters sold more than 86,000 tons of dairy products in FY 2002. The Commodity Credit Corporation awarded over \$54 million in bonuses to help U.S. dairy exporters meet prevailing world prices and develop foreign markets, primarily in Asia and Latin America.

On the trade policy front, USDA works to open, expand, and maintain markets for U.S. agriculture. FAS was a key player in the development of the comprehensive U.S. agricultural negotiation proposal for the World Trade Organization (WTO) Doha Development Agenda. The proposal calls for significant new disciplines in the areas of market access, export competition,

and domestic support.

We also have actively participated in other trade negotiations including the Free Trade Area of the Americas (FTAA) and the now completed Singapore and Chile Free Trade Agreements.

While pursuing these new negotiations, we have begun to see the benefits of earlier agreements. U.S. exports of forest products, rice, cotton, citrus, and wheat to Taiwan and China have increased by over \$100 million as a result of their accessions to the WTO, and U.S. soybean meal and corn exports to Jordan have nearly doubled as a result of the U.S.-Jordan Free Trade Agreement.

FAS also worked to defend U.S. access to markets. Monitoring of trade agreements is essential to ensure that the benefits gained through long, hard negotiations are realized. Our monitoring of the Uruguay Round Agreement on Agriculture and the Sanitary and Phytosanitary Agreement ensured that nearly \$1.8 billion in U.S. trade was protected or expanded. Examples include the monitoring of China and Taiwan's WTO accession commitments, Venezuela's import licensing for numerous commodities, and Costa Rica's rice import permits.

In addition, we worked to secure access for U.S. organic exports to Japan and Europe, averted the imposition of grain import restrictions by the European Union (EU), and helped open the Australian market to U.S. table grapes.

To support the U.S. commitment to global food aid efforts, we have used our assistance authorities to ship commodities from the United States to needy people around the world. FAS programmed more than 2.4 million metric tons of food assistance in FY 2002 under Public Law (P.L.) 480, Title I and Section 416(b) of the Agricultural Act of 1949. These products, valued at \$600 million, went to more than 60 countries.

Under the pilot Global Food for Education (GFE) Initiative, which began in FY 2001, the United States has provided 800,000 tons of commodities and associated assistance valued at \$300 million over a 2-year period to provide school meals for 7 million children in 38 countries.

Our emphasis on trade capacity building and our roles in international organizations continue to grow. International cooperation is the cornerstone for building bilateral and multilateral relationships that can facilitate resolution of trade differences, expand trade, and promote economic growth. For example, last year we used several international organization meetings to advance our WTO proposals. We began our efforts to communicate the important link between market access and global food security at the Food and Agriculture Organization's Conference in Rome in November, just prior to the successful launch of the Doha Development Round. We continued our efforts at the Finance for Development Conference in Monterrey in March, the World Food Summit: *Five Years Later* in Rome in June, the G-8 Summit in Kananaskis, Canada, two weeks later, and finally the World Summit on Sustainable Development in Johannesburg in August.

The meetings provided opportunities for outreach on our WTO proposal and biotechnology as key to addressing the problem of food security. Our efforts were carefully crafted to specific audiences. For example, at the World Food Summit: *Five Years Later*, Secretary Veneman identified three U.S. priorities for reducing hunger, with specific initiatives to boost agricultural productivity in the developing world, end famine, and alleviate severe vitamin and mineral deficiencies. She invited other countries to join us in these efforts. The Secretary announced a USDA-sponsored ministerial-level on agricultural science and technology designed to assist developing countries in increasing productivity. We sponsored a well-attended event on biotechnology that included Nobel Peace Prize winning scientist Dr. Norman Borlaug,

bringing greater credibility to the scientific support behind the technology. Finally, the Secretary met with Latin American ministers of agriculture in their capacity as members of the Inter-American Institute for Cooperation on Agriculture. The result of that meeting was consensus among members on trade capacity building priorities for IICA, including sanitary and phytosanitary issues and biotechnology.

It is these relationships and the training we provide that will help us resolve trade disputes in the future, as well as prepare developing countries for global trade. Our longstanding training program, the Cochran Fellowship Program was used to introduce 972 Cochran Fellows from 78 countries to U.S. products and policies in 2002 -- the largest number of participants in the program's history. These Fellows met with U.S. agribusiness; attended trade shows, policy and food safety seminars; and received technical training related to market development. The Cochran Fellowship Program provides USDA with a unique opportunity to educate foreign government and private sector representatives not only about U.S. products, but also about U.S. regulations and policies on critical issues such as food safety and biotechnology.

We also collaborated with a diverse group of U.S. institutions in research partnerships with 53 countries. These research and exchange activities promoted the safe and appropriate development and application of products from biotechnology, as well as other areas such as food safety, improved nutritive value of crops, environmental sustainability, and pest and disease resistance of crops and livestock.

In the end, the technical assistance that we provide, both our own and through international organizations, will help build the institutions needed for developing countries to attract investment and grow their economies. If our efforts are successful, our food and agricultural producers will benefit by access to more and better markets.

Challenges Ahead

Faced with continued growth in our agricultural productivity, intense competition, and continued aggressive spending on market promotion by our competitors, we must redouble our efforts to improve the outlook for U.S. agricultural exports. I would like to discuss our top priorities for the year.

Continuing Trade Liberalization for Agriculture

At the top of our list is moving forward in the multilateral trade negotiations on agriculture under the WTO. The United States was the first WTO member to put forward a comprehensive and specific agriculture proposal, which has gained support from many WTO members. As the negotiations progress, it has become clear that two camps have developed: one that wants to address the inequities of the Uruguay Round consistent with the Doha mandate and one that does not. The EU and Japan are in the latter group. Both have indicated resistance to moving beyond the limited Uruguay Round framework. We are at a critical stage in the WTO agriculture negotiations. On February 12th, Chairman Harbison released his draft modalities - the formula for reducing protection and subsidies - that should enable us to meet the crucial deadline of March 31 for establishing reduction commitments in export competition, market access, and domestic support.

Along with our comprehensive tariff reduction formula, the United States has proposed that WTO members engage in negotiations on a sector-specific basis on further reform commitments that go beyond the basic reductions that will apply to all products. These would include deeper tariff reductions, product-specific limits on trade-distorting domestic support, and other commitments to more effectively address the trade-distorting practices in the affected commodity

sectors. This is an area where we need support and involvement from our food and agriculture industry, and we will be seeking their guidance throughout the negotiations.

Overall, the passage of Trade Promotion Authority (TPA) was great news for America's farmers, ranchers, and food industry. The United States can now move forward on its ambitious trade agenda of opening markets multilaterally in the WTO, regionally, and bilaterally. This Administration is pressing ahead in its effort to create the largest, most comprehensive free trade area encompassing 34 democracies in the Western Hemisphere—a Free Trade Area of the Americas (FTAA). Despite economic turmoil in Latin America, the negotiations remain on schedule.

In December, the United States, at the Free Trade Area of the Americas (FTAA) Ministerial in Quito, Ecuador, pushed negotiations forward to complete the FTAA by January 2005. The ministers energized market-access negotiations and agreed that the United States and Brazil will co-chair the FTAA process through the conclusion of negotiations. The next meeting will be in Miami late this year, with another meeting set for Brazil in 2004.

When completed, the FTAA will provide U.S. producers and exporters with much greater access to 450 million consumers outside the NAFTA countries, who will have \$2 trillion in income. USDA estimates suggest that the FTAA could expand U.S. agricultural exports to the hemisphere by more than \$1.5 billion annually.

While we recognize that many challenges lie ahead and that the U.S. agricultural community has some concerns about the FTAA, we cannot afford to stand on the sidelines while other countries take away our potential markets. The reality is that if all Western Hemisphere countries have preferential agreements among themselves and the United States is not a party to these agreements, U.S. exports to the hemisphere would actually decline, perhaps as much as

\$300 million annually. So we must be a participant and a leader in these important negotiations.

In the year ahead, we will also be working on agreements with Australia, Morocco, five countries in Central America, and the Southern African Customs Union. As you see, we will be working on many fronts to continue to improve export opportunities for the American food and agriculture sector.

We also are actively participating in the Asia Pacific Economic Cooperation (APEC) forum. We expect APEC to serve a key role in promoting continued trade liberalization within the region and in the WTO, and we will be working through the APEC food system to realize this goal.

We will continue to work with the countries that would like to join the WTO, such as Russia and Saudi Arabia. Although increasing the number of members in the WTO is a high priority, we will continue to insist that these accessions be made on commercially viable terms that provide trade and investment opportunities for U.S. agriculture. And when membership in the WTO is achieved, we must continue to monitor aggressively those countries' compliance with their commitments. We must ensure that acceding countries implement trade policies and regulations that are fully consistent with WTO rules and obligations.

Building Trade Capacity

Hand-in-hand with our negotiating efforts are our efforts to help developing countries participate more fully in the trade arena. Our trade capacity building efforts are aimed at helping countries take part in negotiations, implement agreements, and connect trade liberalization to a program for reform and growth. We will work closely with the U.S. Trade Representative and the U.S. Agency for International Development in this effort.

If we are to achieve success in the negotiating process, we must engage the developing

world in the creation and implementation of appropriate trading rules and guidelines. This will take time, but it will be worth the investment. These countries represent our future growth markets. Throughout the year, we will use all of our available tools -- the Cochran Fellowship Program; the Emerging Markets Program, and our involvement in international organizations such as the Inter-American Institute for Cooperation on Agriculture (IICA) -- to aid in this important effort.

Addressing Biotechnology Issues

Another priority is how we deal with the issues surrounding products produced through biotechnology. The increasing number of countries around the world that are issuing regulations relating to products of biotechnology present a particular challenge, both for our infrastructure and for our food and agricultural exports. We are using every available forum to ensure countries adopt science-based policies in this area.

For example, last year we participated in the first APEC policy dialogue on biotechnology, where the 21 APEC member countries reached a consensus that biotechnology is an important tool with great potential for food security and the environment. In an effort to foster closer cooperation, the North American Biotechnology Initiative identified science, marketing, and regulatory issues as priorities for the three NAFTA partners. The Philippines enacted well-crafted biotech commercialization guidelines after three years of sustained FAS interaction through educational events and Cochran Fellowship training programs. FAS worked closely with third countries and allies within the EU to counter misinformation and to highlight the practical implications of EU legislation on biotech food and feed products.

Biotech issues will continue to be important for U.S. agriculture in the immediate years ahead, whether in the WTO or in our bilateral relationships with customer and competitor nations.

alike. We continue to insist that biotech approval regimes, wherever they exist, must be transparent, timely, predictable, and science-based.

Maintaining Market Access

Inherent in the FAS mission is the need to anticipate and prevent disruptions to trade imposed by new market barriers. Perhaps no other task that we carry out is as important, yet less visible. It is a measure of our success that so many issues are resolved so quickly, with so little public awareness. Virtually every day, our overseas and domestic staff work as a team on a variety of concerns -- first to prevent crises from developing and then to resolve thorny issues should they arise. They coordinate efforts with a number of USDA agencies, as well as with private sector companies and associations.

Every year, these activities preserve millions of dollars in trade that could have potentially been lost by countries imposing new barriers. Some problems may be resolved quickly with a phone call or a meeting; others are more complex, and involve multiple U.S. agencies. Our priorities include resolving poultry trade issues with Russia, poultry and other issues with Mexico, and tariff-rate quota and biotech issues with China.

Ensuring World Food Security

We recognize that significant emergency food needs continue to haunt many in the world and we are working to help address them. Today the most severe needs are in Mauritania, Sudan, Angola, North Korea, Afghanistan, southern Africa, and the Horn of Africa. The United States has delivered or pledged more than 500,000 tons (valued at \$266 million) to southern Africa since the beginning of 2002, making us the largest donor to the World Food Program's (WFP) operations there. The United States is also providing food aid to Ethiopia, Eritrea, Sudan,

Angola, North Korea, Afghanistan, and many other countries.

However, U.S. food aid donations are determined by the availability of commodities, budget resources and commodity and transport prices. We have reduced our reliance on that part of the Section 416(b) program that depended on the availability of surplus U.S. commodities and have increased funding under the more traditional P.L. 480 and Food for Progress authorities. We hope that this change will allow other governments, private voluntary organizations (PVOs), and the World Food Program to have a much more reliable picture of how much food aid will be available from the United States each year.

We also will be implementing the new McGovern-Dole International Food for Education and Child Nutrition Program. This new program, established in the 2002 Farm Bill, builds on the pilot Global Food for Education Initiative that I mentioned earlier. We will be working closely with the World Food Program and our PVO partners to ensure that this program gets off to a good start and builds on the success achieved by the Global Food for Education Initiative.

In addition, FAS continues to assist USAID in its Famine Early Warning System (FEWS) by providing satellite and crop data. We will soon launch our effort to track global water resources that will allow us to measure critical water reservoirs in developing countries.

But despite all our efforts, estimated food aid needs continue to be high. That is why we continue to press other major donors to increase their contributions. The United States is working with the G-8 to make this effort multilateral. In addition, we are especially supportive of the efforts of the WFP's new director to widen the spectrum of support from private sector organizations.

But we know food aid is not the only tool to achieve world food security. That is why Secretary Veneman will host a Ministerial Conference and Expo on Agricultural Science and

Technology June 23-25 in Sacramento, Calif. Ministers are being invited from over 180 nations.

The conference, also sponsored by the U.S. Agency for International Development and the Department of State, will focus on the critical role science and technology can play in raising sustainable agricultural productivity in developing countries, with the goal of boosting food availability and access and improving nutrition.

Implementing Program Changes

Our top program priority is developing and implementing the Trade Adjustment Assistance Program for Farmers, a new program established by the Trade Act of 2002. Under the program, USDA is authorized to make payments to eligible producer groups when the current year's price of an agricultural commodity is less than 80 percent of the national average price for a previous 5-year marketing period, and the Secretary determines that imports have contributed importantly to the decline in price. FAS is currently coordinating efforts with other USDA agencies to establish the new program. Program rule-making and start-up activities are actively underway, with implementation anticipated later this year.

Another priority is expanding our eGov capability. EGovernment is a multi-faceted initiative that will change the way we in FAS communicate with each other, with the rest of government, and most importantly, with the customers we serve around the world. For FAS, eGov means making more information and services available online, while organizing and presenting all of this data in a logical, accessible and useful way.

Specifically for FAS, this means changing our processes for producing data and information in ways that make it easier to categorize, publish and present online. FAS has committed to being an early adapter in the content management initiative of eGov. Within the next year, FAS will make most information-collecting forms such as grant applications and

reporting documents interactive and available online. And in the long term, we will analyze every function and activity throughout the agency to develop ways to leverage our information technologies to complete our agency activities faster, smarter and better.

Budget Request

Mr. Chairman, our fiscal year 2004 budget proposes a funding level of \$145.2 million for FAS and 1,005 staff years. The request includes a number of important trade related activities and non-discretionary administrative increases.

First, an additional 20 staff years are proposed to facilitate the agency's active involvement in ongoing multilateral, regional, and bilateral trade negotiations and to bolster its efforts to address rapidly growing market access constraints related to biotechnology, and sanitary and phytosanitary measures. These will be funded from a centralized fund to be established in the Office of the Secretary to support cross-cutting USDA trade-related and biotechnology activities.

Additionally, the budget proposes an increase of \$500,000 to support a series of regionally based seminars on the specifics of the Biosafety Protocol. Representatives from 170 countries are currently negotiating international provisions governing the shipment and use of products from biotechnology under the Cartagena Protocol on Biosafety. Parameters set under this agreement are intended to provide uniform international requirements for ensuring the safe transport and use of these products.

The Biosafety Protocol can offer a framework to guide countries that currently lack national regulatory systems for products of biotechnology. However, if member countries misinterpret the Protocol, it can seriously impede international trade, product development, technology transfer, and scientific research. Through a series of regional seminars, FAS will

work to ensure that the implementation of these standards under the Biosafety Protocol are science-based, transparent, and non-discriminatory. These seminars will be coordinated in conjunction with other USDA agencies such as the Animal and Plant Health Inspection Service (APHIS), industry representatives, academia, the non-governmental organization community, and international regulatory agencies.

The budget also requests \$5 million for a USDA contribution to the Montreal Protocol Multilateral Fund (MPMF). The MPMF was created in 1991 to help developing countries switch from ozone depleting substances to safer alternatives. Developing countries' commitment to comply with the Protocol's strict requirements is contingent on developed countries providing help through the MPMF. Historically, the Department of State (DOS) and the Environmental Protection Agency have provided nearly all U.S. payments to the MPMF. This has funded projects that are leading to the phase out of the production and use by developing countries of industrial chemicals that deplete the ozone layer, such as chlorofluorocarbons and halons. In the future, there will be an increasing focus on reducing the use of methyl bromide. In recognition of the growing importance of agricultural issues in the Montreal Protocol process, USDA is requesting a \$5 million contribution to the MPMF.

The budget includes an increase of \$4,220,000 for non-discretionary administrative requirements including:

- an increase of \$1,871,000 to cover higher personnel compensation costs associated with the anticipated fiscal year 2004 pay raise. Pay cost increases are non-discretionary and must be funded. Absorption of these costs in fiscal year 2004 would primarily come from reductions in agency personnel levels, which would significantly affect FAS trade expansion efforts.

- an increase of \$1,539,000 for inflation. Using the OMB economic assumption of 2.3 percent, this is the amount needed to offset anticipated inflationary cost growth. This increase is of particular importance for maintaining FAS offices overseas at current levels.
- an increase of \$594,000 for higher ICASS payments to the Department of State. The DOS provides overseas administrative support for foreign affairs agencies through the International Cooperative Administrative Support Services (ICASS) system. FAS has no administrative staff overseas, and thus relies entirely on DOS/ICASS for this support. For fiscal year 2004, DOS has informed agencies that it anticipates an increase of 6.5 percent over fiscal year 2003 levels. That 6.5 percent estimate includes amounts for increasing staffing under the Diplomatic Readiness Initiative, continuing the Overseas Infrastructure Initiative, and budgeting for overseas comparability pay.
- an increase of \$356,000 for increased overseas rental expenses arising from the sale of dedicated FAS overseas housing by DOS. Section 213 of the Foreign Relations Authorization Act, Fiscal Year 2003, (P.L. 107-228) repealed Section 738 of the fiscal year 2001 Agriculture Appropriations Act that limited DOS's authority to sell "unneeded" property by making sales decisions contingent on FAS approval. In view of this action and State's intention to sell three additional residences, FAS is now seeking additional funding to finance moves into commercial space where government owned space is not available.
- a decrease of \$140,000 for the savings associated with centralization and improvement of information technology. Savings are associated with consolidated

buys for infrastructure and office automation, and consolidation of enterprise architecture projects within the Department. USDA continues to ensure that information technology investments utilize enterprise licenses for hardware and software where appropriate and reduce the information technology costs.

Export Programs

Mr. Chairman, the fiscal year 2004 budget proposes \$6.2 billion for programs to promote U.S. agricultural exports, develop long-term markets overseas, and foster economic growth in developing countries. The 2002 Farm Bill increased funding for several of these programs in order to bolster our trade expansion efforts that are reflected in the President's fiscal year 2004 budget.

Export Credit Guarantee Programs

The budget includes a projected overall program level of \$4.155 billion for export credit guarantees in fiscal year 2004.

Under these programs, the Commodity Credit Corporation (CCC) provides payment guarantees for the commercial financing of U.S. agricultural exports. As in previous years, the budget estimates reflect actual levels of sales expected to be registered under the programs and include:

- \$3.3 billion for the GSM-102 program
- \$18 million for the GSM-103 program
- \$750 million for Supplier Credit guarantees
- \$44 million for Facility Financing guarantees

Market Development Programs

Funded by CCC, FAS administers a number of programs to promote the development,

maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. For fiscal year 2004, the CCC estimates include a total of \$164 million for market development programs that includes:

- \$125 million for the Market Access Program, an increase of \$15 million over the fiscal year 2003 level of \$110 million,
- \$34.5 million for the Foreign Market Development (Cooperator) Program, unchanged from fiscal year 2003;
- \$2.5 million for the Quality Samples Program, unchanged from fiscal year 2003; and
- \$2 million for the new Technical Assistance for Specialty Crops Programs.

International Food Assistance

The fiscal year 2004 budget continues the worldwide leadership of the United States in providing international food aid. In this regard, the fiscal year 2004 proposals total \$1.6 billion which include:

- \$1.345 billion for P.L. 480, which is expected to provide approximately 3.1 million metric tons of commodity assistance. For Title I, the budget provides for a program level of \$160 million, which will support approximately 600,000 metric tons of commodity assistance. For Title II donations, the budget provides for a program level of \$1.185 billion, which is expected to support 2.5 million metric tons of commodity donations.
- \$151 million for Food for Progress. Funding at the requested level is expected to meet the minimum tonnage level of 400,000 metric tons stipulated in the 2002 Farm Bill;

- \$118 million for Section 416(b) donations. Under this program, surplus commodities that are acquired by CCC in the normal course of its domestic support operations are available for donation overseas. For fiscal year 2004, current CCC baseline estimates project the availability of surplus nonfat dry milk that could be made available for programming under section 416(b) authority; and
- \$50 million for the McGovern-Dole International Food for Education and Child Nutrition Program. The McGovern-Dole program is an entirely new program, authorized by the 2002 Farm Bill. Fiscal year 2003 funding for McGovern-Dole is \$100 million from CCC for both commodities and technical assistance. The fiscal year 2004 budget requests appropriated funding of \$50 million. However, programming should not decline significantly in fiscal year 2004 because of the many programs that will likely carry over from fiscal year 2003. In developing the fiscal year 2005 budget, the Administration will be in a position to review program performance during fiscal years 2003 and 2004, and will make decisions on future funding in accordance with those results.

Export Subsidy Programs

EAS administers two export subsidy programs through which payments are made to exporters of U.S. agricultural commodities to enable them to be price competitive in overseas markets where competitor countries are subsidizing sales. These include:

- \$28 million for the Export Enhancement Program (EEP). World supply and demand conditions have limited EEP programming in recent years, and as such, the fiscal year 2004 budget assumes a continued limited activity. However, the 2002 Farm Bill includes

a maximum annual EEP program level of \$478 million allowable under Uruguay Round commitments and that amount could be used should market conditions warrant.

- \$57 million for the Dairy Export Incentive Program (DEIP), \$26 million above the fiscal year 2003 estimate of \$31 million. This estimate reflects the level of subsidy currently required to facilitate exports sales consistent with projected U.S. and world market conditions and can change during the programming year as market conditions warrant.

This concludes my statement, Mr. Chairman. I will be glad to answer any questions.



Biographical Sketch

J. B. Penn

Under Secretary, Farm & Foreign Agricultural Services

Dr. J.B. Penn was sworn in as under secretary for farm and foreign agricultural services by Agriculture Secretary Ann M. Veneman on May 25, 2001.

Before his appointment to USDA, Penn was Senior Vice President and Manager of Sparks Companies, Inc.'s Washington office. Prior to joining Sparks, he was President of Economic Perspectives, Inc. from 1981 to 1988.

Penn's government experience includes service as Deputy Administrator for Economics of the USDA's Economics and Statistics Service and as Senior Staff Economist for the President's Council of Economic Advisers.

A widely respected agricultural economist, Penn has also served on numerous missions and task forces, including two to Poland led by Nobel Laureate Norman E. Borlaug. He also was a member of Presidential Agricultural Task Forces sent to Honduras in 1982 and Ecuador in 1984, as well as a similar Mission to Guatemala in 1987.

Penn received his BS in Agriculture from Arkansas State University in 1965. In 1967 he earned a MS in Agricultural Economics from Louisiana State University. He earned a PhD in Agricultural Economics from Purdue University in 1973.

Penn is a member of several professional organizations including the American Agricultural Economics Association; Bennett Agricultural Roundtable; Council on Food, Agriculture, and Resource Economics; and the Farm Foundation. In 1988 he became a founding member of the Foundation for the Development of Polish Agriculture.

Penn has authored or co-authored numerous journal articles, technical reports, research monographs, book chapters and popular reports. He co-authored *Agricultural and Food Policy (fourth edition)*, which is widely used in U.S. universities. He has been a frequent speaker before industry groups and associations. He also has received numerous awards, the most recent being Distinguished Alumnus from the College of Agriculture at Purdue University.

May 25, 2001

**Farm Service Agency
Online**
**Biography**

James R. Little
 Administrator
 Farm Service Agency
 U.S. Department of Agriculture
 Washington, D.C. 20250-0501

James R. Little is the Administrator of USDA's Farm Service Agency (FSA). As Administrator, Mr. Little is responsible for the administration of farm commodity and conservation programs, farm loan programs, and certain disaster and Federal crop insurance programs. Many FSA programs are financed and carried out through the facilities of the Commodity Credit Corporation (CCC), a wholly-owned Government corporation with a \$30 billion line of credit with the US Treasury. Mr. Little also serves as the Executive Vice President of CCC. Previously, Mr. Little served as Treasurer and Controller of CCC. Prior to his most recent appointment, Mr. Little was FSA's Acting Administrator.

Mr. Little has spent his entire professional career with USDA. Prior to serving in his current position, he was Associate Chief Financial Officer for Financial Operations. In this capacity, he provided oversight to USDA's overall financial operations, with an emphasis on ensuring that USDA's mission agencies complied with United States Government accounting standards and regulations involving assets valued at nearly \$120 billion. Mr. Little is a Certified Government Financial Manager.

Mr. Little began his professional career with USDA at the grass roots level serving as a staff accountant with the former Rural Electrification Administration, now a part of the Rural Development mission area. He worked his way up through the ranks, holding leadership positions in the Federal Crop Insurance Corporation, now the Risk Management Agency, and the former Agricultural Stabilization and Conservation Service, now FSA. With more than 31 years of total Federal service, Mr. Little has extensive financial, management, and program experience, particularly with USDA's county-based agencies.

Mr. Little, a native of Charlotte, North Carolina, has a Bachelor of Science degree from the Virginia Polytechnic Institute in Blacksburg, Virginia. He and his wife Bonnie are the parents of one daughter.

March 2002

ROSS J. DAVIDSON, JR.
Administrator, Risk Management Agency

Ross J. Davidson, Jr., was named Administrator of USDA's Risk Management Agency by Agriculture Secretary Ann M. Veneman on February 6, 2002.

The Administrator of RMA leads the agency that provides risk management protection to America's farmers through a sound crop insurance program and other risk management tools. RMA's administrator also serves as Manager of the Federal Crop Insurance Corporation.

Most recently, Davidson was vice president-industry affairs and vice president-corporate finance for United Services Automobile Association (USAA) from 1988 - 2001. Prior to joining USAA, Davidson worked for Tesoro Petroleum Corporation as its Assistant Treasurer.

Davidson has more than 25 years of experience in enterprise risk management, corporate finance, treasury, investment and related public policy matters in insurance and energy. He has published articles in professional journals and has been a frequent advisor, commentator and innovator on natural disaster and risk management public policy.

Davidson received a Bachelor's degree in Economics from Brigham Young University in 1974, and a Master's degree in Business Administration there in 1976.

Davidson has been a member of several professional organizations including the American Risk and Insurance Association, Financial Executives International, and the Association of Finance Professionals. He is a past president of the BYU Marriott School of Management Alumni Board and is on the steering committee of the Marriott School of Management Insurance and Financial Services Institute. He also served on the Managing Catastrophe Risks Advisory Board of the Wharton School, University of Pennsylvania.

Biographical Sketch of A. Ellen Terpstra
Administrator, Foreign Agricultural Service

A. Ellen Terpstra was sworn in as Administrator for the Foreign Agricultural Service on March 1, 2002. She oversees various programs that foster exports of American agricultural, fish, and forest products. FAS works on international trade agreements and negotiations; coordinates USDA's role in international food aid programs; reports on international agricultural production and trade; administers export assistance programs; and provides linkages to worldwide resources and technologies that can benefit U.S. agriculture.

Before her appointment to USDA, Terpstra was president and chief executive officer of the USA Rice Federation from 1998 to 2002. Before joining the Rice Federation, she was president of the U.S. Apple Association for seven years.

Terpstra's government experience has focused on international food and trade policy. She served as trade negotiator and policy coordinator for the Office of the U.S. Trade Representative and an agricultural policy analyst with the Congressional Research Service. She also has been a consultant to the Food and Agriculture Organization of the United Nations in Rome, Italy, and has served on several national agricultural advisory committees.

Terpstra received her bachelor of science degree from Georgetown University's School of Foreign Service.

W. Kirk Miller
General Sales Manager
Foreign Agricultural Service
1400 & Independence Avenue, SW
Washington, D.C. 20250-1001

On July 17, 2002, Secretary of Agriculture Ann M. Veneman announced the appointment of W. Kirk Miller as General Sales Manager of the USDA's Foreign Agricultural Service. He is responsible for administering USDA's export promotion initiatives, marketing programs, trade analysis, export credit, export enhancement, dairy export incentive and emerging market programs, as well as Title I of the P.L. 480 Food for Peace program and other departmental food aid activities.

From 1992, Miller worked for the North American Export Grain Association (NAEGA) where he coordinated the association's technical and market development activities. Miller served as the staff liaison to the association's technical committees and to USDA and foreign governments on sanitary and phytosanitary trade and regulatory issues on behalf of the grain export industry.

Prior to joining NAEGA, Miller operated his own agricultural consulting business after more than three years of service as Administrator of the USDA Federal Grain Inspection Service, to which he was appointed by President Ronald Reagan and confirmed by the U.S. Senate.

For six years, Miller was President of the American Malting Barley Association and Barley and Malt Institute in Milwaukee, Wisconsin, and previously served four years as Assistant Director of National Affairs for the American Farm Bureau Federation in Washington, DC and six years with the Ohio Farm Bureau Federation.

Miller grew up on a cash grain and livestock farm in Ohio. He graduated from the Ohio State University with a B.S. in Agricultural Economics and from George Mason University in Virginia with an M.A. in International Transactions. Miller is a member of the Council on Agricultural Science and Technology, Asia Society, and World Affairs Council.

August 13, 2002

Mr. BONILLA: Before I begin questioning, I would like to also welcome someone on your panel.

Ms. Kaptur has a hometown friend here; I also have one from Texas, Mr. Davidson. Ross Davidson has a good, long history back home in Texas working for great corporations like Tesoro and what has been judged consistently over the years as the best insurance company in America, and that is USAA—so you have good men here—and his home is within about half a mile of my home back in San Antonio. So a small world.

But welcome—a special welcome to you today.

COMMODITY PROGRAM SIGN-UP

Dr. Penn, during our hearing last Thursday, the Secretary was here, and she was telling us that there would be no extension of the April 1 deadline for enrollment in the direct and countercyclical farm program for crop year 2003. About a week earlier, the Department said only 41 percent of farmers had signed up for the commodity programs under the farm bill.

Members of this subcommittee have received complaints from their constituents who could not get appointments in their county offices until after the deadline. I point out that we had the same kind of situation with the livestock compensation program announced by the Department last October. We think we fixed that as part of our final action in the omnibus bill this year under section 203 of Division N of Public Law 108-7, but the fixed cost of \$100 million according to CBO.

Would you tell us in some detail what you are doing to meet this workload crunch and how you will handle farmers who missed the deadline through no fault of their own?

Dr. PENN. Well, thank you, Mr. Chairman. Let me see if I can provide some perspective and some clarification.

As you indicated, each week we issue a sign-up number, which is an average across all of the States for the United States. That number at the current moment, as you indicated, is 48 percent. So if you look at all of the farmers across the country, 48 percent have signed up and are now eligible for the benefits under the 2002 Act.

But we note that there are a considerable number of farmers who are not going to sign up; that is, they are going to accept the default option, and the default option is simply that they accept the production flexibility contract acreage and yields with the addition of soybean acres that they have historically had. So there is no reason for them to come to the office. We don't know exactly how many that is going to be, but we would venture a guess that it is certainly at least a fourth and perhaps as many as a third.

So we have the major agricultural States where most of the acreage base and yield updating will occur, and we would note if you look at those, that their numbers are between 55 and 60 percent. So if we take 55 percent and we add a third to that, then that gets us pretty close to 85 percent of the producers that we think are already taken care of. That leaves us the rest of this month to sign up the remaining 15 or 20 percent of the farmers.

Now, Mr. Little and his staff look across the country every week, and we are trying to identify those particular counties in which the workload is the heaviest; and in those cases, we are trying to divert

additional resources to those counties. We are bringing in more computers. We are trying to lengthen the office hours so that producers can come in beyond the regular office hours. And we think that doing these things, focused on these particular counties where the workload is heaviest, that we will be able to complete the sign-up by April 1.

As I indicated earlier, we have well over 2,000 locations, and we think that the difficulty is probably going to occur in no more than 10 percent of those. So that is maybe 200 counties where we have to make these extraordinary efforts, we think.

Mr. BONILLA. So none of these producers then that have just got caught—as they claimed, they called and just couldn't get an appointment—they should be addressed then, right?

Dr. PENN. We think they should be addressed, and if there are any producers who through no fault of their own can't get signed up by April 1, then we will make sure we get them signed up as soon as we possibly can. They won't suffer any loss of benefits whatsoever because of that.

Mr. BONILLA. On implementing the farm bill, J.B., last year a budget amendment was submitted requesting \$60 million for the increased costs of implementing the farm bill programs, and final congressional action in our most recent bill, \$70 million was provided for that purpose.

My question is, is this level of funding sufficient to meet the need throughout the current fiscal year, and is this level of funding sufficient—funding sufficient also to administer to new disaster payments that we just appropriated in the omnibus bill?

Dr. PENN. Yes, Mr. Chairman. We think that financial resources are not our problem. It is just finding enough people and having enough hours in the day to get everybody through the offices.

As you note, the farm bill itself included \$55 million for our expenses. We had originally estimated we would need \$110 million. Of that \$55 million, \$5 million was earmarked for an unrelated project, so we had \$50 million immediately, and we used that to add temporary staff so that we could immediately begin implementation.

And then we had proposed an additional \$60 million, and in the appropriations bill, as it turned out, we got \$70 million for the remainder of implementation of the 2002 farm bill and the disaster package. So we think we have enough financial resources.

Again, our problem is just getting enough people, getting them trained and making sure we can get the producers through the county offices on time.

Mr. BONILLA. Thank you.

I will now yield to Ms. Kaptur.

CCC SALES TO IRAQ

Ms. KAPTUR. Thank you, Mr. Chairman.

We will have several rounds of questioning, but my first round, Mr. Under Secretary, I am going to ask questions regarding Iraq and the Department of Agriculture. And we had called your office on this, so I know many of the questions you will not be able to answer today, but we are asking for full disclosure for the record.

As I begin my questioning, I would like to ask unanimous consent to submit a GAO report to the record, November 1990, entitled Iraq's Participation in U.S. Agricultural Export Programs.

Mr. BONILLA. Without objection, that will be entered into the record.

[The information follows:]

GAO

United States General Accounting Office

Report to the Chairman, Task Force on
Urgent Fiscal Issues, Committee on the
Budget, House of Representatives

November 1990

**INTERNATIONAL
TRADE****Iraq's Participation in
U.S. Agricultural
Export Programs**

142766

GAO/NSIAD-91-76



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-227616

November 14, 1990

The Honorable Charles E. Schumer
Chairman, Task Force on Urgent Fiscal Issues
Committee on the Budget
House of Representatives

Dear Mr. Chairman:

At your request, we have examined Iraq's participation in the U.S. Department of Agriculture's Export Credit Guarantee Programs¹ (GSM-102/103) which promote U.S. agricultural exports. Under these programs, the Commodity Credit Corporation (CCC) guarantees that U.S. exporters or their assignees² will be repaid for a credit sale made to a foreign buyer in an eligible country. If the buyer defaults, the exporter can file a claim with CCC for the loss. Under GSM-102, CCC guarantees repayment for credit sales of 3 years or less; under GSM-103, CCC guarantees repayment for credit sales of more than 3 but less than 10 years.

This report 1) provides information on the development of Iraq as a U.S. agricultural export market and the extent to which Iraq has benefited from U.S. government agricultural export programs since its inclusion in the GSM program in 1983; 2) examines agricultural, trade, and foreign policy considerations that influenced decisions to continue offering guarantees to Iraq under the GSM program despite a growing concern about Iraq's creditworthiness;³ and 3) discusses GSM program irregularities recently surfaced by the Justice Department's investigation of a bank's unauthorized and unreported loans to Iraq and a subsequent administrative review by the Department of Agriculture.³

¹An assignee may be any financial institution in the United States desiring to participate in these programs. This allows the exporter to obtain immediate payment on the credit sale by assigning the account receivable and the repayment guarantee.

²As used in the context of this report, creditworthiness is defined as a country's ability and intention to make payments on debts. This ability can be influenced by economic, political, and financial factors.

³On October 16, 1990, we testified before the House Committee on Banking, Finance and Urban Affairs on Iraq's participation in the Commodity Credit Corporation's GSM-102/103 export credit guarantee programs. Report on the Commodity Credit Corporation's GSM-102/103 Export Credit Guarantee Programs and Iraq's Participation in the Programs (GAO/T-NSIAD-91-01).

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Results in Brief

On August 2, 1990, the President announced a trade embargo on Iraq, including a prohibition on granting credits for the purchase of U.S. agricultural commodities. At that time, the CCC had a \$2 billion liability under its export credit guarantee programs (GSM-102/103) covering loans to Iraq. Under current conditions these loans are not being repaid, and CCC may have to cover its guarantees.

Increasingly larger export credit guarantees were approved for Iraq from fiscal year 1983 through fiscal year 1989, eventually totaling approximately \$4.5 billion. Another \$500 million was approved for fiscal year 1990. Even though Agriculture's risk analysis documents for fiscal years 1989 and 1990 rated Iraq as a high-risk market for granting substantial credit guarantees, Agriculture continued to approve credit guarantees through fiscal year 1990. It seems that the U.S. desire to build a strategic and agricultural trade relationship with Iraq outweighed the apparent financial risks involved and discounted evidence of Iraq's human rights violations.

In addition, Iraq participated in other agricultural export development programs. Under the Export Enhancement Program U.S. exporters received an estimated \$157.2 million in bonuses to facilitate Iraqi purchases of about \$509.8 million in agricultural commodities from fiscal years 1986 through 1990. Moreover, over the same time period the Targeted Export Assistance and Cooperator Foreign Market Development Programs together provided \$1.9 million in market development assistance to U.S. commodity groups targeting the Iraqi market.

Beginning in June 1988, Iraq's participation in the GSM program came under the scrutiny of Agriculture and Justice Department investigators. At that time, Agriculture's Office of the Inspector General began an investigation of the export of foreign origin tobacco to Iraq, which was later turned over to the Justice Department. Then in August 1989, the Office of the U.S. Attorney for the Northern District of Georgia was notified that officials at the Atlanta branch of the Italian-owned Banca Nazionale del Lavoro had been keeping a second set of books and had advanced unauthorized and unreported loans to Iraq. This discovery led to the initiation of a grand jury investigation by the Office of the U.S. Attorney, U.S. Department of Justice, focusing on bank fraud and evasion of bank regulatory requirements. Agriculture's Office of the Inspector General joined the investigative team in September 1989, when it learned that approximately \$750 million of these loans were

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guaranteed by CCC. By October 1989, Agriculture had initiated a separate administrative review of Iraq's participation in the GSM-102/103 program.

As a result of the preliminary findings of the Banca Nazionale del Lavoro investigation and the implications of GSM program irregularities, Agriculture adopted a more cautious approach to providing additional GSM guarantees to Iraq. Agriculture offered only one-half of the requested \$1 billion in credit guarantees for fiscal year 1990, with the remainder dependent on the results of the ongoing Justice investigation. This initial \$500 million was quickly exhausted, and in February 1990 Iraq requested additional guarantees. Review of this request was still underway when Iraq's August 1990 invasion of Kuwait and the subsequent trade embargo brought to a halt all forms of assistance to Iraq, including credit guarantees. Appendix I contains a chronology of events that have affected U.S.-Iraqi agricultural trade relations and foreign policy and that have influenced the extent of Iraq's participation in U.S. agricultural export development programs.

Background

Iraq is heavily dependent on agricultural imports because of its high population growth rate and limited arable land. By 1990, Iraq was importing more than 75 percent of its food needs. The United States had been a major food supplier to Iraq, accounting for about one-third of its total \$2.9 billion in agricultural imports in 1988 and \$2.5 billion in 1989. Iraq ranked as the 12th largest market for U.S. agricultural products. Australia, Canada, the European Community, and Turkey have also been major suppliers of agricultural commodities to Iraq.

The availability of foreign credit has been an important factor in Iraq's agricultural import decisions because of foreign exchange shortages and a large external debt. Iraq has been consumed with economic reconstruction as a result of its 8-year war with Iran. To date, Iraq has focused on modernizing its military capabilities and its oil-exporting facilities. The oil sector had provided about 95 percent of Iraq's foreign exchange earnings. War damage to its oil export facilities, restrictions on its ports and pipelines, and a decline in oil prices due to overproduction by other suppliers constrained Iraq's ability to generate revenue. As a result, Iraq turned to extensive external borrowing. Total external debt owed to creditors in non-Arab countries increased from about \$3 billion in 1984 to estimates of between \$30 billion to \$50 billion in 1990. In addition, Iraq owed an estimated \$50 billion to Arab Gulf states. Many of the major debts have been rescheduled at least once.

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More than 90 percent of total U.S. agricultural exports to Iraq can be directly attributed to the GSM-102 credit guarantee program. In fiscal year 1982, the year before Iraq first participated in the GSM-102 program, Iraq's agricultural imports from the United States totaled less than \$135 million. In fiscal year 1983 Agriculture approved \$401.9 million in export credit guarantees for Iraq. At that time, the United States and Iraq were working on reestablishing diplomatic relations, which had been severed in 1967. Also during that time, Iraq was in the middle of its 8-year war with Iran, and the United States was seeking ways to assist Iraq. For fiscal year 1989 Agriculture approved \$1.1 billion in guarantees. Iraq had become the largest export market for U.S. rice. Other major exports have been wheat, feed grains, oilseed products, cotton, sugar, dairy products, poultry, and tobacco:

In addition, Iraq has benefited from other agricultural export development programs, including the Export Enhancement Program. Under this program, U.S. exporters received an estimated \$157.2 million in bonuses to facilitate Iraqi purchases of an estimated \$509.8 million in wheat, wheat flour, feed grains, and other agricultural products. These bonuses allowed U.S. exporters to lower their prices and make their goods competitive with other countries' subsidized agricultural exports. The combination of the Export Enhancement Program with GSM guarantees allowed Iraq to buy U.S. agricultural commodities at competitive prices on credit. Agriculture's Targeted Export Assistance and Cooperator Foreign Market Development Programs have also focused on the Iraqi market in their efforts to promote U.S. agricultural commodities. Between fiscal years 1986 and 1990, these programs together provided \$1.9 million in market development assistance to U.S. commodity groups targeting this market. Appendix III provides more detail on these other export development programs targeted to Iraq.

Since the GSM export credit guarantee program began, Mexico, South Korea, and Iraq have received the largest loan guarantees of all participating countries. Agriculture's Foreign Agricultural Service (FAS) administers CCC export credit guarantee programs. FAS determines which countries may participate based on their long-term agricultural needs, the market development opportunity for U.S. agricultural commodities, and the ability to repay any credit extended. Because the programs also provide economic benefit to foreign governments, their use can be influenced by U.S. foreign policy considerations.

As part of the decision-making process for determining GSM program allocations, FAS staff develop country risk profiles that in the past have

B-227016

been mainly qualitative in nature. These profiles discuss a country's economic, financial, and political strengths and weaknesses.

Since the program began in 1983, FAS has approved Iraq's participation in the GSM programs based on its enormous market development potential for U.S. agricultural exports and its long-term ability to repay its debts due to extensive oil reserves. Because of increasing concern about limiting CCC's exposure, FAS developed new risk analysis procedures which were used for fiscal year 1991 program allocations. These new procedures are more quantitative and focus on financial risk. FAS views the new procedures as a means of specifying the tradeoff between credit risk and market development. Appendix IV provides detail on the GSM decision-making process, including risk analysis.

Evolution of Iraq's Participation in the GSM-102/103 Programs

Since the inception of the GSM-102/103 programs and continuing through fiscal year 1990, Iraq has received approximately \$5 billion in GSM export credit guarantees. Its participation in the program grew from 8 percent of the total credit guarantees approved in fiscal year 1983 to a high of 25 percent in fiscal year 1988, when Iraq received over \$1 billion in credit guarantees, making it the second largest guarantee recipient for that year. The same program level was provided for fiscal year 1989, despite growing concerns over Iraq's creditworthiness.

For fiscal year 1990, Iraq requested over \$1 billion in GSM-102/103 export credit guarantees. Agriculture took a more cautious approach and only offered \$500 million in credit guarantees. This reduced amount reflected 1) concerns about Iraq's creditworthiness raised in risk assessment documents and during consultations with members of the National Advisory Council on International Monetary and Financial Policies and 2) Agriculture's apprehension about findings of possible program irregularities surfacing in ongoing investigations and their implications for the integrity of the overall GSM program.

The National Advisory Council is an interagency group that gives advice and recommendations to government agencies, such as Agriculture, on international financing matters including Agriculture's decisions to extend GSM credit guarantees. (See app. V for more detailed information on Council operations.) Final decision authority for providing GSM credit guarantees rests with the Department of Agriculture. Council members include the Departments of Treasury and State, the Federal

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Reserve Board, and the U.S. Export-Import Bank. Council members discuss GSM-102/103 proposals from each of their perspectives, highlighting issues dealing with foreign policy, financial risk, and trade considerations.

In the case of Iraq, the U.S. desire to build a strategic and agricultural trade relationship with Iraq seemed to have outweighed the apparent financial risks involved with providing credit guarantees and to discount evidence of Iraq's human rights violations. Over the last few years, several U.S. executive branch agencies stated to Congress and to other groups their concerns about Iraq, including its creditworthiness, its practice of repaying countries that offer further credits while ignoring repayments to countries that do not offer further credits, and its human rights violations. Despite these concerns, Agriculture continued to place a high priority on Iraq as a market for U.S. agricultural products.

In the summer of 1988, Congress was considering imposing economic sanctions on Iraq for its use of chemical weapons against its Kurdish population. At the same time, Agriculture was seeking approval to reallocate \$36.5 million in fiscal year 1988 export credit guarantees to Iraq from the existing credit lines of other countries. On September 22, 1988, eight senior level FAS program staff addressed a memo to the CCC General Sales Manager expressing strong concern over CCC's vulnerability should Congress impose sanctions on Iraq. They warned the General Sales Manager that further extension of credit guarantees could expose CCC to additional liability should sanctions be approved. The staff believed that, based on past Iraqi statements and actions, Iraq would stop payments on its outstanding credit guarantees in retaliation for such congressional action. Despite these concerns, the reallocation was approved by the General Sales Manager because 1) Iraq was current on payments to the United States, 2) Iraq was a growing U.S. agricultural market, and 3) Agriculture had no concrete evidence that the Iraqi government had used chemical weapons against the Kurds. Ultimately the sanctions legislation, which was opposed by U.S. agricultural interests, was defeated. Appendix II provides more detailed information on the evolution of Iraq's participation in the GSM program.

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Investigations Into Program Improprieties

Since June 1988, there have been several investigations of the GSM-102/103 programs to Iraq.⁴ The investigations have included those conducted by Agriculture's Office of the Inspector General and its Foreign Agricultural Service, the Justice Department, the U.S. General Accounting Office, and Italy's Senate.

In June 1988 the Office of the Inspector General began an audit to determine whether or not foreign origin tobacco was being exported under the GSM-102/103 programs to countries, including Iraq, and being represented as U.S. origin tobacco. Its findings led to a criminal investigation of the matter conducted by the Department of Justice's U.S. Attorney in Raleigh, North Carolina. The investigation resulted in eight tobacco exporting companies pleading guilty to filing false statements with either Agriculture or U.S. Customs regarding the export of tobacco to Egypt or Iraq.

In August 1989, allegations were raised that led to an investigation of the banking activities of the Atlanta branch of the Banca Nazionale del Lavoro, an Italian-owned bank operating in the United States. This investigation is being conducted by a task force of federal agencies and is being led by the U.S. Attorney in Atlanta, Georgia. It has been reported that the Atlanta branch of Banca Nazionale del Lavoro made some \$2 billion in loans to Iraq without higher level Banca Nazionale del Lavoro bank authorization. Approximately \$750 million of these loans had repayment guarantees under the GSM-102/103 programs. The investigation is still ongoing, and little information has been made public. Banca Nazionale del Lavoro is largely owned by the government of Italy, and a special investigative committee of the Italian Senate has been formed to conduct its own investigation into the affair.

In October 1989 FAS initiated an administrative review of the GSM-102 program for Iraq. Its review was limited to transactions made by Banca Nazionale del Lavoro, and focused on four issues: (1) the actual arrival in Iraq of agricultural commodities shipped under the GSM program, (2) the payment of certain Iraqi domestic taxes on GSM sales, (3) unusually high commodity prices charged for GSM-guaranteed sales to Iraq and financed through Banca Nazionale del Lavoro, and (4) the provision of after sales services⁴ in connection with GSM sales.

⁴These services included providing nonagricultural products, such as truck parts, tires, and air conditioning equipment, some of which could have military application. Agriculture's Foreign Agricultural Service first advised Iraq in September 1988 that providing these services was not acceptable under the GSM program, however, Iraq continued to request such services until April 1990, when FAS obtained a written commitment from Iraq that such requests would cease.

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In May 1990 Agriculture released the results of its administrative review. It found no evidence of diversion of commodities sold to Iraq. In addition, it announced that Iraq had agreed to exempt GSM credit guarantee program transactions from its domestic tax policy. However, the review identified two key areas for further review—the extent and reason for high commodity pricing in certain GSM transactions, and the extent to which after sales services were provided and properly reported in connection with GSM sales. The administrative review was not a comprehensive analysis of all GSM transactions with Iraq but rather an examination of a limited number of transactions and issues that were identified as a result of the Banca Nazionale del Lavoro investigation. Consequently, Agriculture asked its Office of the Inspector General to conduct a more thorough review of all GSM sales to Iraq. Appendix VI provides greater detail on the Banca Nazionale del Lavoro investigation and Agriculture's administrative review.

Scope and Methodology

We examined the extent of Iraq's participation in all agricultural export development programs and reviewed the history of events leading to the extension of export credit guarantees to Iraq. We also reviewed the risk analysis procedures employed by Agriculture as well as the interagency process it uses to receive guidance on proposals. Finally, we examined the extent of Iraq's involvement in recent GSM program violations and the irregularities uncovered during Justice Department and Agriculture investigations.

We interviewed officials from the Departments of Agriculture and State in order to determine their roles and positions concerning Iraq's participation in the GSM programs. We also interviewed the former CCC General Sales Manager. We reviewed pertinent files on Iraq's participation in agricultural promotion programs.

Our review was somewhat limited because the Departments of State and Treasury denied us access to National Advisory Council minutes and some key documents, stating that they contained information that was deliberative in nature. However, we did obtain information about National Advisory Council discussions from interviews with other member agency officials and by reviewing informal notes taken at the meetings.

As requested, we did not obtain agency comments on this report. We performed our work from August 1990 to October 1990 in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 20 days from the date it is issued. At that time, we will send copies to the Secretaries of Agriculture, State, and Treasury. Copies will also be made available to other interested parties upon request.

This report was prepared under the direction of Allan I. Mendelowitz, Director, International Trade, Energy, and Finance Issues. He can be reached on (202) 275-4812 if you or your staff have any questions. Other major contributors to this report are listed in appendix VII.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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 Abbreviations

BNL	Banca Nazionale del Lavoro
CCC	Commodity Credit Corporation
FAS	Foreign Agricultural Service
NAC	National Advisory Council on International Monetary and Financial Policies

Appendix I

Chronology of U.S.-Iraqi Agricultural Trade Relations and Foreign Policy, 1983-1990

1983	Iraq begins participating in Agriculture's GSM program, with an initial allocation of \$401.9 million in export credit guarantees
1984, March	U.S. Department of Commerce embargoes shipments to Iraq of several chemicals usually used in agriculture but which could be used to make chemical weapons.
1984, November	Diplomatic relations between the United States and Iraq, which were broken off in 1967, are restored. Iraq is removed from the State Department's list of countries supporting terrorism, on which it was placed in 1979.
1988	Iraq's GSM-102 approved guarantees rise to a high of \$1 billion for fiscal year 1988.
1988, March	During a 3-day battle over the city of Halabja, an Iraqi Kurdish village about 150 miles north of Baghdad, Iran and Iraq use chemical weapons and kill between 4,000 and 5,000 civilians.
1988, June	Agriculture initiates an investigation into the export of foreign origin tobacco to Iraq. This inquiry was later turned over to the Justice Department.
1988, August	Iraq and Iran accept a U.N. Security Council cease-fire to end their 8-year war and begin peace negotiations. In interagency meetings of the National Advisory Council on International Monetary and Financial Policies (NAC), two members oppose the proposed \$1 billion for fiscal year 1989 in GSM-102 credit guarantees and recommend a limit of \$800 million, citing Iraq's huge deficit and its practice of rescheduling its debt bilaterally. Another member favors the \$1 billion program level and even discusses the possibility of increasing it. The U.S. Export-Import Bank experiences arrearage problems with Iraq.
1988, September	Less than 1 week before the scheduled fiscal year 1989 GSM consultations with Iraq are to take place, the U.S. Senate passes chemical warfare legislation directly targeting Iraq. As a result, Iraq cancels the consultations. The legislation is weakened in conference but still targets Iraq. Iraq says the cancellations will jeopardize the GSM program and the servicing of past debt. Because of agricultural and foreign policy considerations, the sanctions are removed from the legislation, which passes in late December 1988. Agriculture announces an increase in Iraq's fiscal year 1988 GSM credit guarantees by \$36.5 million.
1988, October	Consultations on fiscal year 1989 GSM program allocation for Iraq are held in Baghdad.
1989	Iraq is allocated \$1 billion in GSM-102 and \$50 million in GSM-103 for fiscal year 1989
1989, August	Only the United States and Great Britain offer agricultural export credit to Iraq. The Office of the U.S. Attorney for the Northern District of Georgia receives allegation of Banca Nazionale del Lavoro (BNL) improprieties.
1989, September	Agriculture's Office of the Inspector General joins the BNL investigation. Agriculture submits a proposal to the NAC for an additional \$30 million in GSM-102 for Iraq for fiscal year 1989 and \$1 billion in GSM-102 for fiscal year 1990. Members request that this proposal be withdrawn until more information on the BNL investigation is available.
1989, October	Agriculture resubmits its proposal to the NAC for \$1 billion in GSM-102 guarantees to Iraq for fiscal year 1990. Two NAC members oppose the \$1 billion amount. Other council members approve this amount. Agriculture and Iraq hold consultations in Washington, D.C., to discuss a GSM-102 program for fiscal year 1990. Agriculture offers \$400 million in GSM-102. Iraq rejects this offer because it wants the full amount approved and does not want to be tied to the BNL investigation unless concrete evidence of complicity is found. Agriculture withdraws the \$400 million offer.
1989, November	Agriculture officials go to Iraq to continue negotiations on fiscal year 1990 GSM allocations. An offer of \$500 million in GSM-102 is made, with the possibility of another tranche of \$500 million after successful conclusion of the BNL investigation. Iraq accepts the first \$500 million, but again does not want to accept any conditions on further GSM allocations.
1990, February	Iraq requests an additional \$573 million in GSM-102 for fiscal year 1990. Agriculture will not announce a further allocation until the BNL investigation and the Office of the Inspector General review are completed.

(continued)

Appendix I
Chronology of U.S.-Iraq Agricultural Trade
Relations and Foreign Policy, 1963-1990

1990, April	Senate bill 2480 is introduced, stating that no assistance (grant, sale, loan, lease, credit, guarantee, or insurance) may be furnished to Iraq unless the President certifies that Iraq has opened its nuclear, chemical, and biological sites to international inspection. Also, Iraq's most-favored-nation status will be revoked. (Bill does not pass Senate) House bill 4585 is introduced calling for the prohibition of sales to Iraq, through foreign military sales or commercial means, of military, dual use, chemical or nuclear equipment, devices, or technology. (Bill passes House, but not Senate)
1990, May	Agriculture releases a report based on an administrative review of the GSM program to Iraq. The report focuses on a limited set of transactions and issues identified as part of the BNL investigation. Results suggest further study by Agriculture's Office of the Inspector General. House bill 4918 is introduced calling for a ban on U.S. assistance to Iraq unless the President determines Iraq has opened its nuclear, chemical, and biological sites to international inspection and has improved its human rights practices. The bill also directs Treasury to oppose loans to Iraq by international financial institutions, revokes Iraqi air carrier landing rights in the United States, and ends most-favored-nation trade status. (Bill does not pass House.)
1990, June	Assistant Secretary of State for Near Eastern and South Asian Affairs testifies before the Senate Foreign Relations Committee that the administration opposes congressionally imposed sanctions against Iraq for the following four reasons: 1) They would not achieve U.S. goals in Iraq; 2) other nations would not join the embargo, making it a weak move; 3) the administration's policy is to avoid using agricultural trade to pursue foreign policy goals; and 4) the sanctions would increase the U.S. foreign trade deficit. Senate bill 2779 is introduced. It prohibits U.S. funds, credits, guarantees, or insurance to be used for Iraq imports into the United States; names Iraq a terrorist nation; bans Export-Import Bank assistance for Iraq; and directs the President to conduct a study on Iraqi military capability, transfers of nuclear, biological, chemical, and ballistic missile technology to Iraq, and other nations' economic sanctions against Iraq. (Bill does not pass Senate.) Senate bill 2787 is introduced, directing the President to enforce all laws imposing sanctions for Iraq's violations of human rights and banning financial credits and assistance for Iraq unless Iraq complies with certain international agreements. (Bill does not pass Senate.)
1990, July	The Foreign Agricultural Service's (FAS) new risk analysis procedures lead to a recommendation of limiting Iraq to \$200 million in GSM-102 guarantees for fiscal year 1991. FAS also recommends that this amount only be provided if there is a successful resolution of the BNL investigation and if Iraq agrees to pay its arrearages to the Export-Import Bank. Iraqi President Saddam Hussein accuses Arab oil producers of exceeding their Organization of Petroleum Exporting Countries oil production quotas, which, according to Hussein, decreased oil prices and deprived Iraq of much-needed oil revenues. The United States puts its Persian Gulf naval force on alert. Senate bill 2830 is introduced, amending the Food, Agriculture, Conservation, and Trade Act of 1990. The bill instructs the President to enforce laws that would impose sanctions on Iraq, denying credits, assistance, or financial benefits until the President certifies that Iraq abides by international law. It also directs the President to report to Congress on the economic consequences of banning oil imports from Iraq. (Bill passes both Senate and House, awaiting President's signature.) House bill 3950 is introduced. It calls for denial of agricultural promotion programs for countries that do not respect human rights; that acquire chemical, biological, or nuclear weapons; and that support international terrorism. (Bill is incorporated into Senate bill 2830 above.)

(continued)

Appendix I
Chronology of U.S.-Iraqi Agricultural Trade
Relations and Foreign Policy, 1983-1990

1990, August	Iraq invades and occupies Kuwait. Senate Resolution 318 is passed, urging the President to seek international cooperation in imposing sanctions on Iraq. President George Bush imposes economic sanctions against Iraq. Iraq ceases payment on all debts to U.S. creditors, including \$2 billion in export credit guaranteed loans. House bill 5431 is introduced which freezes Iraqi assets in the United States; bans trade, transportation links, munitions sales, and foreign assistance for Iraq; and directs the President to prevent any international financial institutions from providing loans to Iraq. (Bill passes House but not Senate.) The United Nations Security Council votes 14 to 0, with Yemen abstaining, to pass a resolution condemning the Iraqi action and demanding the immediate withdrawal of Iraqi forces from Kuwait. An Arab League emergency meeting of foreign ministers condemns the Iraqi invasion and calls for an immediate Iraqi withdrawal from Kuwait. The United States announces that air, sea, and ground elements of U.S. defense forces have been sent to Saudi Arabia and surrounding waters to deter an Iraqi attack against Saudi Arabia.
1990, September	Iraq is again placed on the Department of State's list of states aiding and abetting terrorism.

Source: This chronology was largely adapted from a Congressional Research Service report entitled "Iraq: U.S. Economic Sanctions," IB90109, (Washington, D.C.: updated Aug. 8, 1990).

Appendix II

Evolution of Iraq's Participation in the GSM Program

Iraq's participation in Agriculture's GSM program grew from 8 percent of the total export credit guarantees approved in fiscal year 1983 to a high of 25 percent in fiscal year 1988. In that year Iraq received over \$1 billion in GSM-102 guarantees, making it the second largest recipient of GSM credit guarantees during that year. The same program level was provided for fiscal year 1989, despite growing concerns over Iraq's creditworthiness. Based on the Foreign Agricultural Service's rationale for providing such large amounts to Iraq, it appears likely that Iraq would have received the same program level (\$1 billion for fiscal year 1990) were it not for the BNL investigation and the discovery of other program irregularities involving Iraq. It also appears that foreign policy played at least as large a role in determining Iraq's GSM program levels as did market development potential, according to conversations we had with FAS and State Department officials.

The GSM Program to Iraq

Export credit guarantees approved for Iraq increased from about \$400 million in fiscal year 1983 to about \$1.1 billion in each of fiscal years 1988 and 1989. Another \$500 million was approved for fiscal year 1990. (See table II.1.)

Table II.1: Iraq's Participation in CCC's GSM Export Credit Guarantee Programs

Dollars in millions			
Fiscal year	Total guarantees approved	Guarantees to Iraq	Percent to Iraq
1983	\$4,737.4 ^a	\$401.9	8
1984	3,431.2	513.3	15
1985	2,512.8	340.1	14
1986	2,535.1	382.9	15
1987	2,872.9	652.5	23
1988	4,504.3	1,113.2	25
1989	5,195.3	1,088.8	21
1990	4,289.5	481.2	11
Total	\$30,078.5	\$4,883.9	17

^aIncludes \$1,028.1 million under CCC's Blended Credit Program, which combined direct loans with credit guarantees.

Source: CCC Guarantee Program Commitment Reports prepared by the U.S. Department of Agriculture's Foreign Agricultural Service, CCC Operations Division.

FAS based approval of Iraq's increased GSM participation on Iraq's enormous market potential for U.S. agricultural exports (due to Iraq's heavy dependence on imports for nearly all its food needs) and on its long-term ability to repay its debts (due to its huge oil reserves).

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Evolution of Iraq's Participation in the
GSM Program

When the GSM program was first offered to Iraq in 1983, the United States and Iraq were working on reestablishing diplomatic relations, which had been severed in 1967. Also during this time, Iraq was in the middle of its 8-year war with Iran, and the United States was seeking ways to assist Iraq. In addition, the U.S. farm sector was experiencing a surplus of many commodities at this time. Despite some short-term credit problems, Iraq seemed likely to once again become a cash market and a significant market for U.S. agricultural commodities.

Country Risk Analysis

Agriculture's country risk analysis for Iraq in 1988 indicated that its economic situation had improved somewhat in 1987 and was expected to continue to get better in 1988. However, it was noted that Iraq faced severe economic difficulties because of its ongoing war with Iran. Iraq was also expected to keep on deferring non-U.S. debts. From the mid-1980s on, Iraq had pursued a policy of rescheduling old debt and remaining current only on debt to those countries willing to extend new credits. Despite concerns over such actions, FAS concluded that the risk facing the Commodity Credit Corporation from Iraq's credit initiatives was likely to remain minimal.

Interagency Deliberations on Iraq's Participation in GSM

FAS consistently presented Iraq as a low-risk, high-potential market in meetings of the National Advisory Council on International Monetary and Financial Policies. While NAC members raised various concerns about Iraq, the majority necessary for a NAC recommendation to grant guarantees to Iraq was always present. As early as January 1986, one member went on record against granting credit guarantees to Iraq. This member cited concern about Iraq's creditworthiness and strongly questioned Iraq's capacity to service additional debt. In that meeting, another member added that Iraq's short-term debt had increased over the last 2 years to the point where Iraq might be incapable of rescheduling it.

Meanwhile, a third member of the NAC continued to express support for additional credit guarantees while downplaying Iraq's human rights violations. Through fiscal year 1989, the NAC continued to support extending export credit guarantees to Iraq. Agriculture believed that it was necessary to continue granting high guarantee levels to Iraq in order to maintain Iraq as a major market for U.S. agricultural goods.

Appendix II
Evolution of Iraq's Participation in the
GSM Program

In 1989 and 1990, Agriculture temporarily suspended Iraq's line of credit due to nonpayments on guaranteed loans. On at least two occasions, the problems involved bank transfer difficulties. However, in early 1990, a member of Agriculture's Office of the General Counsel admitted that "there is growing feeling within the U.S. government that these repeated problems indicate more than simply bank transfer problems, and raise fundamental issues of creditworthiness." Nevertheless, it appears that decisions to extend export credit guarantees were based on the belief that developing and sustaining the Iraqi market for both agricultural trade and foreign policy considerations outweighed Iraq's questionable creditworthiness.

In 1988, Iraq had used chemical warfare against Iran and the Iraqi Kurds. Nevertheless, the NAC approved continued allocation of export credit guarantees to Iraq. In September 1988, when Congress was considering legislation that would have imposed sanctions on Iraq for its use of chemical weapons, both Agriculture and State opposed these sanctions. In a September 13, 1988, letter to the Chairman of the House Foreign Affairs Committee, a senior State Department official reported that Iraq had used chemical weapons in its campaign against the Iraqi Kurdish population but noted that the United States attached great importance to its bilateral relations with Iraq. This official also noted that the United States had more to gain from maintaining a cooperative relationship with Iraq than from isolating the country. Ultimately the proposed sanctions were not enacted, partly due to foreign policy interests and pressure from U.S. agricultural trade groups.

Coinciding with congressional efforts to impose sanctions against Iraq, Agriculture was seeking approval to reallocate \$36.5 million in fiscal year 1988 export credit guarantees to Iraq from existing credit lines approved for other countries. Prices of U.S. commodities had increased significantly, and without additional export credit guarantees, Iraq would have been unable to meet its import requirements for the rest of the year. Some Agriculture staff members expressed strong concern over Iraq's human rights atrocities as well as CCC's vulnerability should Congress impose sanctions on Iraq. In a September 22, 1988, memo to the CCC General Sales Manager about a press release announcing over \$30 million in additional loan guarantees to Iraq, eight senior Agriculture staff members warned:

However, we also note the strong likelihood that Iraq will not make scheduled payments for these purchases if the United States proceeds with economic/political sanctions against Iraq, as is currently being strongly considered in Congress. Until

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GSM Program

the specifics of this move toward sanctions are better known, we believe that the immediate issuance of this press release would constitute an inordinately high financial risk to the Corporation, with potential for program repercussions from Congressional reaction.

Despite these concerns, approval was granted by the General Sales Manager. According to FAS, this decision was made because (1) Iraq was current on its payments under the GSM program; (2) without additional credits, Iraq could not have maintained its import requirements, given the higher commodity prices; and (3) the State Department's official position at that time was that no evidence existed linking the Iraqi government with the gassing of the Kurds. (This position conflicts with that presented in the State Department official's letter to the Chairman of the House Foreign Affairs Committee.)

FAS approved a program level of \$1 billion in GSM-102 and \$50 million in GSM-103 for Iraq for fiscal year 1989 based on Iraq's long-term ability to pay and on the market potential for U.S. agricultural exports. When the NAC considered this funding level in August 1988, two members opposed the large size of the program and stated that \$600 million was a reasonable credit limit for Iraq, given its huge deficit and its policy of bilateral rescheduling of debt. Another NAC member favored the \$1 billion level and suggested the possibility of increasing it.

During 1988 and 1989, warning signs were building concerning Iraq's creditworthiness. According to an April 1989 analysis by one NAC member, Iraq had rescheduled or refused to repay most payments owed to foreign creditors. Only those creditors providing larger amounts of new money were being repaid. Because of Iraq's policy of rescheduling old debt while at the same time taking on new debt, it was predicted that Iraq's debt would continue to grow at a faster pace than its income, thus preventing it from being able to service its debt. According to an internal Agriculture briefing document, by August 1989 only the United States and Great Britain were offering credit to Iraq.

FAS risk assessment documents noted that Iraq was effectively tying repayment of past debt to continued participation in the GSM export credit guarantee program. Despite such problems, FAS believed that it had little choice but to continue the program because it feared that by stopping or severely reducing the program the important Iraqi market would be lost, and Iraq would refuse to pay its past CCC-guaranteed loans.

Limited Fiscal Year 1990 Allocation for Iraq

FAS proposed an additional \$30 million in GSM-102 for Iraq for fiscal year 1989 and \$1 billion in GSM-102 for fiscal year 1990. It submitted this proposal to the NAC in September 1989. Because of preliminary findings from the BNL investigation and the discovery of possible improprieties in the Iraqi GSM program, two members of the NAC requested that discussion of the GSM program for Iraq be delayed pending the outcome of the investigation.

In October, before the Iraqi delegation came to Washington to negotiate its fiscal year 1990 GSM level, Agriculture resubmitted its \$1 billion GSM proposal to the NAC. FAS officials explained that Iraq had thus far proved to be a good credit risk for CCC, that no evidence of wrongdoing by the Iraqi government had been found in the BNL investigation, and that lack of positive action on the GSM program would induce Iraq to make its agricultural purchases elsewhere.

One member of the NAC supported the \$1 billion level, noting that Iraq had great strategic importance to the United States. Further, in NAC discussions about the fiscal year 1990 allocation, this member offered several comments: (1) Although allegations concerning Iraq raised concern, this member saw no reason to disapprove the fiscal year 1990 program and (2) clear-cut Iraqi government involvement in any wrongdoing was not evident, but some uncertainty did inevitably exist. This member recommended going ahead with a fiscal year 1990 allocation to Iraq, seeing "...no financial difficulties looming where CCC guarantees would be called"

However, that member was more negative in other forums where there were discussions of a different issue that could have left CCC guarantees vulnerable. In a February 1989 published report on human rights violations occurring in calendar year 1988, and in congressional testimony, that member characterized Iraq's human rights record as "abysmal" and "unacceptable." Yet in the NAC, that member chose not to present this point of view, instead allowing discussions to center on commercial concerns and bypass human rights issues.

Two NAC members opposed the \$1 billion level. One of these members had previously stated that a \$600 million-\$700 million limit was more appropriate; now this member was unwilling to support any program for Iraq unless assurances were given that the problems brought to light by the BNL investigation were being addressed.

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As an alternative, FAS later proposed a two-tranche approach, with an initial \$400 million allocation and the remainder to be offered if no improprieties involving Iraq surfaced in the BNL investigation. Although other members of the NAC approved the \$400-million level, two members voted no.

In meetings with FAS officials in October 1989, Iraqi officials rejected FAS' \$400-million offer, saying that this level was not sufficient to meet its import needs and that they did not want further guarantees to be linked to the outcome of the BNL investigation. Agriculture officials representing the FAS and the Office of the General Counsel went on a fact-finding trip to Atlanta in October 1989 to review the preliminary findings in the BNL case and their possible relevance to the GSM program. They concluded that there was no reason to delay the Iraqi program. In November 1989 Agriculture officials travelled to Iraq and offered \$500 million, with additional guarantees contingent on not finding evidence of Iraqi complicity in the BNL scandal. Iraq agreed to the \$500 million but again would not accept conditions on further guarantees. In effect, the fiscal year 1990 allocation was limited to \$500 million, half of the preceding year's allocation.

By February 1990, Iraq had exhausted nearly all of its fiscal year 1990 GSM allocations and requested an additional \$573 million. FAS was still asserting that although there was considerable risk involved in granting more credits to Iraq, there was also tremendous opportunity for increased agricultural exports. However, FAS knew there would be strong interagency opposition to a proposal for further credit guarantees for fiscal year 1990 while questions remained unanswered in Agriculture's ongoing administrative review.

As the \$500 million in credit guarantees were exhausted, Iraq no longer considered commodity offers from the United States. Instead, it began purchasing commodities from Argentina, Australia, Canada, the European Community, Saudi Arabia, Thailand, and Vietnam. Australia, Canada, and Thailand provided some new credit; the remainder of the purchases were for cash. To clear the way for further negotiations, Agriculture asked for consultations with Iraqi officials to discuss program irregularities and to review pertinent documents. These discussions were held in April 1990. Nevertheless, consideration of additional GSM guarantees was deferred because the BNL investigation was still ongoing and Agriculture's Office of the Inspector General had not yet finished its review of unresolved issues raised in the administrative

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review—high pricing in certain transactions and the extent to which after sales services had been provided in connection with GSM sales.

State Department
Position on Iraq

During hearings before the Senate Foreign Relations Committee in June of 1990, the State Department's Principal Deputy Assistant Secretary for Human Rights and Humanitarian Affairs testified:

Human rights, as such, are not recognized in Iraq ... the ordinary Iraqi citizen knows no personal security against government violence. Disappearances, followed by secret executions, appear to be common. In some cases, a family only learns that one of its loved ones has been executed when the security services return the body and, in line with the Iraqi regime's view of justice, require the family to pay a fine.

The testimony included other words, such as "torture is routine ..." and "there is not even the charade of due process for those charged with security-related offenses." During the testimony, State said, "We bring these issues up; we bring them up forcefully; we bring them up in international fora. We were one of the leaders in trying to get it in the U.N. [United Nations] Human Rights Commission this year, in trying to get a resolution against Iraq." Despite State's articulation of the U.S. government's position, human rights considerations did not surface at NAC meetings, and credit guarantees were not opposed on that basis.

Again, an Assistant Secretary of State testified before Congress in June 1990 that "Iraq's human rights record is an integral part of our agenda with Iraq and will continue to influence the climate of our bilateral relations." Yet this influence did not make its way into the NAC process. Within the NAC, Iraq's human rights violations and the risk they posed in making financial decisions appeared to be outweighed by the U.S. policy of continuing to build an important strategic and agricultural trade relationship with Iraq.

Appendix III

Iraq's Participation in Other Agricultural Export Development Programs

In addition to the Export Credit Guarantee Programs (GSM-102/103), the U.S. Department of Agriculture has three other export development programs that have targeted sales to Iraq. In each case, the importing country receives no direct benefits; rather the programs benefit U.S. exporters, agricultural trade organizations and, ultimately, U.S. farmers.

The Export Enhancement Program

The Export Enhancement Program was established by the Secretary of Agriculture in May 1985 in reaction to continuing decreases in U.S. agricultural exports. Under the program, government-owned surplus agricultural commodities are made available as bonuses to U.S. exporters to enable them to lower the prices of U.S. agricultural commodities and to make these exporters competitive with subsidized foreign agricultural exports, particularly those subsidized by the European Community. As of August 2, 1990, over \$2.8 billion worth of surplus commodities had been made available as bonuses to eligible U.S. exporters for sales to 65 countries. These sales totaled about \$10.8 billion.

In fiscal year 1985, wheat and wheat flour were the only agricultural commodities exported under the program. Wheat flour sales to Iraq were first targeted under this program in December 1985, 2 years after Iraq began participating in the GSM-102 program. By combining the two programs, Iraq was able to buy U.S. agricultural commodities at competitive prices on credit. Iraqi initiatives under the Export Enhancement Program expanded to include wheat, poultry, barley, barley malt, dairy cattle, and table eggs. Table III.1 shows the total quantity of U.S. agricultural commodities sold to Iraq under this program since 1985. Since the inception of the program, U.S. exporters had received an estimated \$157.2 million in bonuses to facilitate an estimated \$509.8 million in agricultural sales to Iraq.

Appendix III
Iraq's Participation in Other Agricultural
Export Development Programs

Table III.1: Commodities Sold to Iraq
Under Agriculture's Export Enhancement
Program (as of August 2, 1990)

Commodity	Date of first initiative	Quantity sold
Wheat flour	December 1985	300.0 TMT
Dairy cattle	April 1986	6,028 HD
Poultry	December 1986	70.0 TMT
Wheat	January 1987	2,466.5 TMT
Table eggs	February 1987	177.9 MIL
Barley	August 1987	250.0 TMT
Barley malt	December 1987	5.0 TMT

Legend

TMT = Thousand metric tons
 HD = Head
 MIL = Million

Source: Foreign Agricultural Service.

The Targeted Export Assistance and Cooperator Programs

The Targeted Export Assistance Program was mandated by the Food Security Act of 1985. Legislation authorizing the program did not specify how it was to be implemented. The Secretary of Agriculture authorized the Foreign Agricultural Service to administer the program as a foreign market development program, modeled after Agriculture's long-standing Cooperator Market Development Program. Both programs provide funding to conduct activities that promote U.S. agricultural commodities and products overseas. A major difference between the two programs is that participation in the Targeted Export Assistance Program is only available for those commodities that have been adversely affected by foreign unfair trade practices. Program participants include private, nonprofit agricultural trade organizations, state-related organizations, and private, profit-making U.S. firms.

Market development activities targeting Iraq under these two programs began in 1986 and continued through 1990. In total, about \$1.9 million was provided to Cooperators to develop agricultural export markets in Iraq during that time: \$1.2 million under the Cooperator Program and \$0.7 million under the Targeted Export Assistance Program. These funds supported activities such as trade servicing; technical assistance, seminars, and workshops; distribution of newsletters and technical literature; trade missions; trade exhibits; point of sale promotions; and consumer and institutional education. Table III.2 shows a funding breakdown by fiscal year and FAS commodity division.

Appendix III
Iraq's Participation in Other Agricultural
Export Development Programs

Table III.2: Market Development
Activities in Iraq, Fiscal Years 1986-1990

FAS division	Fiscal year				
	1986	1987	1988	1989	1990
Forest products					
Cooperator	\$30,336	\$16,998	\$43,949	\$0	\$9,080
TEA	80,850	67,410	0	0	0
Subtotal	111,186	84,406	43,949	0	9,080
Grain and feed					
Cooperator	313,217	173,903	113,549	82,910	188,493
TEA	177,616	0	219,304	115,200	960
Subtotal	490,833	173,903	332,853	198,110	189,453
High value products*					
Cooperator	2,612	2,101	3,089	0	0
TEA	0	8,199	0	1,034	0
Subtotal	2,612	10,300	3,089	1,034	0
Horticultural and tropical products	No activity in Iraq				
Oilseeds and products					
Cooperator	24,387	12,564	19,954	19,770	15,700
TEA	0	0	0	0	0
Subtotal	24,387	12,564	19,954	19,770	15,700
Tobacco, cotton, and seeds					
Cooperator	5,047	10,160	0	47,500	56,000
TEA	0	610	6,990	0	0
Subtotal	5,047	10,760	6,990	47,500	56,000
Total					
Cooperator	\$376,599	\$215,714	\$180,541	\$150,189	\$269,273
TEA	\$258,466	\$76,219	\$226,354	\$116,234	\$960

Legend

TEA = Targeted Export Assistance

*These include semiprocessed products (e.g., flour and meat) and highly processed products (e.g., dairy products and soups).

Source: Foreign Agricultural Service

The GSM Decision-Making and Risk Analysis Processes

Through the Commodity Credit Corporation, Agriculture's Foreign Agricultural Service manages export credit guarantee programs designed to encourage U.S. agricultural exports. Under these programs, about \$5.5 billion in loan guarantees are made available annually to exporters or their assigned financial institutions. These guarantees ensure that the exporters, or their assignees, will be repaid for credit sales made to foreign buyers. As with other guarantee programs, the government incurs no direct costs—except for program administration—unless defaults occur and claims for repayments are made.

FAS chooses for participation in the GSM program those countries that have the potential to purchase U.S. agricultural commodities but cannot make such purchases without credit guarantees. The process of determining program funding levels generally begins in May or June of each year, when specific country and commodity proposals are developed. Part of the process in determining program funding levels is a risk assessment that until recently was mainly qualitative in nature. From this assessment, country profiles are developed that examine a country's economic, financial, and political strengths. Effective for fiscal year 1991 program decisions, FAS began using a new risk assessment procedure that involves more in-depth quantitative analyses.

The GSM Programs

CCC export credit guarantee programs evolved in the 1970s from the need to find export markets for the increasing levels of U.S. farm production. The two current export credit guarantee programs, GSM-102/103, are designed to increase exports of U.S. agricultural commodities by providing credit for those countries in which significant additional demand would exist if credit were available and by allowing U.S. exporters to meet competition from other countries. The GSM-102 program has been in effect since fiscal year 1981, and the GSM-103 program has been in effect since fiscal year 1986. The principal and most significant difference between the two programs is the length of credit terms available. Under GSM-102, CCC guarantees repayment for credit sales of 3 years or less; under GSM-103, CCC's guarantees cover credit sales of more than 3 but less than 10 years. (See table IV.1 for a list of GSM-102/103 credit guarantees approved since 1981.)

Appendix IV
The GSM Decision-Making and Risk
Analysis Processes

Table IV.1: Total Credit Guarantees
Approved Under GSM-102 and GSM-103
Programs, Fiscal Years 1981-1990

Dollars in millions			
Fiscal year	GSM-102	GSM-103	Total
1981	\$2,082.1	\$0	\$2,082.1
1982	1,543.3	0	1,543.3
1983	3,709.3	0	3,709.3
1984	3,431.2	0	3,431.2
1985	2,512.8	0	2,512.8
1986	2,522.4	12.7	2,535.1
1987	2,622.5	250.4	2,872.9
1988	4,141.4	362.9	4,504.3
1989	4,769.8	425.5	5,195.3
1990	3,957.4	332.1	4,289.5
Total	\$31,292.2	\$1,383.5	\$32,675.8

Source: CCC Guarantee Program Commitment Reports prepared by the U.S. Department of Agriculture's Foreign Agricultural Service, CCC Operations Division

The Food Security Act of 1985 required that CCC make available not less than \$5 billion in GSM-102 guarantees annually through fiscal year 1990. For GSM-103, the act specified at least \$500 million annually through fiscal year 1988 and not more than \$1 billion in each of fiscal years 1989 and 1990. Since the programs began, over 40 countries have participated, receiving guarantees for over 20 agricultural commodities.

These credit guarantee programs provide protection to U.S. exporters or their assignees against nonpayment by foreign banks when export sales of U.S. agricultural commodities are made on a deferred basis. Under these programs, the U.S. exporter pays a fee and receives a payment guarantee from CCC. Usually the exporter will assign the proceeds that may become due under the payment guarantee to a U.S. bank (or other financing institution), which extends credit to finance the export sale. The U.S. exporter, U.S. bank, or other financing institution is then protected by CCC's guarantee if the foreign bank does not repay. If the U.S. exporter assigns the proceeds payable under the payment guarantee, the U.S. exporter can usually sell U.S. agricultural commodities to foreign buyers on deferred payment terms and receive payment immediately after export.

CCC attempts to share some of the credit risk with the exporter or the exporter's assignee by only guaranteeing 98 percent of the value of the sale plus a portion of the interest payable. The exporter or the exporter's assignee is at risk for 2 percent of the principal and a portion of the interest payable. However, CCC has flexibility to adjust the

Appendix IV
The GSM Decision-Making and Risk
Analysis Processes

amount of guarantee coverage it provides. For example, in the past, CCC has guaranteed 100 percent of the value of commodity sales to Mexico.

CCC's contingent liabilities under the GSM programs totaled about \$8.9 billion as of September 30, 1990. CCC has paid out about \$3 billion in claims since the programs' inception and is at risk for an additional \$2 billion not being serviced by Iraq (see table IV.2).

Table IV.2: CCC's Contingent Liability
Under the GSM-102/103 Programs for
Iraq

Fiscal year	Contingent liability
1990	\$154,336,744
1991	930,144,855
1992	622,021,012
1993	287,693,955
1994	6,971,205
1995	3,817,090
1996	3,593,898
1997	121,227
Total	\$2,008,599,986

Source: U.S. Department of Agriculture's Foreign Agricultural Service, Financial Management Division

How GSM Program Decisions Are Made

Each year, FAS identifies a number of countries to be potential participants in the GSM programs. GSM participant countries are those which have potential for making additional agricultural commodity purchases but cannot make such purchases without credit and loan guarantees. According to FAS, determining which countries participate involves evaluating long-term agricultural product needs, interest in the program, market development opportunity for U.S. agricultural commodities, and ability to repay. Since the program began, Mexico, South Korea, and Iraq have received the largest loan guarantees of all countries participating. Because the programs also provide economic benefit to foreign governments, their use can be influenced by U.S. foreign policy considerations.

Program development consists of a three-stage process: identification of the marketing opportunity, analysis of the financial risk, and negotiation and announcement of the program terms and conditions. Generally, this process begins in May or June of each year when FAS commodity divisions develop specific country and commodity proposals to use export credit guarantee coverage to support exports to targeted countries.

Country Credit Risk Analysis

Several Agriculture offices are involved in making GSM program decisions, but a key component in this process is the credit risk analysis that FAS' Trade and Economic Information Division prepares. From the early 1980s through fiscal year 1990, this division prepared country profiles for FAS that were mainly qualitative in nature, analyzing a country's economic, financial, and political strengths. A former FAS official noted that during this time, there were no well-established procedures for including countries in the GSM program. In Iraq's case, market development potential was the number one factor in determining its program funding level. Other FAS officials have confirmed that during the 1980s, the guarantee programs were driven more by market development potential than by credit risk concerns.

The Director of the Trade and Economic Information Division told us that in 1989 Agriculture concluded that its credit risk analysis procedures did not provide the information necessary to make informed decisions. He noted that there was a belief that the analysis allowed for too much subjectivity. A decision was made to develop a more objective procedure, to base it on common commercial practices, and to build in more quantitative analysis.

To put more emphasis on evaluating financial risk, the division began developing new credit risk analysis procedures in January 1990 and started using them in May 1990 for fiscal year 1991 GSM decisions. In developing these new procedures, the division drew upon resources and examples from many organizations, including the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development, and the Export-Import Bank. The division director told us that the need for new procedures stemmed from the previous model's inability to predict the future.

The new procedures should provide in-depth financial risk analysis and, as such, will have more influence than before over market development decisions. While these new procedures are more structured and contain more in-depth quantitative analyses, the division has not tested the procedures to determine their reliability or predictive capability. However, the division has compared its results with those of the Export-Import Bank's (also untested) and found them to be similar. According to one program official, the new risk assessment procedures represent a year-long effort to make explicit the tradeoff between credit risk and market development.

Appendix IV
The GSM Decision-Making and Risk-
Analysis Processes

The new risk analysis uses three elements to determine overall credit risk: (1) a country risk letter grade based upon the country's willingness and ability to service its foreign debt in a timely manner; (2) a country profile, which analyzes economic, financial, political, and social conditions within a structured and qualitative framework; and (3) an annual credit exposure guideline, which provides a means of limiting risk based on current economic, financial, and political conditions.

As of September 1990, 45 countries had been assessed under the new procedures for fiscal year 1991. Using the risk analysis procedure, Agriculture decided that some countries should be moved into concessional programs¹ rather than commercial credit programs. Although a risk analysis was not completed on Iraq before it invaded Kuwait, the preliminary recommendation from the Trade and Economic Information Division was to limit OCC's exposure by providing no more than \$200 million to Iraq for fiscal year 1991. This sharp decline in the recommended allocation level of \$1 billion in the previous year was based on a deterioration in diplomatic relations between Iraq and western countries. The decrease was also due to Iraq's continuing history of payment delays to some creditors and to its refusal to negotiate with the International Monetary Fund.

The division also recommended that any allocation to Iraq be contingent on (1) a satisfactory resolution to Justice's BNL investigation and Agriculture's Office of the Inspector General review and (2) indications from Iraq that it intends to pay its arrearages with the U.S. Export-Import Bank.

¹Concessional programs are those government programs that provide the foreign buyer with credit terms which are more favorable than those obtained in the commercial market. An example of such a program is the Public Law 480 (Food for Peace) Program.

Appendix V

The Interagency Process for Discussing U.S. Loan Guarantees

The National Advisory Council on International Monetary and Financial Policies guides and advises U.S. government agencies involved in making foreign loans or engaged in foreign financial, exchange, or monetary transactions. Besides coordinating the actions of U.S. agencies, the NAC ensures, when possible, that the actions of international financial institutions are consistent with U.S. policies and goals. The NAC allows member and interested agencies to meet, consider issues of financial importance to the United States, and present all of the facts available about the risks of a financial decision.

NAC membership principally consists of the Secretaries of the Treasury (who also serves as the chair), State, and Commerce, the U.S. Trade Representative, the Chairman of the Board of Governors of the Federal Reserve System, the President and Chairman of the Board of Directors of the U.S. Export-Import Bank, and the Director of the International Development Cooperation Agency. Also, at the assistant secretary level, there is a Committee of Alternates in the NAC authorized to act for their principals. These alternates represent each of the agencies listed above.

A Staff Committee handles routine NAC business. The Staff Committee is composed of economists and other professionals from the NAC member agencies and occasionally from other agencies such as the Departments of Agriculture and Defense or the Office of Management and Budget. The Staff Committee meets on a weekly basis as necessary. It determines what positions to take or recommendations to make by polling representatives after discussions. If immediate action is necessary, then these polls can take place by telephone. The assumption is, regardless of the procedure employed to take the poll, that representatives cast their votes for their principals, thereby ensuring high-level attention to policy issues and proposals. A majority vote determines NAC positions. However, the Council seeks unanimity of views among its members.

Agriculture submits all GSM-102/103 proposals to the NAC for review. After Agriculture has conducted a risk analysis on the country in question, it forwards a proposal to the NAC. During the NAC session, the members discuss proposals from each of their perspectives, including issues such as foreign policy, financial risk, and trade considerations. The NAC votes on the proposal, with each member's vote recorded on a poll sheet. An official NAC recommendation must carry a majority vote. The NAC makes recommendations that are only advisory in nature. Agriculture does not have to abide by a NAC recommendation. The NAC sends its recommendation, in the form of an "Action Notice," back to Agriculture, which has the option of following or ignoring it. However, Agriculture

Appendix Y
The Interagency Process for Discussing U.S.
Loan Guarantees

does not typically challenge NAC recommendations unless Treasury or State are not in the majority. In those cases, Agriculture reassesses the proposal before making its decision.

Appendix VI

The Banca Nazionale Del Lavoro and Related Investigations

In September 1989, suggestions of improprieties connected with the GSM-102 program surfaced as a result of a Department of Justice investigation of the Banca Nazionale del Lavoro's making \$2 billion in unauthorized and unreported loans to Iraq. Agriculture learned that approximately \$750 million of the unauthorized loans to Iraq were guaranteed under its GSM-102 program. Questions raised about possible program irregularities led Agriculture to initiate an administrative review of the guaranteed loans in BNL's portfolio. At the conclusion of the administrative review in May 1990, certain information was turned over to Agriculture's Office of the Inspector General for a more thorough analysis of all GSM sales to Iraq, in order to ascertain the full extent of program irregularities.

The Banca Nazionale Del Lavoro Investigation

In August 1989, the Office of the U.S. Attorney for the Northern District of Georgia was notified that officials at the Atlanta branch of the Banca Nazionale del Lavoro had been keeping a second set of books and had advanced more than \$2 billion in unauthorized and unreported loans to Iraq. This discovery led to the initiation of a grand jury investigation by the Office of the U.S. Attorney, U.S. Department of Justice. The investigation focused on bank fraud and evasion of bank regulatory requirements by officials of the Atlanta branch of BNL, a bank largely owned by the Italian government.

Agriculture's Office of the Inspector General joined the investigative team in early September 1989 when Agriculture learned that approximately \$750 million of these loans were guaranteed by CCC under its GSM program. Agriculture officials were told that evidence had been uncovered of possible kickbacks, questionable consultant payments, possible transshipped or bartered commodities, high prices, shipment of non-U.S. goods, and other program irregularities. At that time there was no hard evidence of improprieties in the GSM program or wrongdoing by the government of Iraq. Instead, possible misuse was hypothesized based on evidence of apparent wrongdoing uncovered in non-CCC loan transactions. Specifics of the theories being pursued, identity of individual targets, and evidence of any involvement by the government of Iraq are protected by the rules of grand jury secrecy and therefore are not available to Agriculture. Agriculture later decided to launch its own review under its own regulatory authority.

Administrative Review of the GSM- 102 Program for Iraq

In October 1989, Agriculture staff from the Foreign Agricultural Service and the Office of the General Counsel went to Atlanta to meet with the Assistant U.S. Attorney in charge of the investigation and two Agriculture Office of the Inspector General staff members assigned to the case. They discussed the Justice investigation's preliminary findings and the findings' possible relevance to the CCC-guaranteed transactions.

The administrative review continued for 7 months and involved the examination of GSM files pertaining to sales to Iraq, associated letters of credit, exporter records, and discussions with bank examiners, Office of the Inspector General investigators, and exporters. It focused on four potential problem areas—unusually high prices negotiated in GSM sales to Iraq, Iraqi attempts to impose certain taxes on GSM transactions, questions regarding the arrival of GSM commodities in Iraq, and Iraqi requests for "after sales services."¹

In January 1990, Agriculture reported to the NAC that its administrative review had revealed a pattern of unusually high pricing for certain commodities sold to Iraq under the GSM program during 1986-1987. Agriculture stated that further review was needed before it could recommend to the NAC any further allocation of fiscal year 1990 guarantees for Iraq. In April 1990, a team of representatives of the Commodity Credit Corporation, the Foreign Agricultural Service, the Office of the General Counsel, and the Department of State traveled to Baghdad to review relevant documents and to interview Iraqi officials involved in the transactions.

In May 1990, Agriculture released the results to date of the administrative review. The review uncovered no evidence of diversion of commodities sold to Iraq. The fact that bank and exporter files lacked proof of arrival appeared to be linked to the complexity of overland shipment necessitated by the closing of Iraq's Basra port during the Iran-Iraq war. In addition, the review found that Iraq had requested some exporters to pay a domestic Iraqi "stamp tax" in connection with GSM transactions. After discussions with Agriculture officials, Iraq changed its policy and began to exempt GSM transactions from paying the tax.

The review identified two key areas for further review—the extent and reason for high pricing in certain GSM transactions, and the extent to

¹The issue of after sales services arose independent of the BNL investigation after one exporter complained about requests from Iraq for free, nonagricultural products (e.g., free truck parts, tires, and air conditioning equipment) in connection with GSM sales, and the use of a certain carrier for GSM shipments.

Appendix VI
The Banca Nazionale Del Lavoro and Related
Investigations

which after sales services were provided and port values properly reported in connection with GSM guaranteed sales. Agriculture turned over to its Office of the Inspector General information it had developed thus far and asked it to conduct a more thorough investigation of all GSM sales to Iraq.²

²The administrative review was not a comprehensive analysis of all GSM transactions with Iraq but rather an examination of a limited number of transactions and issues that were identified as a result of the BNL investigation.

Appendix VII

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
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Julie M. Gerkens, Senior Evaluator
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Ms. KAPTUR. Thank you, Mr. Chairman.

We will also be asking to submit House hearings that were held by the Economic Stabilization Subcommittee of the Banking Committee back during the early 1980s, regarding these same sets of questions.

Mr. Secretary, my objective this morning is to try to make the record clear, as clear as we can as we face this imminent war with Iraq, and how America ended up in this position and how various policies led to the very dangerous situation we find ourselves in today.

One of the most curious developments in all of this is trying to decipher what happened back during the late 1970s, 1980s and 1990s with regard to the relationship between the Commodity Credit Corporation and the financing of billions of dollars' worth of sales to Iraq. For example, in the early 1980s, between 1983 and 1990, nearly 17 percent of total guarantees from the Commodity Credit Corporation went to one country, Iraq. And indeed, in the years 1987 and 1988, Iraq was the beneficiary of almost 25 percent of all guarantees provided by the Commodity Credit Corporation.

One of the first questions I will have for you is looking at the GAO reports back in the 1990s, we thought we were at least \$2 billion in arrearages in terms of Iraq's ability to repay, but I wanted to give you the benefit of my own questions that I ask myself on this; and if you could provide for the record manifests and accounting records.

Was the CCC involved in any way in the shipments of—the financing of shipments of anthrax, for example, or fertilizers? I know for certain, fertilizers were exported from the State of Ohio through the CCC early in the 1980s.

I would like to know which exporters received bonuses to facilitate sales to Iraq through the early 1990s, and if one reads carefully the original GAO study that was done on this, probably the three most important pages, pages 12, 13 and 14, document the history of the CCC's relationship to Iraq from 1983 to 1990, indicating that Iraq began participating in the Department of Agriculture's GSSEP program with an initial allocation of \$401.9 million in export credit guarantees.

There seems to have been quite a debate in the Reagan-Bush administration about the nature of that relationship, and it always seemed that the decisions were made back in the 1980s that really favored Iraq. The amount of CCC financing increased. Sanctions were lifted in 1988. And during the 1980s Iraq was declared not a terrorist country. Right up to the invasion of Kuwait by Iraq, the amount of financing through the CCC was increasing.

What is more interesting, in 1990, June, the Assistant Secretary of State for Near Eastern and South Asian Affairs for the Bush administration testified before the Senate Foreign Relations Committee and said the administration opposed congressionally imposed sanctions against Iraq as not contributing to our foreign policy goals; and so I just wanted to stress to you, at least the concern of this member, about what really happened.

And for the record this morning, I am wondering if you could at least initially provide us—in terms of those relationships, what

kind of insight can you give us, and what are the arrearages remaining today from those operations of the CCC with Iraq?

Dr. PENN. Well, thank you for the question and thank you for having your office alert us as to the subject you were interested in. We didn't have enough time to compile the records that you are requesting, but we will certainly make an attempt to do that. We will try to provide all the information that responds to your questions just as quickly as we can.

As you note, these are developments that occurred some time ago, well before our watch, and the world was a much different place then, with Iran and Iraq and the geopolitics. So it is very difficult for me to recall at this moment exactly what may have come into play there.

I did ask our staff to examine the CCC's relationship to Iraq, and the most information I can provide you at this moment is that we think, from our preliminary examination, that the Commodity Credit Corporation is owed \$2 billion in principal by Iraq and that there is perhaps a billion dollars arrearage in overdue interest on that account.

That is as much as I can give you right now in terms of the particulars, but we will, as I said, examine the records and try to be as responsive as we possibly can.

[The information follows:]

IRAQI DEBT TO THE COMMODITY CREDIT CORPORATION

Iraq's debt to the Commodity Credit Corporation under the GSM-102/103 programs as of March 5, 2003, is as follows:

Item	[In thousands of dollars]	Amount
Principal Arrears		\$1,940,703
Interest Arrears		212,321
Late Interest		1,597,474
Total		3,750,498

Ms. KAPTUR. I thank you very much, Mr. Secretary. My time is up on this round, but I think it is important for the public to understand that when these arrearages exist in the way that we function as a committee, obviously, and as a Congress, we have to reimburse the CCC for any losses eventually. So those arrearages are paid for by the American people ultimately. Thank you.

Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, Ms. Kaptur.

As we usually do on this subcommittee, when the gavel goes down, we recognize members in order of seniority, but if not, we go by the time of arrival. And considering that, I will now recognize Mrs. Emerson.

FSA COUNTY OFFICE STAFFING

Mrs. EMERSON. Thanks, Mr. Chairman. I do have some questions I want to submit for the record, because I am going to have to be scurrying between subcommittees too, and I apologize for that, because I have a lot of questions I want to ask.

I appreciate, Dr. Penn, the fact that y'all are going to try to accommodate our farmers who for some reason or other, because of the backlog and the tremendous time it has taken to sign up for

the farm bill to be accommodated, so that they actually can participate in the program. I just want to reiterate that we have several counties—and I know one of which, you are sending in extra people to help because we have got a huge, huge backlog. And contrary to perhaps other areas, most of my farmers do sign up for the program.

One of the things that does worry me to some extent is, when you send in temporary employees, the level of knowledge they have about the program and whether or not that is going to lengthen the process. You know, what are you all doing to ensure that our producers do get the same level of assistance with the temporary personnel as they do with the permanent?

Dr. PENN. Well, Congresswoman Emerson, as you know, that is a problem, and in a lot of these rural areas where the county office has the greatest workload, it is very difficult to just go out and quickly add temporary employees who are trained and who are knowledgeable of the program. So that is a particular challenge for us.

Most of the people that we can get quickly are people who can do the clerical work of the office, freeing up the people who do know the details of the programs to interact with the producers; and that is what we are trying to do, to make sure that when the producers are in the office, that they are dealing with people who do understand the programs and who have been trained.

And so, to the extent that we possibly can, we are trying to make sure that that happens.

Mrs. EMERSON. Okay. And that brings to mind another issue that we talked about with Secretary Veneman last week, and that was, you know, in the whole scheme of reorganizing or consolidating offices, it does make me very uncomfortable, the thought that we would contract out some of these services to the private sector when you need a tremendous amount of technical expertise to help administer the program. And when you have got, you know, the farm bill, you have got disaster assistance—you know, what have you—this becomes very problematic in my opinion. So I just wanted to raise that.

RICE FOR HUMANITARIAN AID

Let me ask another question, just shifting subjects completely. With regard to Foreign Agricultural Service indirectly, one of the things that—and to Iraq specifically, one of the things that, you know, we are trying to encourage is that in the aftermath of whatever we end up doing in Iraq, we can include rice in any kind of humanitarian aid. Certainly we have an abundance of it, and I would like to know if you all will be able to work with USAID to ensure that we can include rice as—since that is the main staple of the Iraqi diet. So I want to say that.

EMERSON TRUST ACTIVITY

And then let me ask about the Emerson Trust, and I feel a little funny asking about it since it was named after my late husband, but anyway, I am concerned about it. Can you summarize the instances for me in the past that the Emerson Trust has been used?

Dr. PENN. Off the top of my head, I can give you a bit of information, and we will supplement that for the record.

The Emerson Trust has been used in the past few years. The trust is authorized at 4 million tons, and it has been drawn down to 1.9 million tons, today, of grain. It was used two times in 2002.

Under the current Administration, there were two tranches taken from the reserve that totaled 575,000 tons, and those have been the only times that it has been used in my memory. We can go back and provide you more detail.

[The information follows:]

THE BILL EMERSON HUMANITARIAN TRUST

The Bill Emerson Humanitarian Trust (BEHT) was established in 1998 by enactment of the Africa Seeds of Hope Act. It replaced the Food Security Commodity Reserve, which was enacted in 1980. The 1998 Act also changed the release authority from the President to the Secretary of Agriculture, authorized the Secretary to swap eligible commodities held in the BEHT for any U.S. commodity (including processed commodities) of equal value, and allowed for holding cash in the BEHT. Since the wheat reserve was established, it has been used for the following purposes:

December 5, 1984—President Reagan authorized release of up to 300,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in Africa.

October 26, 1988—President Reagan authorized release of up to 1.5 million metric tons for P.L. 480, Titles I and II, because of short domestic supplies.

September 14, 1989—President Bush authorized release of up to an additional 2.0 million metric tons for P.L. 480, Titles I, and II because of short domestic supplies.

May 31, 1991—President Bush authorized release of up to 300,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in the Middle East.

July 19, 1994—President Clinton authorized release of up to 200,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in the Caucasus region.

January 22, 1996—President Clinton authorized release of up to 1.5 million metric tons for use in P.L. 480, Titles II and III, because of short domestic supplies.

June 7, 2002—Secretary Veneman authorized the release of 275,000 metric tons of wheat to be exchanged for other commodities for use in P.L. 480, Title II, for unanticipated needs in Southern Africa.

August 28, 2002—Secretary Veneman authorized the release of 300,000 metric tons of wheat to be exchanged for other commodities to be used for the Southern Africa food security crisis. After this release, the Trust was reduced to about 1.98 million metric tons.

Mrs. EMERSON. Have y'all come up with any kind of a plan that would supplement or replenish the trust with additional food?

Dr. PENN. We have not, but we are considering how best to do that. As I said, it is down now to 1.9 million tons, which is still a very considerable amount of grain, but we are looking at the possibilities for how to do that.

Mrs. EMERSON. So is that the reason, then, perhaps, that y'all didn't include any money in the budget request for replenishing it?

Dr. PENN. Well, we think that it is adequate—that we have adequate resources for the food aid needs for the current year; and, yes, we are still considering how best to do that and where the funds might come from.

Mrs. EMERSON. In spite of all the food aid that we may need to give not only to Iraq, but also to sub-Saharan Africa, et cetera, do you think there is enough in that to—

Dr. PENN. We think we have enough, counting the money that is proposed in the budget, plus the carry-over, plus the use of the reserve and the shipments that follow on once you tap the reserve; we think there is an ample amount for this year, yes.

Mrs. EMERSON. Okay. Well, hopefully if we have an opportunity, we can talk about that in more depth.

And the time is out, Mr. Chairman, so thanks.

FOREIGN DEBT TO CCC

Mr. BONILLA. Thank you, Mrs. Emerson.

Before I yield to Mr. Farr, Ms. Kaptur brought up an interesting issue about foreign debt specifically owed by Iraq, but as we all know, there is a lot of money out there from different countries, and I think it might be appropriate, J.B.—I am not asking you to go back and dig through files back during the Carter administration, but to—if you have a running total on what foreign debt is to the CCC from all foreign entities, that would be very helpful if you could provide that for the record.

Dr. PENN. We can certainly do that.

[The information follows:]

COMMODITY CREDIT CORPORATION FOREIGN DEBT

As of February 28, 2003, the exposure of the Commodity Credit Corporation resulting from direct credit and loan guarantees to foreign countries totaled \$22.4 billion. Of this amount, \$4.3 billion represents contingent liability for the GSM-102, GSM-103, and Supplier Credit programs.

Mr. BONILLA. Thank you.

Mr. Farr.

Mr. FARR. Thank you, Mr. Chairman.

COFFEE PRICES

Thank you, Dr. Penn, for being here. And I am sorry that I am just going to have to ask this question and run.

It is often said that our food policies and our foreign policy, the right hand of the Federal Government doesn't know what the left hand is doing, and I can't think of an area that is more demonstrative of that issue than essentially what is happening in the coffee-growing countries of Central and Latin America.

We are involved in a \$1.2 billion investment in Colombia, which is one of the leading coffee growers in the world, and at the same time throughout Colombia and the Central American countries, which we have been heavily involved in because of tragedies there by natural disasters and wars in the past, we have really been trying to help these countries, which are growing countries, take their number one cash crop, legitimate cash crop, coffee, and really sustain it.

Yet we have four multinational companies, three of which are headquartered in the United States—Kraft, Sara Lee, Proctor & Gamble and Nestle—who buy 80 percent of the coffee in the world, and what has happened is that the coffee prices have gone to an all-time low, so much so that we are now putting our food aid program, which you monitor, the Public Law 480 food, back into these countries to feed starving coffee farmers.

In fact, the Ag News reported in the last year that some 40,000 El Salvadorans, 130,000 coffee workers have lost their jobs since the crisis. At least three children were reported to have starved to death because of malnutrition, because of the coffee industry collapse.

So the right hand here is that we are investing in trying to get people to grow legitimate crops which are cash crops that are—that

they can—and the best growers in Latin America are the coffee growers, and it is still small, agrarian agriculture.

Congress was so concerned about this that last year we passed in the last night of session—I authored it along with Cass Ballenger and other members of this committee, H. Resolution 604, which essentially put the onus on the State Department to come up with some recommendations in this area. But it seems to me that the Department, your department, ought to take a look at that resolution and come back with a strategy that does something that gets at these American corporations.

I mean, in essence, the coffee prices on the market here in the United States haven't dropped at all, but what they are buying, the coffee—and we have put a lot of money into teaching the Vietnamese how to grow coffee. They are growing the poor-quality coffee which is flooding the market.

But here is the dilemma. I mean, these are American companies, and we buy a lot of food from these companies for our School Lunch Program and for our Feeding Nutrition Programs and for, certainly, the military. I would imagine that for these companies the United States might be their biggest customer, and yet their corporate policies regarding coffee purchases are just abominable as far as what we are trying to do for social international aid to stop the cocaine growth and all of that.

And my point is, in your assisting these farmers who are being displaced because of low prices, has there been any discussion about how to stop that spiraling downfall of coffee growers in Central America and northern Latin America so that you don't have to put so much of our food aid program, in addition to our foreign aid, just to keep these people from starving? And are there ways in which you can use your influence over the purchases of food from these four big companies?

And I am not the only one that is talking about this. Congressman Ballenger is very, very active in this issue, because we have just seen what happened in Colombia where we are appalled that our American corporations are sort of undermining our effort to have a sustainable agriculture there.

So are you familiar with this issue, and is there anything you can do from your department to try to balance out, I think, the equity of coffee issues here and our purchases of coffee. And perhaps there is even discussion that we are one of the few countries that doesn't have any quality standards for coffee. We don't have any coffee growers in the United States other than Kona, Hawaii, and it is a niche market, so we don't have any pressure from the inside to sort of worry about the quality of imports.

Dr. PENN. Well, I can say, Mr. Farr, that I am generally familiar with the issue.

This is a very important issue in terms of economic development activities all around the world, and as you correctly note, not only the U.S. Government, but international development organizations such as the World Bank have encouraged small holders to produce the crops that they produce best, everywhere in the world. Coffee has been one of those that has been very important, and it has been particularly noted that Vietnam is a new producer and has provided a lot of supply to the market now and that coffee prices

have been depressed for quite some time. So it is a problem, I think.

I take your point about coordination across government agencies, coordination among the international development agencies, because if everybody expands production, we are going to increase the supply and drive down the price.

And then I take your point about our food aid programs. The development activities are not something that the Department of Agriculture has a direct responsibility for. That would be carried out under Title II of Public Law 480, which is the responsibility of the Agency for International Development. But we do have some food aid activities, and I take your point that some of our food aid may be going to places where the coffee prices are depressed.

We will certainly look into that, and I would be happy to try to provide you more information as soon as I can.

[The information follows:]

WORLDWIDE COFFEE CRISIS

The U.S. Agency for International Development (USAID) is providing resources and coordinating initiatives to address the worldwide coffee crisis. USAID Coffee Activities work to create sustainable small-holder coffee systems which provide significant income, employment, social, environmental and consumer benefits. Where potential exists for farmers to effectively compete within the coffee sector, USAID is working to improve local capacity to produce and effectively market high quality coffee thereby increasing the price farmers earn for their product. At the same time, USAID programs assist farmers that cannot effectively compete within the coffee sector to diversify their activities and identify other sources of income.

On August 30th, 2002, USAID signed a Quality Coffee agreement with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic and Panama. USAID will provide \$8 million for a market-based program to assist small and medium coffee producers to improve coffee quality, form new business linkages, secure longer-term contracts with the specialty coffee industry, and identify and implement diversification options for producers that cannot be competitive.

In Colombia, USAID is helping mitigate the present situation by beginning a \$7 million 5-year effort on specialty coffee activities in opium poppy and coca cultivation areas. USAID's partners are working in partnership with the Coffee Quality Institute and the Specialty Coffee Association of America on coffee quality and market access activities.

Mr. FARR. Thank you very much. And it would be helpful if you could talk to AID and the State Department, because you have agricultural attaches in the very embassies of the countries we are talking about.

Mr. PENN. We do.

Mr. BONILLA. Thank you, Mr. Farr.

Mr. Nethercutt.

RELEASE OF WHEAT UNDER EMERSON TRUST

Mr. NETHERCUTT. Thank you, Mr. Chairman.

Welcome to all of you. We appreciate your being here to testify.

Mr. Davidson, I especially appreciate the remarks of the chairman with respect to your position as Administrator of the Risk Management Agency. I know you went out to my district in our State. You have been out around the country talking to people, and that is advisable for people in administrative positions.

I looked at the Web site of the Farm Service Agency, and this is what it says, just to remind you if you haven't looked at it recently: The Farm Service Agency at the U.S. Department of Agri-

culture ensures the well-being of American agriculture, the environment, and the American public through efficient and equitable administration of farm commodity programs, among other things.

You probably know that I am not happy about the Emerson Trust history with this administration. You all—the USDA is the subject of an Inspector General's investigation at my request, and it stems from the sales that occurred in 2002, three separate times as I look at the record, that in my opinion—I think an objective opinion of most of the people looking at it—caused a reduction in the price of soft white wheat in the marketplace, a total reduction by virtue of the government's releasing stocks, offering these sales without prior notice contrary to a policy that had been in place for years, since the 1980s as I understand it, under the Food Security Wheat Reserve Act of 1980 and subsequent times, that later became the Emerson Trust in 1998.

These sales occurred to the detriment of not only the farmer, the agriculture industry in the Northwest and across the rest of the country, but specifically to the serious financial detriment of the small elevators, the guys who are holding government stocks, getting storage at low storage prices, I might add to you, in the Northwest. We have some of the lowest in the country.

And by virtue of your agency's either intentionally departing from the prior practice of taking only so much from each elevator so there would be equitable distribution across—you know, equitable paying, so to speak, taking those stocks out of an elevator and no more government storage payments—I think it was done either intentionally, without notice, in a departure from prior practices—it was either done through the gross negligence of someone or some of those in the agency, or it was just bone-headed.

By any objective standard, I would argue to you, it hurt American agriculture. It hurt the price for the farmer, hurt the storage conditions for the small elevator guys by having, you know, others be able to engage in predatory practices that cleaned out an elevator when, you know, the purchaser, the third-party purchaser, had lots of stocks on hand; and so, therefore, it eliminated some competition in the grain storage area, and it literally hurt the price of wheat for the farmer.

And I think it was done for one of those three reasons. That is what I have tried to think through might be the motivation that resulted in the action.

I don't see any good reason for having done what you all did, and there is further investigation being undertaken now by the IG. They are out on the ground, and God bless them. I think they are going to find all kinds of things with respect to the improprieties with the way this unfolded.

I have been a strong ag supporter, the agency as well. But, boy, this has me hot, because it hurt my people, and it hurts rural America. It hurts rural eastern Washington and other regions that were stuck with, you know, the impact of a policy that allows predatory practices to occur. Whether intended or not, I don't know, but it allowed it.

So I will have more questions, but I am happy to have any answers that you might want to express to justify what you did and why you did it.

But I am a hard sell on this one. I think you made a huge mistake, and it hurt my own people. It hurt the wheat industry, and frankly, it hurts the program and it hurts the Department.

So that is my little speech. But I am serious about it. It really bothers me. I am really irritated by it, and I am going to follow it up vigorously. So if you have a response, I would be happy to hear it.

Dr. PENN. Well, I would just say, Congressman, that we do know your feelings on this, we know how strongly you feel about it. You and I have discussed this. The IG is conducting an investigation, and so I think with that, rather than rehash it, I will just leave it there, but I do appreciate your sentiments.

Mr. NETHERCUTT. Thank you.

Mr. BONILLA. Mr. Goode.

LIVESTOCK COMPENSATION PROGRAM

Mr. GOODE. Thank you, Mr. Chairman.

Dr. Penn, Mr. Little, I have got a question, I guess directed best to Mr. Little, on the Livestock Compensation Program which was included in the omnibus appropriations package.

The sign-up date is April 1 for all those that didn't make the September 9th cutoff date?

Mr. LITTLE. Yes, sir.

Mr. GOODE. Let me ask you this: What about livestock producers that sold their livestock, say, in November or December? They would still be eligible to go back and pick that up?

Mr. LITTLE. We are still developing the final procedures, but if they sold them in November—the original date that we were looking at was back in June, I believe. As long as they owned the livestock between 90 days before or 90 days after June 1 of 2002, they would be eligible, so if they sold them in November, they should be covered.

Mr. GOODE. Is that fixed, or is that what you are looking at?

Mr. LITTLE. That would be what we are still looking at, yes. At least I don't know of anything—

Mr. GOODE [continuing]. That is going to change that?

Mr. LITTLE. Yes, sir.

Mr. GOODE. So if they had them on August the 1st or August 15th, they would still be okay?

Mr. LITTLE. Yes. They had to own the cows anywhere between 90 days before or 90 days after June 1, 2002.

ADVERSE EFFECTIVE WAGE RATE

Mr. GOODE. Let me ask—and I don't know whether you—I guess you are on this too.

You know, the H2A workers get an adverse effective wage rate. Those are the persons from mainly non-U.S. areas, and their wage rate—it is adverse. It is not minimum; it is not prevailing. And the Department of Labor, of course, determines prevailing wage rate, and the Department of Labor I believe issues what the adverse effective wage rate is. And this is what food producers and a number of other agricultural producers pay to the migrant labor.

In my area, wages aren't going up; they are coming down—a tremendous amount of layoffs in manufacturing. But the adverse ef-

fective wage rate for—I will just pick a peach orchardist that called me yesterday about it—continues to go up. And the survey, it is my understanding, is done by the Department of Agriculture. I am not sure it is done by the FSA, but y'all do the survey, and then you give the information to the Department of Labor.

I want to know if you could tell me why the adverse effective wage rate—and it is a pretty sharp increase, and it is a huge impact on the apple growers and the peach growers and a number of other agricultural commodities in my area. I would just like to—I can't understand why the persons from the USDA, when they are calling around getting information for the survey, why it keeps going up when the wages and everything else aren't going up.

Mr. LITTLE. First off, I don't believe it is the Farm Service Agency that does the survey. It is probably the ERS or NASS. If I were to give you a reason why the rate is going up, it would only be an opinion. It could be because it is difficult to get temporary labor, but that is only my opinion.

Mr. GOODE. Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, Mr. Goode.

Mr. LaHood.

FSA COUNTY OFFICE STAFFING

Mr. LAHOOD. Mr. Little, if you have already answered this, I will just—you don't need to answer it.

What is the status of putting people in the field to help with the paperwork that needs to be filed by April 1st?

Mr. LITTLE. Dr. Penn did refer to that earlier. The 2002 farm bill did provide additional staffing, so beginning in the July time frame, we brought on about 1,000 new staff-years for the remainder of 2002 and all of this fiscal year. Then the 2003 appropriations provided an additional \$70 million, with which we will hire additional temporary staffing.

You know, temporary staffing is not the best fix, because it only provides additional staff to do the administrative work, but it does free up time for the people that have the technical knowledge to conduct the sign-up.

We are getting as much temporary help as we can out there, we are working overtime, we have provided additional personal computers for the additional staffing. We are shifting people from counties that aren't heavily booked to those counties that are. So we are doing everything we can to provide the staff that is necessary.

Mr. LAHOOD. So you believe that there is enough staff out there to accommodate the folks that will be coming in the offices between now and April 1st?

Mr. LITTLE. We believe we've got enough staff overall. We are thinking there might be 200 counties nationwide that will have difficulty getting everybody in by April 1, but as long as the producers let us know that they still need to come in, we are putting them on a register that will allow them to go in after April 1. So no farmers that have an intention to update their bases and yields are going to go without.

WAREHOUSE ACT IMPLEMENTATION

Mr. LAHOOD. Well, which one of you—I don't know if it is you, Dr. Penn, or maybe somebody else at the table—has the responsibility for the Warehouse Act implementation?

Dr. PENN. I guess I am the culprit there.

Mr. LAHOOD. I notice from your testimony that the issue of preemption is something that—whether you are proposing it, it is a done deal or what. But, you know, there are a lot of States that are opposed to that, including Illinois, Iowa, Indiana.

Can you address that? Is that a done deal, or is that something you are proposing?

Dr. PENN. It was something that we proposed to do, but in the 2003 Appropriations Act, the Congress installed a 180-day moratorium, so, in effect, all of our activity is now prohibited.

I think, Congressman, this was one of those efforts to do good that got widely misunderstood. The case law associated with the Warehouse Act has been such that the Federal preemption issue, our lawyers thought, was well established. When the Congress revised the U.S. Warehouse Act and we published the final regulations, we noted that in the regulations. Then we tried to provide additional coverage for producers. And we did that in our proposal virtually all of the States except a very few, including the ones that you mentioned—Illinois, Indiana, Iowa still have programs that would provide more producer protection than what we would do. For most of the States in this country, our proposal would have provided additional protection for producers, not only those who store grain in the warehouse, but also those who sell grain to the warehouses. So it was an effort to try to improve producer protection, and we thought those States that provide more than what the Federal Government was going to do could still do that. In fact, we think that is the case.

We worked long and hard with the National Association of State Departments of Agriculture, we worked with the warehouse group, we worked with the National Grain and Feed Association, we made a good-faith effort to try to deal with all the stakeholders to work out a program that would be satisfactory to all, but we didn't succeed, and so the Congress has imposed the moratorium on our activities.

Mr. LAHOOD. Well, I assume you are going to be working on this between now and the time that we sort of established in the bill that we passed a month or so ago, to make some kind of a policy, right?

Dr. PENN. Well, we have had extensive negotiations with all of those groups, as I indicated, and we are still quite willing to sit down and see what could be put together that would be satisfactory to everybody. We are willing to visit with all of the stakeholders during the time that is allotted to us.

Mr. LAHOOD. Would you be willing to consider exempting those States that have more protection than the States that—well, for example, would you be willing to exempt Iowa, Illinois and Indiana because they provide more protection and actually make that a part of the policy?

Mr. PENN. Yes, sir, it is my understanding that they are exempt, that they are quite free to provide more protection than the Federal Government was providing. But I think in a large number of States, we were simply increasing the amount of protection that was available to producers. Our sole intent in this was to increase the protection that was available to the farmers who were producing the grain.

E-FILING OF FORMS

Mr. LAHOOD. Could somebody tell me what the progress of the e-file bill is? E-filing that allows for producers to be in their farmhouse and use their computer to file forms that ordinarily they would have to file in the offices?

Dr. PENN. Mr. Little?

Mr. LITTLE. The e-file legislation did require that the service center agencies—Farm Service Agency, Rural Development and NRCS—provide farmers the capability to file from their homes or their place of business as of July of 2002, and we have got substantially all of our forms on line to where they can fill them out from home.

We also implemented a system for electronic loan deficiency payments on a pilot basis which we are expanding this fall. So we are basically compliant. We are not as far as we would like to be because the forms are not totally integrated with our systems, but as we grow and we continue to move on to the common computing environment, those forms that they fill out at home will automatically tie into our systems. Just this past week we also implemented e-filing for one of our farm loan programs. Producers are able to file their loan applications on line as well. So we are moving ahead. I will be honest, we are not as far ahead as I would like to be, but I think with the limited resources that we have and the time that it has taken, I think we are doing fairly well.

Mr. LAHOOD. Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, Mr. LaHood.

We will now go to our second round of questioning. Whatever questions I have, J.B., I will submit for the record. We may have a vote. If that happens, I am going to go and vote and you can continue.

Ms. Kaptur.

CCC SALES TO IRAQ

Ms. KAPTUR. Mr. Secretary, you responded to my first round of questioning in terms of your willingness to provide data from the Department on Iraq. When you made the comment at least in which you inferred that it is very old information and you would not go back to the Carter administration, let me just make the observation that I consider this Iraq issue obviously paramount and I don't consider it to be old. I consider it to be current.

I just wish to make these two statements before moving to another topic. In the year of 1988, Iraq received over \$1 billion in GSM-102 guarantees, making it the second largest recipient of GSM credit guarantees during that year.

Also, at that time there was a serious disagreement between the Congress, the legislative branch, and the executive branch regard-

ing policy—policy toward Iraq. A Senate bill in April 1990 was introduced stating that no assistance, grant, sale, loan, lease, credit guarantee or insurance may be furnished to Iraq unless the President certifies that Iraq has opened its nuclear, chemical and biological sites to international inspection. A similar bill was introduced in the House, and yet in June 1990 the Assistant Secretary of State for Near Eastern and South Asian Affairs testified before the Senate Foreign Relations Committee that the administration—the then Bush-Quayle administration—opposed Congressionally authorized sanctions against Iraq, saying that they would not achieve U.S. goals in Iraq, that other nations would not join the embargo, that the administration's policy is to avoid using agricultural trade to pursue foreign policy goals, and sanctions would increase the U.S. trade foreign deficit.

I would suggest that the U.S. policy in terms of international relations flows not in days but in decades and that part of the quandary we face today is because of the relationship between the financing of sales to Iraq and signals that were given to that government which remain problematic today. So I just wanted to place that on the record and again appreciate your cooperation.

Mr. BONILLA. Ms. Kaptur, as I said earlier, you can continue as I go vote and when you feel that you need to leave, go ahead and we will take a short break until we return, J.B.

BIOFUELS

Ms. KAPTUR. Thanks, Mr. Chairman. I wanted to move to the subject of biofuels, a real new market for agriculture in America. We discussed the experience of biofuels last year in your appearance before our subcommittee, and energy independence being a paramount goal for our Nation as gasoline prices go over \$2 a gallon in America, your budget proposes to reduce the CCC funding in support of the biofuels program by \$15 million, and I am asking you in this round why are you doing this, particularly in view of the fact that even in terms of the President's proposal at the Department of Energy, the so-called money for the hydrogen fuel cell comes out of the biomass accounts at the Department of Energy? So we are reducing our commitment to biofuels, not just at Department of Agriculture but at the Department of Energy.

Dr. PENN. I am not familiar with that specific reduction, so, Congresswoman, if I could, I would like to ask Steve Dewhurst if he could elaborate on that.

Mr. DEWHURST. You are correct. The program has been authorized at \$150 million a year. I do think it is important to know that if you look at the program over the past couple of years, in 2001 the actual use of the program was about \$41 million. If you look at 2002, the actual use was \$78 million. In the 2003 act that Congress just passed the program is at \$115 million. And in the President's budget it is at \$100 million. So you are absolutely correct. The \$100 million is lower than the authorization, but it is higher than the actual use that we have had in the program in 2001 and 2002.

Ms. KAPTUR. I thank you very much for that clarification, Mr. Dewhurst. I think part of the problem is the lack of real commit-

ment by the Department of Agriculture to see itself as a player in the biofuels industry in this country.

Mr. Secretary, you couldn't be from a more important State and a more important region of the country. I have a really great map here that shows where capacity is being developed, and it just seems to me that the Department of Agriculture should be in the lead. And frankly, when I look at a \$60 billion trade deficit in petroleum, as I said to the Secretary last week, it is very clear where the target is. Every single person that is fortunate to be appointed in the Department should be thinking about this new industry and ways to encourage its development here at home.

I wish that I personally could buy ethanol in my district because I can go up to Detroit and buy a Ford Taurus today and by the time I get it back to Toledo it is out of fuel. I cannot buy ethanol in my State. Well, there are two pumps in Columbus but I am not going to drive 2½ hours to fill the tank and drive another 2½ hours back to Toledo.

Can't the Department be more creative in helping this industry come on line and help it be farmer owned? What is the problem?

Dr. PENN. Let me respond by saying that I think, this one budget entry aside, the Department is very favorably inclined to renewable fuels. And look at the ethanol industry. This is an infant industry, maybe 10 years old, that today is going to use 10 percent of the entire corn crop, and the Department I think has been very supportive in the development of that industry.

We are also trying to be very supportive in all of the renewable fuels areas, not only in this mission area, but also in the Rural Development area and in the Office of the Chief Economist. There is a lot of activity concerning renewable fuels and how best to support those, and the Department was a big participant in the energy bill that the Congress considered last year and did not complete action on.

So I think that it is not quite fair to say that we are not interested. We are always seeking new uses for products, new markets for America's farmers, and so this is an area in which I certainly agree with you we have a lot of opportunity to do more.

Ms. KAPTUR. Mr. Penn, I don't know what your request was to OMB, but I can tell you that in the cross-cut budget analysis that we received from the Department of Agriculture indeed your budget for 2004 proposes a \$70 million cut in support for biofuels development, \$40 million alone—over \$40 million out of your value-added research accounts.

I can also tell you that the vehicular use within the Department of Agriculture, other than Beltsville, using biofueled vehicles is abysmal. And the reductions in CCC, I wish I was a prosecutor here. I could say that your rhetoric does not match the reality, and maybe it is OMB that is the problem. But the reason I am pleading with you, you set the policy. Most of the development that has gone on around the country in biofuels has been without your help. I see farmers in my State struggling to finance the development of ethanol and biodiesel production. There is no help from the Department of Agriculture. Actually it is an embarrassment. And you are right in saying it is an infant industry, and because it is an infant

industry the Seven Sisters can come down and push down the prices in this country.

I have a bill modeled on the rural telephone and rural electric experiences, for a rural biofuel industry in this country. I would love the Department's support. We have to provide the platform to birth up this industry, but I don't see the muscle from the Department of Agriculture behind this. We have a \$60 billion hole in terms of imports, yet we have a budget from your Department that cuts support to biofuels.

I am really pleading with you for the sake of the country, and look what is happening to us. Whether it is Venezuela, whether it is Africa, whether it is Iraq or Saudi Arabia, we are becoming more and more dependent. Our military is extended all over the globe and why are we there? What is the main source of income these places are getting from us? Buying petroleum.

So this is, as I said to the Secretary, this is our generation, our time, our watch, and it will never come back to us again. Your Department is critical. I would love during your tenure to be able to have you help come to my district and open up some biodiesel and ethanol pumps and to in your value-added accounts find the most Btu's per ton of biomass that we can create in this country and to have that industry flourish and to provide a financing platform not just for the big muscle guys like ADM but for the farmers who are struggling across this country to make income from the market, not from their mailbox. We really need your help. You are on the executive side, I am not, and I would just plead with you to consider what more can be done at USDA and to bring together a team.

The Secretary's answer to me last week on this was: Congresswoman, you know the regulatory side; MTBE, for example, is helping the demand side. I am asking you also to think about the supply side and how we jack up the supply side and do not wait just for EPA and others to solve this problem, but to be aggressive. Look at the power you have.

America needs your engagement on this beyond where you see yourself today. Can you do more? Can you assemble a team there at USDA of your top experts and really look at bioenergy as a top priority for the Department?

Dr. PENN. Well, again let me just say in response that I think we share your enthusiasm for renewable fuels. We share your enthusiasm for new markets for the products from the farms, and I would argue that we are making a big effort. When you look at all of the activities across the Department that are not particularly visible in this budget, such as the research effort in the Agricultural Research Service and activities in Rural Development and other parts of the Department, we are making a big effort to be supportive of renewable fuels and all of these new markets that may be available for farmers.

Again, I say we have been very supportive of the ethanol market and that is one which has now started to mature. A billion bushels of corn this year, over 10 percent of the entire crop that was produced in 2002, will be used as feed stock for ethanol, and so we are enthusiastic about renewable fuels.

Ms. KAPTUR. Mr. Secretary, do you have a special bioenergy working group at top levels, at your level of USDA?

Dr. PENN. Not that I am aware of.

Ms. KAPTUR. If I could plead with you, connect the dots in your Department and with a \$70 million reduction in the Department's commitment to biofuels which I hope that this Congress can fix, you should not have a reduction in this important area. I can't make you do this, I guess, but I would encourage you in the strongest way possible to use the power of your Department to help America dig herself out of the hole that she is in and remove the chief strategic vulnerability that we have from a military standpoint and an economic standpoint.

I will say on the record the last four recessions, including the one that we are in today, were caused by rising oil prices. And so America better wake up. And our farmers—Keith Collins told us last week 50 cents of every farm dollar is Federal subsidy. Why can't our farmers farm the market? We need to look at supply side and we need to help our country, and I think you are a central player and you need to see it that way and be aggressive.

Now I am going to give you permission to take a break because I have to go vote, and I thank you very much for this round of questioning. Appreciate it.

Dr. PENN. Thank you.

[Recess.]

Mr. BONILLA. J.B., if you are ready we will continue, and thank you for bearing with us to break for the vote. I now yield to Mr. Nethercutt.

RELEASE OF WHEAT UNDER EMERSON TRUST

Mr. NETHERCUTT. Thank you, Mr. Chairman. Dr. Penn, did you analyze or anybody in your shop analyze the market impacts that could occur by the release of this wheat in July and September and I think December, if I am not mistaken? Did you do any analysis in terms of the market impact?

Dr. PENN. I can't recall all of the particulars and I can't recall the exact timing, but I believe that release was during the period when we had a run-up in wheat prices. So if there was ever a good time to release wheat from the reserve, I think that was probably it. There was an analysis. I can't recall the details, but we always look at what the market impacts of this are going to be because we know it is a very political issue. Once we release grain from any of these reserves, we watch that.

Mr. NETHERCUTT. I am not talking so much about the decision to release, but the decision to release like you did that is allowing this predatory practice to occur. Wipe out one small reserve in favor of a third party buyer who has reserves of their own, essentially knocking out the competition. That is the negative effect that it appears to me that it had, and I am wondering if you did any analysis in the field. Do you go out to the field offices frequently?

Dr. PENN. Yes, I do.

Dr. NETHERCUTT. How often?

Mr. PENN. Oh, I don't know. I can't tell you precisely. I would have to look at my travel schedule. I do go to the field offices and the producer meetings. I spend a lot of time with the farmers. My door is always open to anybody who wants to see me. I don't think accessibility or involvement is an issue with me.

Mr. NETHERCUTT. I am not suggesting that it is. I just want to understand what analysis in the field, in the market, in the industry you might have engaged in before making the decision to depart from prior practices of a little from here, a little from here, limitations on purchasing—or putting that release of those wheat bushels out in the market.

Dr. PENN. Congressman, the situation was analyzed. And again it has been such a long time ago and there have been so many other things that I can't recall the particulars. But as you know, it did involve the release of required wheat for particular users; certain types of wheat were required. Those were stored in particular parts of the country. There was an examination of all of those details and it wasn't just a question of releasing wheat, but it was releasing wheat by class, and the differential market impacts were analyzed.

I do not recall the details. I wish I could. But I assume the IG will look at all of that in the course of their investigation.

Mr. NETHERCUTT. I think part of the problem in the process that is engaged in with respect to these decisions is that there is a lack of information. So I have to assume that if there is no evidence of analysis, or if there is no evidence of bids that were rejected, that they were not done or that they were not—that the records were not kept for some reason, which leads me to the question: Do you see any changes necessary with respect to future releases of CCC-owned wheat?

Dr. PENN. Well, as I indicated in response to another earlier question, we have had several sales of wheat from the Emerson Trust. The one that you are most concerned about was the very first one, and I think the policy was modified for the subsequent sales to go to a broader area.

Again, I think there was a particular need for a particular class of wheat which I think caused the first sale to be concentrated in the Pacific Northwest. I think as the subsequent releases were made that other classes of wheat were required and so the geographic area was much broader. So the removal from the warehouses was more widely dispersed in the other releases than it was perhaps in the first one.

Mr. NETHERCUTT. That does not answer my question. There was hard red and soft white, and you hit us hard the second time just like you hit us hard the first time and you hit us hard the third time, and there was not any great need with respect to any international Emerson requirements in the second sale. As a result of what the Department has done, we have got now the government-owned wheat concentrated in five big international companies. Five. That is where the concentration is. So we have essentially, by virtue of the action of the Department in connection with this matter, limited those who occupy a place in the Emerson Trust reserve. I mean, you have got it concentrated in five international companies, big guys who had adequate reserves, and I am just trying to get a sense of whether you think that was the result you expected.

Do you think there ought to be any different procedures used next time? Is this 20 percent limitation a sensible one or is it, based on all that has occurred, you still don't want to do it?

I would just finally—I know my time is up—I would urge you not to do this again if you are contemplating doing it; that is, additional similar sales. I would be stunned if you did—you, the Department—because I think there ought to be this limitation that does not have such a negative impact on rural America and small grain elevators. Do you see what I am driving at?

Dr. PENN. I understand your concern.

Mr. NETHERCUTT. Do you see policy changes necessary?

Dr. PENN. Well, we are reviewing the situation. As I said, we have been aware of your concern for some time and we are aware of the nature of the problem that you have pointed out to us and we are reviewing the situation.

Mr. NETHERCUTT. Well, is it your opinion as you sit here today that maybe going back to the prior practices of limiting that which comes out of any elevator to say 20 percent is a sensible practice? A fair practice?

Dr. PENN. I think it may well be. But the point is that this grain is stored at the behest of the government and it is stored for a purpose and at some point the grain does have to be released. I mean that is the purpose for having it stored, of course.

Mr. NETHERCUTT. I understand.

Dr. PENN. And I would note that a lot of elevators are never happy when any grain is removed from their premises. Storing grain for the government is a good practice, a good business, but we do have to use it from time to time.

Mr. NETHERCUTT. I understand, but yet when you come along and you wipe out a small elevator by virtue of the practice and policy that is in place, contrary to prior practice and policy, you bet they are unhappy. I have got some real unhappy people in my district to the tune of about a million bucks. And what that means is that in the price depression that occurs as a result of, in part, I am not blaming you for all of it, but in part for the actions of the government, we have got lower prices now for farmers. That has a corresponding negative impact on small towns, and sometimes the only way to keep the economy going is to have a little bit of grain in the small elevator rather than the big guy down on the river, because they do not worry so much about the impact like the small guys do. And you allow the predatory practices to occur that I think occurred in this case. Big ones going after small ones because they wipe out the competition.

So I can't imagine that you would not say this policy should be formalized or changed from the last 2 years of this administration. And I love this administration. Don't get me wrong. I am very proud of this administration; however, it is not beneath me to be critical when my own people are affected and affected negatively. So I would hope that your testimony would be that it was not the greatest judgment that you made three separate times, because it had this negative impact on the market. It hurts rural America and it really advantages big versus little.

So is there any reason why you would say that policy change is not necessary?

Dr. PENN. Well, Congressman, let me respond again and say that like most issues there are two sides to the issue, and there are some other considerations, and I feel inadequate today to respond

to you, to tell you what the other side of the issue is because I simply am not familiar enough with it to do that. But there are good arguments for doing what was done. As I said before, we do not think we are infallible, and we are certainly willing to review and reevaluate the policy, and if it was a boneheaded decision, as you suggest, then we certainly will not do it again.

Mr. NETHERCUTT. And I appreciate that, and I would hope not. I guess my sense is that there may be good arguments, but I have no clue what they might be, and at this point, your testimony is you do not either, although they might be out there?

Dr. PENN. No, no, that is not what I am saying. There were good arguments and it was a considered judgment. I could give you those arguments, and I would be happy to do that. I would be happy to follow up with discussion with you personally and I would be happy to provide material for the record, whatever you think might be most appropriate. But this was an issue that was considered and as I said before, there are other considerations.

Mr. NETHERCUTT. I do not want to beat this horse until it is completely dead, but I do refer you back to the Farm Service Agency mission: Equitable administration, efficient administration of farm commodity programs and to ensure the well-being of American agriculture. I have a lot of farmers out my way and a lot of elevator people who would say this is not fair. My own State legislature this past week passed a resolution condemning, criticizing, constructively suggesting that what happened in 2002 to present was so detrimental to the ag industry in our region, and I would argue some parts of the rest of the country, that it was worthy of a rather unanimous vote out in my State legislature. So it is getting the attention of a lot of people and they are very concerned about the policy of the administration.

I understand I might have a chance for one more question, Mr. Chairman.

Mr. BONILLA. Go right ahead, Mr. Nethercutt.

FUND FOR DEMOCRACY PROJECT

Mr. NETHERCUTT. On another matter, my staff recently met with some representatives of the Fund for Democracy and Development. I understand there is some kind of a dispute between the Department and the Fund about some project in Russia, and I would request that the Department make a good faith effort to reach some sort of a compromise so that the money can be used for something worthwhile rather than the current situation where I understand there is money sitting idle, and I can provide with you more details on that as well if you want or later with a staff member to get some details. But I would just put it on your radar screen, if you do not mind; take a look and see with respect to this particular Fund issue.

Dr. PENN. We are aware. Thank you.

Mr. NETHERCUTT. Mr. Chairman, I am finished.

Mr. BONILLA. Thank you, Mr. Nethercutt. We again have some members who are attending other hearings. We feel like we have allowed ample time for them to return from the last vote. Mr. Latham was interested in submitting questions for the record, and I understand Ms. Kaptur has some further questions, but we can-

not locate her at this time so with that in mind we suspect that her questions will be submitted for the record, and we stand adjourned until 9:30 tomorrow morning and we appreciate your appearance here today.

Thank you.

QUESTIONS SUBMITTED BY MR. BONILLA

SETTLEMENT OF DISCRIMINATION LAWSUITS

Mr. Bonilla: Please describe the impacts of the Pigford consent decree on agency resources, including any unexpected financial obligations, employee resource adjustments and impacts in program delivery for fiscal years 2002, 2003, and 2004.

[The information follows:]

Consent Decree Administrative Costs
(Dollars in Millions)

	FY 2002	FY 2003	FY 2004
Staff Year Costs	\$3.2	\$2.5	\$4.0
Travel and Per Diem	2.7	2.8	2.8
Overtime	1.3	1.3	1.3
Contracts and Agreements	11.1	7.7	7.7
TOTAL	\$18.3	\$14.3	\$15.8
Staff Years	60	45	35

Mr. Bonilla: Please provide a summary of the claims received, processed and paid including numbers and settlement amounts. What is the average payment made to date?

Response: FSA has reviewed approximately 22,837 claims with payments of \$50,000 made to approximately 12,690 claimants.

Mr. Bonilla: How long does it take to process claims since the decree was issued?

Response: On average, it takes between 36 and 40 hours per claim which equates to 8 or 9 hours per questionnaire. This is an estimate considering that the number varies depending on the complexity of the claim. This calculation factors in the "triage" time, which is the initial gathering of information for the questionnaire, the completion of the questionnaire, post review of the questionnaire and any corrections made by the Office of General Counsel. This does not include the petition process, which is a one-time appeal process that the claimant or the claimant's counsel can utilize once an Adjudicator pertaining to their claim has rendered a decision.

ADP EXPENDITURES

Mr. Bonilla: Are you planning to make CCC ADP related expenditures in fiscal year 2003 or 2004? Please describe.

Response: FSA has \$89,518 remaining under the CCC ADP CAP. FSA is including the \$89,518 in the apportionment schedule for ADP for fiscal year (FY) 2003. This funding will be used to purchase the Hyperion software application for financial statements for the agency. This will exhaust any CCC ADP CAP funding available to the agency. Thus, under the CCC ADP CAP, there will be no expenditures for FY 2004.

However, we anticipate that FSA will incur expenditures under the CCC Section 11 funding for FY 2003 (\$3,505,000) and FY 2004 (\$1,222,000). These expenditures under the CCC Section 11 funding are for support services for FSA's General Sales Manager investment, and FSA's agency contribution to the Service Center Modernization Initiative (SCMI) under the Department's CIO office.

EQUIPMENT PURCHASES

Mr. Bonilla: Provide a table showing the amount of CCC funds used for equipment purchases and other ADP related costs for the last ten years, including estimates for fiscal years 2003 and 2004.

[The information follows:]

COMMODITY CREDIT CORPORATION

ADMINISTRATIVE EQUIPMENT (REGULAR & ADP) AND OTHER ADP RELATED COSTS FUNDED BY CCC
FY 1988-2002 ACTUALS AND FY 2003 AND FY 2004 ESTIMATES
(full dollars)

	FY 1988 ACTUAL	FY 1989 ACTUAL	FY 1990 ACTUAL	FY 1991 ACTUAL	FY 1992 ACTUAL	FY 1993 ACTUAL	FY 1994 ACTUAL	FY 1995 ACTUAL
I. EQUIPMENT								
Regular Equipment - CCC	4,650,002	-7,716,814	10,238,835	6,934,364	15,348,666	8,208,352	6,429,384	13,716,592
ADP Equipment - CCC	0	0	0	0	0	0	12,543,782	45,817,735
Total CCC Equipment	4,650,002	-7,716,814	10,238,835	6,934,364	15,348,666	8,208,352	18,973,166	59,534,327
Info Share Equipment	0	0	0	0	0	0	0	-643,759
TOTAL EQUIPMENT - CCC	4,650,002	-7,716,814	10,238,835	6,934,364	15,348,666	8,208,352	18,973,166	58,890,568
II. OTHER ADP RELATED COSTS								
Space/Rm Prep./Utilities	113,657	119,938	128,162	129,807	109,813	108,381	0	0
Supplies/Transportation	294,268	431,948	501,000	885,283	498,857	1,085,131	1,108,131	1,844,238
Commercial Services	24,289,430	21,894,344	23,072,000	21,521,790	28,472,158	27,858,648	22,838,008	29,430,603
Inter/Intra Agency Services	2,769,728	2,546,402	2,469,000	1,287,718	743,170	633,159	6,626,948	2,241,080
Subtotal	27,455,033	30,588,733	29,198,162	23,804,364	27,764,003	29,486,519	34,962,707	33,525,929
INFO SHARE - OTHER COSTS								
Legacy System	0	0	0	0	0	0	0	0
Fuel Truck	0	0	0	0	0	0	0	959,483
Subtotal	0	0	0	0	0	0	0	959,483
TOTAL OTHER COSTS	27,455,033	30,588,733	29,198,162	23,804,364	27,764,003	29,486,519	34,962,707	34,485,412
GRAND TOTAL, CCC	32,117,035	30,790,247	35,438,997	30,738,728	43,112,669	36,184,871	53,935,873	94,761,214

	FY 1986 ACTUAL	FY 1987 ACTUAL	FY 1988 ACTUAL	FY 1989 ACTUAL	FY 1990 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 ESTIMATE	FY 2004 ESTIMATE
I. EQUIPMENT									
Regular Equipment - CCC	7,033,727	0	0	0	0	0	0	0	0
ADP Equipment - CCC	87,233,775	8,240,229	29,122,730	10,763,863	348,598	213,901	0	0	0
Total CCC Equipment	94,267,492	8,240,229	29,122,730	10,763,863	348,598	213,901	0	0	0
Info Share Equipment	0	0	0	0	0	0	0	0	0
TOTAL CCC EQUIPMENT	94,267,492	8,240,229	29,122,730	10,763,863	348,598	213,901	0	0	0
II. OTHER ADP RELATED COSTS									
Space/Rm Prep./Utilities	0	0	0	0	0	0	0	0	0
Supplies/Transportation	1,888,062	834,414	898,435	1,404,231	1	0	0	0	0
Commercial Services	54,458,169	29,011,364	50,001,805	35,328,300	21,327,148	1,715,685	0	89,518	0
Inter/Intra Agency Services	5,180,828	3,357,217	3,157,826	1,052,650	1,200,000	3,055,000	3,305,000	3,505,000	2,081,000
ECIT (C/C)	183,840	0	0	0	0	0	0	0	0
Subtotal	61,711,508	33,282,685	54,058,166	37,865,151	22,527,148	4,770,685	3,305,000	3,594,518	2,081,000
INFO SHARE - OTHER COSTS									
Legacy System	0	0	0	0	0	0	0	0	0
Fuel Truck	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0
TOTAL OTHER COSTS	61,711,508	33,282,685	54,058,166	37,865,151	22,527,148	4,770,685	3,305,000	3,594,518	2,081,000
GRAND TOTAL, CCC	155,978,999	41,522,914	83,180,896	48,629,014	22,875,746	6,984,586	3,305,000	3,594,518	2,081,000
Less Regular Equipment	7,033,727	0	0	0	0	0	0	0	0
Less Inter/Intra Agency Firm/Market Agreements	5,033,615	3,357,217	3,157,826	1,052,650	1,200,000	3,055,000	3,305,000	3,505,000	2,081,000
ADP Cap Obligations	143,911,657	35,165,697	80,023,070	47,576,364	21,675,746	1,849,586	0	89,518	0

BOLL WEEVIL ERADICATION LOANS

Mr. Bonilla: For the record, please provide the number and dollar amount of boll weevil eradication loans for fiscal years 2001 through 2004 and provide a brief explanation of why fiscal year 2003 and 2004 estimates do not have a subsidy associated with them.

Response:

[The information follows:]

Fiscal Year	Number of Loans	Amount
2001	7	\$94,000,000
2002	15	\$100,000,000
2003	15	\$100,000,000
2004	9	\$60,000,000

The subsidy estimates are generated using various financial and economic factors and assumptions to project program costs. Two of the key variables are loan interest rates and defaults. The interest rate charged on the loans is one-half of one percent above the government's cost of money, and there have been no write-offs in the program. As a result, we do not project that any subsidy will be required to support boll weevil eradication loans made in FY 2003 or FY 2004.

SALARIES & EXPENSES

Mr. Bonilla: Does the current funding for fiscal year 2003 fully fund the agency's anticipated staffing and workload requirements?

Response: Yes, we believe sufficient administrative funding has been provided in FY 2003 to meet FSA's staffing and workload requirements.

Mr. Bonilla: Please provide a detailed breakdown of the advances and reimbursements reflected in the consolidated salaries and expenses account for fiscal years 2002 through 2004.

[The information follows:]

FY 2004 PRESIDENT'S BUDGET
FARM SERVICE AGENCY
 Salaries and Expenses
 Advances and Reimbursements
 FY 2002 - FY 2004
 (\$000)

	FY 2002 Actual	FY 2003 Current Estimate	FY 2004 Budget
AMS, Commodity Purchase Services	\$765	\$698	\$760
FNS, Commodity Purchase Services	1,728	1,808	1,729
Sale of Aerial Photography	1,810	2,600	2,600
Flying Contracts	5,233	7,623	9,135
Basic Contract Amount	5,652	(7,300)	(8,750)
Administrative Charge	-419	(323)	(385)
Geospatial Information Systems (GIS)	0	21,831	47,049
Federal	(0)	(12,231)	(27,741)
Non-Federal	(0)	(9,600)	(19,308)
Office Space, Common Services, Support - Other Agencies	46,156	46,468	47,165
FAS Administrative Services	7,233	7,233	7,378
RMA Administrative Services	4,101	4,310	4,396
Miscellaneous	695	530	540
Measurement Services	5,440	5,773	5,773
Other County	207	350	350
MISC COF Administrative Costs	10,201	2,068	1,330
Cotton Referendum	(142)	(0)	(0)
Lamb Meat Adjust. Assistance Program (AMS)	(0)	(1,312)	(1,312)
Environmental Quality Incentives Program (EQIP)	(10,000)	(0)	(0)
Foreign Animal Disease and Karnal Bunt (APHIS)	(36)	(38)	(0)
30 Amp Conversion Project (OCIO)	(5)	(0)	(0)
Agricultural Mgmt. Assist. Prog. (NRCS)	(18)	(18)	(18)
Cattle Feed Program (AMS)	(0)	(700)	(0)
Sub-Total	\$83,578	\$101,082	\$128,204
User Fees - Warehouse			
Federal	5,000	5,904	5,904
Non-Federal	2,155	2,870	3,482
Sub-Total User Fees	\$7,155	\$8,774	\$9,386
Sub-Total	\$90,734	\$109,856	\$137,590
Service Fees			
Loan Services	13,505	10,850	9,292
Sub-Total	\$104,239	\$120,706	\$146,882
Homeland Security Supplemental	115	0	0
Farm Security & Rural Investment Act of 2002	50,000	0	0
Agricultural Assistance Act of 2003	0	70,000	0
National Aerial Photography Program	500	0	0
National Food and Agricultural Council	1,827	5,895	4,573
TOTAL a/	\$158,681	\$196,611	\$151,455

a/ **Excludes Credit Reform Transfers**

CCC Export Loans Program Account (Guarantees)	\$790	\$829	\$985
P.L. 480 Program Account (Direct)	972	1,020	2,975
ACIF Program Account	272,595	277,361	290,136
TOTAL	\$274,357	\$279,210	\$294,096

Mr. Bonilla: For the record, please provide a detailed explanation of your travel costs for fiscal years 2002, 2003, and 2004.

Response: FSA's Federal travel costs for fiscal years 2002, 2003, and 2004 include ongoing requirements for:

- Automation activities that include IT/ADP software development and support
- Implementation of the 2002 Farm Bill programs
- Disaster assistance
- Agency-sponsored project team activities including LAN/WAN/VOICE teams
- EEO activities, including compliance reviews
- Program outreach efforts
- Financial management functions mandated by the Federal Managers Financial Integrity Act and the Chief Financial Officers Act
- Reviews/team meetings on development of user/system specifications for agency programs including the newly implemented Foundation Financial Information System (FFIS) accounting system mandated by the Department.

FSA's State office Federal travel comprises about 80 percent of the total agency travel costs, which include travel for district directors, farm loan personnel, and program oversight and administrative personnel. Federal travel from State and county level offices is necessary to perform essential field site visits for such purposes as weather-related emergencies, program compliance, program training, and ongoing requirements for farm loan personnel in the field to support the delivery of farm loan programs in all county offices. Farm loan teams normally service a multi-county area. The increase in travel costs for FY 2003 is largely due to farm bill impacts of State office and county office employees.

OBJECT CLASS 41

Mr. Bonilla: Provide a detailed breakout of object class 41, Grants, Subsidies, and Contributions, for fiscal years 2002 through 2004.

[The information follows:]

FARM SERVICE AGENCY
BREAKDOWN OF OBJECT CLASS 41
2002 Actual and Estimated 2003 and 2004
(\$000)

	FY 2002 Actual	FY 2003 Estimate	FY 2004 President's Budget
Emergency Conservation Program	\$30,263	\$109,855	\$0
Dairy Indemnity Program	124	100	1,409
ACIF Program Account	181,326	212,139	210,695
ACIF non-recoverable loan costs	6,229	8,000	8,000
State Mediation Grants	3,493	4,000	4,000
Subtotal	221,435	334,094	224,104
FSA S&E Account (County Offices)	637,440	702,689	691,898
TOTAL	\$858,875	\$1,036,783	\$916,002

CCC-FUNDED CONSERVATION PROGRAMS

Mr. Bonilla: Please provide a table showing fiscal year 2002 expenditures by State for each of the CCC-financed conservation programs.

[The information follows:]

FY 2002 CCC-Funded Conservation Program Expenditures

State	Conservation Reserve Program	Farmland Protection Program	Environmental Quality Incentives Program	Wetlands Reserve Program
Alabama	\$23,189,947		\$2,133,562	\$129,990
Alaska	1,082,124		67,789	
Arizona	295		3,077,074	41,149
Arkansas	8,104,862		2,434,450	9,375,651
California	4,482,611	\$570,000	4,469,862	3,877,819
Colorado	72,892,022	368,100	5,435,728	869,171
Connecticut	31,302	1,270,426	482,600	
Delaware	706,269	592,200	625,703	14,490
Florida	3,280,557		3,549,336	4,051,825
Georgia	14,664,055		2,579,419	475,382
Guam			9,620	
Hawaii	3,282		453,068	128,617

State	Conservation Reserve Program	Farmland Protection Program	Environmental Quality Incentives Program	Wetlands Reserve Program
Idaho	32,414,888		2,188,173	1,151,932
Illinois	116,589,342	500,000	2,078,662	4,836,649
Indiana	42,374,148		1,780,355	3,361,684
Iowa	216,548,611		3,710,468	9,089,969
Kansas	105,541,323		2,889,518	575,557
KCMO-DMD	-725		-8,005	
Kentucky	28,112,351		1,725,850	1,259,878
Louisiana	10,067,846		2,489,681	4,288,977
Maine	1,763,059	189,710	1,385,843	44,895
Maryland	11,257,809	329,424	934,238	192,097
Massachusetts	12,716	611,900	456,961	
Michigan	22,022,526	659,950	2,130,915	5,595,546
Minnesota	109,805,937		3,135,334	6,268,581
Mississippi	37,304,260		3,418,916	9,041,398
Missouri	107,377,400		2,770,197	4,142,986
Montana	109,888,388	99,200	3,530,729	665,697
Nebraska	68,829,596		3,010,287	5,198,809
Nevada	2,530		645,220	4,148
New Hampshire	16,603	24,000	276,602	37,965
New Jersey	214,840		460,420	31,558
New Mexico	18,929,853		3,331,899	3,766,203
New York	5,581,723	143,640	1,765,578	
North Carolina	8,127,596	313,800	3,053,264	2,263,082
North Dakota	112,477,670		2,571,719	992,267
Northern Mariana			2,224	
Ohio	33,138,971		1,691,337	1,464,660
Oklahoma	34,088,869	25,000	2,452,249	2,073,940
Oregon	24,223,375		2,200,657	3,536,817
Pennsylvania	9,068,904	442,000	1,473,916	178,172
Puerto Rico	58,955		233,284	
Rhode Island		250,000	276,863	25,346
South Carolina	9,121,767	287,950	1,537,715	1,307,013
South Dakota	67,945,294		2,663,797	1,578,662
Tennessee	14,664,568		1,389,813	865,917
Texas	146,560,494		6,525,850	3,457,074
Utah	5,947,006	112,000	3,444,934	67,905
Vermont	502,393	824,000	548,647	16,213
Virgin Islands			19,471	
Virginia	14,198,169		1,632,776	196,429
Washington	78,078,681	260,000	2,740,751	3,657,315
West Virginia	68,619		968,631	161,769
Wisconsin	45,969,709	388,700	2,524,283	5,235,583
Wyoming	7,975,768		2,427,770	680,214
NRCS Technical Assistance		29,000	35,530,000	
TOTAL	1,785,309,158	8,291,000	145,336,003	106,277,001

Mr. Bonilla: Please provide an update of the table that appears in last year's hearing record that shows the technical assistance costs by CCC conservation program.

[The information follows:]

**TECHNICAL ASSISTANCE NET EXPENDITURES
CCC-FUNDED CONSERVATION PROGRAMS
(APPROPRIATED AND CCC FUNDS)
(dollars in millions)**

Program	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Est.	FY 2004 Est.
Environmental Quality Incentives Program	\$33	\$38	\$36	0	0
Wildlife Habitat Incentives Program*	0	0	0	0	0
<u>Conservation Reserve Program:</u>					
CCC Funding	35	32	0	0	0
Appropriated Funding	20	0	0	\$2	0
Total	55	32	0	2	0
<u>Wetlands Reserve Program:</u>					
CCC Funding	12	14	0	0	0
Appropriated Funding	3	0	0	0	0
Total	15	14	0	0	0
Farmland Protection Program	0	1	0	0	0
Conservation Farm Option Program	0	0	2	8	\$8
Soil and Water Conservation Assistance Program	0	4	0	0	0
Total, CCC-funded Technical Assistance	103	89	38	8	8
Total, Appropriated Technical Assistance	80	93	38	2	0
GRAND TOTAL	\$183	\$182	\$76	\$10	\$8

CCC funds for WHIP are transferred to NRCS; therefore, NRCS reflects WHIP outlays.

LEASING COSTS

Mr. Bonilla: You can use the authority of CCC to lease space directly and not go through GSA. For fiscal years 2002 and 2003, tell us how much space you leased directly and how much you leased through GSA, including the cost of each. What will change in fiscal years 2003 and 2004 as a result of office consolidations or relocations, including any plans for State office collocations or relocations?

Response: Until a USDA field office location plan is developed, FSA cannot estimate changes in space needs associated with consolidations or relocations other than routine adjustments. Current estimates of State and county office leases are as follows:

[The information follows:]

State and County Office Leases

Lease Type	FY 2002		FY 2003		FY 2004	
	Sq. ft.	Cost	Sq. ft.	Cost	Sq. ft.	Cost
State Office Leases:						
FSA	289,575	\$4,488,413	311,822	\$4,847,375	324,357	\$5,189,712
GSA	213,248	\$3,280,020	221,993	\$3,560,052	226,433	\$3,622,928
County Office Leases:						
FSA	5,099,734	\$55,545,461	5,218,323	\$57,401,553	5,221,325	\$57,434,575
GSA	159,292	\$1,910,784	150,098	\$1,795,356	147,096	\$1,765,152

OFFICE LOCATION PLANS

Mr. Bonilla: What is the status of strategic office location plans?

Response: Mr. Chairman, the process of identifying offices that could be considered for collocation has just begun. I have appointed a Task Force composed of Rural Development State Directors, Farm Service Agency State Executive Directors, State Conservationists from the Natural Resources Conservation Service, and senior Departmental officials and staff from the three agencies to develop the plan. I do not expect to have any results until mid-summer.

Mr. Bonilla: What do you believe would be the optimum number of FSA offices under such a plan and what would be the office location criteria you would use to implement such a plan?

Response: Mr. Chairman, USDA and OMB agreed to use criteria similar to that used in the 1994 plan; offices with three or fewer employees, offices located within 30 minute driving time of another office, stand-alone offices and we added those offices that were scheduled to close in the 1994 plan, but remain open. In addition, the Task Force added criteria to measure productivity of the offices and the diversity of the customer base. The Task Force will also examine cost factors.

Mr. Bonilla: Do you envision that the agency will begin implementing the plan in fiscal year 2003 or 2004?

Response: Mr. Chairman, I have instructed the Task Force that the work associated with implementing the new Farm Bill provisions takes priority and based on that no collocations efforts should proceed before October 1, 2003.

COUNTY OFFICES

Mr. Bonilla: Please update the table that appears in last year's hearing record that shows the number of FSA county offices since fiscal year 1993.

[The information follows:]

Number of Non-Federal FSA County Offices
FY 1993 through Early FY 2003

Fiscal Year	Headquarters Offices	Sub-Offices ¹	Total Offices
1993 (as of 12-21-92)	2,646	129	2,775
1994 (as of 12-14-93)	2,638	132	2,770
1995 (as of 12-20-94)	2,623	141	2,764
1996 (as of 04-30-96)	2,476	65	2,541
1997 (as of 12-20-96)	2,433	65	2,498
1998 (as of 01-18-98)	2,268	134	2,402
1999 (as of 12-31-98)	2,190	197	2,387
2000 (as of 02-04-00)	2,140	247	2,387
2001 (as of 02-27-01)	2,092	293	2,385
2002 (as of 01-17-02)	2,090	290	2,380
2003 (as of 02-13-03)	2,100	281	2,381
Change, FY 1993 to 2003	-546	152	-394

¹ A sub-office is an FSA office that includes all of the following characteristics:

- has regular established office hours of 40 hours or less
- is managed by a County Executive Director in a neighboring headquarters county office
- maintains county office records on AS 400.

LOAN SERVICE FEES

Mr. Bonilla: What are the current and anticipated ending balances in the CCC loan service fees account that could be available for transfer to the FSA salaries and expenses account during fiscal year 2003?

Response: The current balance of collections for FY 2003 for the CCC loan service fee account is \$8,262,736. This amount balance appears to be consistent with the anticipated collections of \$10,850,000, which would be available for transfer, as shown in the FY 2004 President's Budget.

Mr. Bonilla: How do these estimates compare to the estimates you prepared with the fiscal year 2003 President's Budget last year?

Response: The current estimate of FY 2003 collections is higher than the \$8,832,000 originally presented in the FY 2003 President's Budget.

Mr. Bonilla: Please provide a summary of the loan service fee collections and transfers for fiscal year 2002, including the accounts where the fees were transferred and beginning and ending balances for the year.

Response: Loan service fees are deposited by county offices through the Federal Reserve Banks into a Commodity Credit Corporation reimbursable account. These funds are then transferred as needed to the FSA consolidated Salaries and Expenses account to defray the administrative cost of services provided. In FY 2002, the total loan service fee collections were \$9,232,150, and transfers of \$13,505,251 were made from CCC to Salaries and Expenses.

CONSERVATION RESERVE PROGRAM

Mr. Bonilla: Provide a table similar to the table that appears in last year's hearing record that shows the number of acres of conservation land planted in trees, wildlife plantings, native grasses, and other grass species as a result of cost sharing through CRP in fiscal year 2002.

[The information follows:]

CRP Acreage by Type of Cover Enrolled since the 1996 Farm Act (As of March 2003)

Type of Cover	FY 1997/98 (Signups 14-17)	FY 1999 (Signups 15-17,19)	FY 2000 (Signups 18,19,21,22)	FY 2001 (Signups 20-23)	FY 2002 (Signups 23-24)	FY 2003 (Signups 24-25)	Total (Signups 14-25)
Conservation Buffers	22,475	251,265	280,521	375,622	393,089	153,477	2,176,450
Wetland Restoration	735,586	282,913	459,303	163,646	94,053	44,079	1,779,579
Wildlife Planting Rare and Declining Habitat	892,446	416,634	895,449	552,681	252,209	129,452	3,138,870
New and Existing Trees	10,351	41,152	188,401	122,134	11,982	14,485	388,505
New Native Grasses	1,174,868	329,166	582,202	462,989	195,551	102,018	2,846,793
Other New Grasses	2,187,904	1,378,256	1,340,429	975,924	15,043	4,350	5,901,907
Existing Grasses	1,748,004	619,094	329,376	288,438	32,084	12,697	3,029,692
Existing Grasses	11,865,883	1,319,559	1,170,798	323,803	3,672	1,486	14,685,203
TOTAL*	18,768,407	4,663,748	5,011,572	2,652,776	537,768	226,036	31,860,307

* Less than sum of cover types because some land meets multiple criteria (e.g., some buffers are tree plantings).

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the Conservation Reserve Program (CRP) signup periods, the eligibility criteria used, and the number of acres enrolled.

[The information follows:]

CRP SIGNUP PERIODS AND ELIGIBILITY CRITERIA

SIGNUP NUMBER	DATES	CRITERIA	ACRES CONTRACTED*
1	March 3-14, 1986	A-B	753,668
2	May 5-16, 1986	A-B	2,771,660
3	August 4-15, 1986	A-C	4,703,379
4	February 9-27, 1987	A-D	9,478,599
5	July 20-31, 1987	A-D	4,442,719
6	February 1-19, 1988	A-F	3,375,364
7	July 18-31, 1988	A-F	2,604,901
8	February 6-24, 1989	A-H	2,462,382
9	July 17-August 4, 1989	A-H	3,329,893
10	March 4-15, 1991	A-C, E, G, I-K	475,175
11	July 8-19, 1991	A-C, E, G, I-K	998,211
12	June 15-26, 1992	A-C, E, G, I-K	1,027,444
13	September 11-22, 1995	E, G, I-K	683,390
14	September 3, 1996 – September 30, 1997	L	559,977
15	March 3-28, 1997	G, K, M-O	16,520,372
16	October 14 – November 14, 1997	G, K, M-P	5,840,476
17	October 1, 1997 – September 30, 1998	L, Q	216,807
18	October 26 – December 11, 1998	G, K, M-P, R	4,740,964
19	October 1, 1998 – September 30, 1999	L, Q	266,217
20	January 18 – February 11, 2000	G, K, M-P, R	2,247,400
21	October 1, 1999 – April 6, 2000	L, Q	118,896
22	April 7 – September 30, 2000	L, Q	205,004
23	October 1, 2000 – September 30, 2001	L, Q	469,370
24	October 1, 2001 – September 30, 2002	L, Q, S	428,281
25	October 1, 2002 – **	L, Q, S	87,418

* Data for signups 1-13 based on initially approved contracts. Data for signups 14-25 based on

active contracts as of February 2003, and may not match amount of acres initially approved due to appeals and other corrections.

**Signup 25 in progress.

- A Land capability class 6 – 8
- B Land capability class 2 – 5 with predicted average annual erosion rate of greater than 3T
- C Land capability class 2 – 5 with predicted average annual erosion rate of greater than 2T and with gully erosion
- D Land with $EI \geq 8$ and predicted average annual erosion rate of greater than T
- E Land for filter strips alongside wetlands, streams, or other water bodies
- F Land for tree planting-eligible when 1/3 of field meets criteria A or Class 2-5 soil with predicted average annual erosion rate of greater than 2T
- G Land having evidence of scour erosion caused by out-of-bank water flows
- H Wetland, as follows:
 - cropped wetland of at least 6 acres
 - a field of which 1/3 or more is cropped wetland
 - a field of 6 to 9 acres on which wetlands are present.
- I Land in designated National conservation priority areas
 - Chesapeake Bay Region
 - Great Lakes Region
 - Long Island Sound Region
 Land in designated State water quality priority areas
 - Public wellhead protection area established by EPA
 - Hydrologic Unit Areas approved by the Secretary
 - Land located in areas designated as Clean Water Act "319" priority areas
- J Lands to be established in specified eligible practices, including filter strips, riparian buffers, windbreaks, grass waterways, and salt tolerant grass
Wetland eligibility suspended
- K Land with an $EI \geq 8$, regardless of the predicted annual erosion rate relative to T
- L The following acreage is eligible for continuous signup beginning with signup 14:
Land identified as suitable for field windbreaks, grass waterways, shallow water areas for wildlife, contour grass strips, shelterbelts, living snow fences, salt tolerant vegetation, filter strips, or riparian buffers.
 - Marginal pasture land suitable for riparian buffers devoted to trees.
 - Land within a wellhead protection area established by EPA
- M Land classified as highly erodible land (HEL) according to conservation compliance provisions.
- N Land in designated National conservation priority areas
 - Chesapeake Bay Region
 - Great Lakes Region
 - Long Island Sound Region
 - Prairie Pothole Region
 Land in designated State water, air, or wildlife quality priority areas
- O Wetlands, including associated acreage, expiring Water Bank lands, land serving as buffers

for non-cropped wetlands

- P Land to be established in rare and declining habitat
- Q Land suitable for cross-wind trap strips
- R Land in the Longleaf Pine National conservation priority area (if planted to longleaf pine)
- S Wetland and buffer acreage according to farmable wetland pilot program provisions.

Except for marginal pastureland, all land must meet certain cropping use requirements as follows:

- Signups 1 – 9: Cropped at least 2 years during the 1981-1985 period.
- Signups 10 – 13: Cropped in at least 2 years during the 1986-1990 period.
- Signups 14 – 25: Cropped in at least 2 of the 5 years preceding enrollment.

Mr. Bonilla: Also update both tables that appear in last year's hearing record showing the technical assistance costs and FS/FSA/NRCS administrative costs.

[The information follows:]

**CONSERVATION RESERVE PROGRAM
TECHNICAL ASSISTANCE COSTS, FIRST THROUGH TWENTY SIXTH SIGNUPS**

	NRCS costs ^{1/}	FS costs	CSREES	Total
1	\$824,195	\$737,189	\$25,420	\$1,685,774
2	3,316,372	1,078,000		4,385,372
3	535,716	1,471,000		2,006,716
4	10,690,458	3,121,170		13,811,628
5	5,794,721	1,478,766		7,271,487
6	3,760,822	2,220,821		5,980,743
7	3,731,346	976,172		4,707,517
8	9,951,449	1,148,885		11,100,334
9	13,030,421	1,233,090		14,263,511
10	4,177,437	877,113		4,784,550
11	5,187,415	448,504		5,635,919
12	9,096,891	1,142,185		10,238,877
13	8,198,837	636,375		8,835,212
14 & 15	66,754,615	4,487,999		81,242,614
16 & 17	56,934,072	1,922,766		52,816,840
18	37,349,988	4,720,280		42,070,238
19	13,179,333	804,921		13,788,254
20	22,741,966	2,834,367		25,576,033
21 & 22	14,821,232	959,800		15,881,132
24 (Est.)	16,361,302	1,158,834		19,611,136
25 & 26 (Est.)	106,865,835	5,389,300		114,225,135
Total	\$401,437,922	\$38,310,689	\$25,420	\$439,774,022

^{1/} Includes \$5,651,363 in FY 1993 NRCS technical assistance costs for maintenance on previously established acreage pro-rated on an acreage basis over the first through twelfth signup.

^{2/} Excludes transfer to NRCS of \$20 million from CCC provided in the FY 1987 Supplemental Appropriations Act.

^{3/} Excludes transfer to NRCS of \$45.24 million from CRP provided in the FY 1989 Appropriations Act.

^{4/} Excludes transfer to NRCS of \$61.46 million from CRP provided in the FY 1989 Appropriations Act.

^{5/} Includes recovery of \$384,000 from NRCS in FY 1992 for overpayment of NRCS technical assistance during the tenth CRP signup.

^{6/} Includes recovery of \$108,816 from FS in FY 1992 for overpayment of FS technical assistance during the tenth CRP signup.

^{7/} Includes recovery of \$315,280 from NRCS in FY 1992 for overpayment of NRCS technical assistance during the eleventh CRP signup.

^{8/} Amount shown represents amount earned by NRCS and FS. Reimbursement may be limited to technical assistance funds available for FY 2000.

Note: Recoveries noted above resulted from differences in preliminary acreage enrollment data versus final acreage enrollment data.

FSA ADMINISTRATIVE COSTS OF CRP SIGNUPS

Fiscal Year	Signup Number	Total Administrative Cost
1986	1, 2, and 3	\$4,921,239.84
1987	4 and 5	9,886,301.21
1988	6 and 7	10,246,509.48
1989	8 and 9	7,219,882.30
1990		
1991	10 and 11	6,713,288.36
1992	12	5,467,261.20
1993		
1994		
1995	13	2,406,814.84
1996	14	1,896,009.80
1997	15 ^{1/}	26,208,710.84
1998	16 ^{2/}	16,801,448.80
1999	16 and 19 ^{3/}	29,996,432.48
2000	20, 21 & 22 ^{4/}	11,300,043.00
2001	23 ^{4/}	11,339,427.00
2002	24	11,381,144.81
Total		\$132,914,230.76
Average Cost Per Signup		\$6,041,556.36

Note: The administrative costs shown reflect only activities associated with accepting CRP signup bid applications. The costs do not include subsequent time spent preparing CRP rental and cost-share assistance payments and related workload.

^{1/} FY 1997 activity includes workload from Continuous Signup 14 as well as activity from Signup 15.

^{2/} FY 1998 activity includes workload from Continuous Signup 16 as well as activity from Signup 17.

^{3/} FY 1999 activity includes workload from Continuous Signup 18 as well as activity from Signup 19.

^{4/} FY 2000 activity includes workload from Continuous Signups 21 and 22 as well as activity from Signup 20.

Mr. Bonilla: Please explain how the fiscal year 2003 estimates for CRP have changed since the fiscal year 2003 President's budget, including adjustments for legislative proposals, signup information, and bonus payments.

Response: The following table provides the changes in CRP estimates since the FY 2003 President's Budget. The estimated rental payment decrease, which does not include signup bonuses, resulted because continuous signup acres and 1-year contract extension estimates were updated. The increase in cost-share payments is based on updated outlay estimates. The increase in estimated signup bonuses reflects anticipated continuous signup enrollment and cover establishment activity.

Category	FY 2003 CRP Estimates		Change
	in FY 2003 Budget	in FY 2004 Budget	
Rental Payments (without incentives)	\$1,605,060,000	\$1,600,831,000	-\$4,229,000
Continuous Signup Bonuses	125,000,000	147,000,000	22,000,000
Cost-Share Payments	126,038,000	134,761,000	8,723,000
TOTAL	\$1,856,098,000	\$1,882,592,000	\$26,494,000

Mr. Bonilla: Please provide a table that shows the calculation of technical assistance outlays for fiscal years 2002 through 2003 that was used to support the President's budget. Include the acres to be enrolled, including new, re-enrolled and continuous signup and Conservation Reserve Enhancement Program acres, the bid estimates, and the gross technical assistance costs for both the Natural Resources Conservation Service and the Forest Service.

Response: The 2004 Budget proposed the Farm Bill Technical Assistance account, which was part of the NRCS budget request. Included were technical assistance costs for operation of CRP and other NRCS conservation programs. The CCC budget did not reflect technical assistance for CRP. Funding for technical assistance in FY 2003 for the Forest Service has been requested under CCC Section 11. The attached table shows estimates for technical assistance for FY 2002 and FY 2003 for NRCS and Forest Service.

[The information follows:]

[illegible]

EMERGENCY CONSERVATION PROGRAM

Mr. Bonilla: What are the current allocation and obligation balances available for Emergency Conservation Program activity?

Response: Although the Emergency Conservation Program has an unobligated balance of \$49.9 million, only \$555 thousand is available for allocation as of March 5. The FY 2003 Consolidated Appropriations Resolution did not provide any ECP funding. Emergency cost-sharing is continuing in 2003 using unallocated carryover funding and recovered unobligated funding from the States.

Funds are allocated to States for the estimated cost of repair of disaster damage based on claims from producers as reviewed by county and headquarters offices. Thus all allocated funds have provisional commitments against them, and most allocated funds do become obligated. It is normal to experience a significant lag time between allocation and obligations in this program for a variety of reasons, such as the time it takes for flood waters to recede or the time it takes to accomplish repairs when the local infrastructure is damaged and human resources are strained. Any allocated funds not ultimately used for the designated repairs are returned to the national level for reallocation. Conversely, if the cost of repair exceeds the allocation, an additional allocation may be requested. As of March 5, 2003, allocations totaling \$21.9 million have been made to 35 States for damage caused by natural disasters such as severe droughts, floods, ice storms, tornadoes and wildfires, as well as other natural disasters.

Mr. Bonilla: Will these balances be sufficient to meet the historical needs for the program through the remainder of the fiscal year?

Response: As it is difficult to predict natural disasters, precise funding needs for this program cannot be accurately projected. However, additional requests from producers are anticipated because of damage from recent natural disasters such as severe droughts, ice storms and tornadoes, as well as other disasters likely to occur during the remainder of the fiscal year. We expect that all of the unallocated balance brought forward into FY 2003 plus recoveries of prior year unobligated funding will be allocated by the end of the fiscal year.

Mr. Bonilla: Please provide a table showing the 2002 and current ECP State-by-State allocations and a brief description of the funding purpose by State.

[The information follows:]

**Emergency Conservation Program
FY 2003 ALLOCATIONS BY STATES
as of March 5, 2003**

States	Disasters	Total Allocations
Alabama	Drought/Tornado	\$903,500
Arkansas	Ice Storm	908,000
California	Drought	81,000
Colorado	Drought/Flood/Landslide/Wildfire	190,400
Georgia	Drought/Tornado	1,312,500
Guam	Typhoon	187,500
Idaho	Drought/Fire	28,886
Illinois	Flood/Tornado	570,200
Indiana	Tornado	10,000
Iowa	Flood	768,900
Kansas	Drought	1,694
Louisiana	Highwinds	20,800
Maine	Drought	104,000
Minnesota	Flood	903,000
Mississippi	Tornado	40,000
Missouri	Drought/Flood/Tornado	3,659,600
Montana	Flood	27,000
Nebraska	Drought	16,900
Nevada	Drought	733,000
New Hampshire	Drought	20,000
New Mexico	Drought	1,240,000
North Carolina	Drought/Ice Storm/Tornado	1,187,800
North Dakota	Drought/Wildfire	202,520
Ohio	Drought/Tornado	3,155,300
Oklahoma	Drought	6,000
Oregon	Drought	89,500
Pennsylvania	Drought	40,000
South Carolina	Drought	750,000
South Dakota	Drought	826,300
Tennessee	Drought/Tornado	561,772
Texas	Drought/Flood	763,200
Utah	Drought/Wildfire	178,800
Virginia	Drought	1,855,800
Washington	Drought/Highwinds	279,000
Wyoming	Drought/Flood	324,752
Total		\$21,947,624

Mr. Bonilla: Please provide a listing and short description of each approved ECP practice.

[The information follows:]

Emergency Conservation Practices

Practice EC1, Removing Debris from Farmland. This practice provides assistance to remove debris from farmland damaged by natural disasters and return that farmland to productive agricultural use.

Practice EC2, Grading, Shaping, Releveling, or Similar Measures. This practice provides assistance to grade, shape, and relevel farmland damaged by natural disasters and return the land to agricultural use.

Practice EC3, Restoring Permanent Fences. This practice provides assistance to restore or replace farmland or ranch land fencing damaged by natural disasters.

Practice EC4, Restoring Structures and Other Installations. This practice provides assistance to restore structures and installations such as dams, terraces, and waterways damaged by natural disasters.

Practice EC5, Emergency Wind Erosion Control Measures. This practice provides assistance to apply emergency wind erosion control measures such as contour or cross slope chiseling, or deep plowing and similar measures, to farmland damaged by natural disasters.

Practice EC6, Drought Emergency Measures. This practice assists in providing water conservation and enhancement measures to permit grazing of range or pasture, emergency water for livestock, or emergency water supply for existing irrigation systems for orchards and vineyards, on land suffering from severe drought.

Practice EC7, Other Emergency Conservation Measures. This practice is to allow other emergency conservation practices not covered above.

Practice EC8, Field Windbreaks and Farmstead Shelterbelts Emergency Measures. This practice is to restore or replace field windbreaks and farmstead shelterbelts to help stop wind erosion and provide energy conservation

CONTRACTOR SERVICES

Mr. Bonilla: Please provide a listing of CCC contractor services for fiscal year 2002, including the amounts and purposes of the services.

[The information follows:]

FY 2002 Commodity Credit Corporation
Contractual Services

Purpose	Amount
IT Support for Developing and Maintaining New and Existing CCC Programs	\$7,756
IT Support for FSA Service Center Implementation	701,590
Management Support Services	2,129,491
Data Management Support	47,635
Card Embossing Services	20,936
Telecommunications PC Hardware & Software Support	310,328
Freedom of Information Act/Congressional Inquiry	63,842
Miscellaneous	<u>5,000</u>
TOTAL	\$3,286,577

CCC EXPORT CREDIT GUARANTEES

Mr. Bonilla: The Commodity Credit Corporation guarantees loans made by U.S. banks to finance the sale of agricultural products to foreign governments. Please provide the amount of loan guarantees currently outstanding, by country, and indicate the current status of each of these loans.

[The information follows:]

ESTIMATED CCC EXPORT CREDIT GUARANTEE OUTSTANDING
As of December 31, 2002
(Dollars in Millions)

Country	Estimated Contingent Liability	Rescheduled Outstanding	Claims Outstanding	Estimated Total Outstanding	Status
Algeria	\$66.4	\$798.7	\$0.0	\$865.1	C
Andean Region	77.1	0.0	0.0	77.1	C
Argentina	0.0	0.0	56.4	56.4	D
Brazil	2.6	0.0	0.0	2.6	D
Bulgaria	0.0	0.0	0.1	0.1	D
Caribbean Region	307.3	0.0	0.0	307.3	C

Country	Estimated Contingent Liability	Rescheduled Outstanding	Claims Outstanding	Estimated Total Outstanding	Status
Central American Region	456.4	0.0	0.0	456.4	D
China	152.2	0.0	40.4	192.6	D
Colombia	6.4	0.0	2.9	9.3	D
Dem. Republic of Congo	0.0	12.4	0.0	12.4	A
Dominican Republic	0.0	129.5	0.0	129.5	A
East Caribbean Region	3.4	0.0	0.0	3.4	C
Ecuador	0.0	48.1	0.1	48.2	D
Egypt	1.7	134.9	0.2	136.8	D
El Salvador	0.0	10.1	0.0	10.1	C
Ghana	0.0	0.0	0.8	0.8	D
Guatemala	0.0	0.0	0.1	0.1	D
Honduras	0.0	18.0	0.2	18.1	A
Indonesia	440.2	0.0	4.0	444.2	C
Iraq (see Note)	0.0	0.0	2,047.3	2,047.3	D
Jamaica	0.0	21.3	1.2	22.5	C
Jordan	67.7	8.5	0.0	76.2	D
Kazakhstan	1.0	0.0	0.0	1.0	C
Korea	434.5	0.0	0.0	434.5	C
Lebanon	10.7	0.0	0.0	10.7	C
Lithuania	0.0	0.0	0.1	0.1	D
Mexico	442.8	0.0	2.3	445.1	D
Morocco	24.4	53.8	0.0	78.2	C
Nigeria	0.0	0.0	0.1	0.1	D
Pakistan	0.0	306.2	0.0	306.2	C

Country	Estimated Contingent Liability	Rescheduled Outstanding	Claims Outstanding	Estimated Total Outstanding	Status
Peru	11.7	366.7	7.6	386.0	D
Philippines	23.6	9.7	3.8	37.1	D
Poland	0.0	893.9	0.0	893.9	C
Russia	0.7	2,200.7	4.2	2,205.6	C
Russia (Private)	0.0	8.9	5.2	14.1	D
South American Region	764.1	0.0	0.0	764.1	C
Southeast Asia Region	165.8	0.0	0.0	165.8	C
Sudan	0.0	61.2	0.0	61.2	A
Suriname	0.0	0.0	14.5	14.5	D
Thailand	0.0	0.0	5.3	5.3	D
Tunisia	52.4	0.0	0.0	52.4	C
Turkey	669.9	0.0	0.0	669.9	C
Uganda	0.0	0.0	12.1	12.1	D
Uzbekistan	13.2	0.0	0.0	13.2	C
Venezuela	0.0	0.0	2.5	2.5	D
Yemen	0.0	2.5	0.0	2.5	A
Yugoslavia	0.0	3.4	0.0	3.4	D
West Africa Region	0.5	0.0	0.0	0.5	C
Totals	4,196.6	5,088.5	2,211.4	11,496.6	

LEGEND: A = Rescheduled payments in arrears

C = Current

D = Defaulted claims paid, no rescheduling requested

Note: Claims outstanding include \$400 million paid by CCC to the Banca Nazionale del Lavoro (BNL) on February 21, 1995, as full payment on negotiated settlement between the Department of Justice and BNL.

Mr. Bonilla: Are there any countries in arrears?

Response: As of December 31, 2002, there were 5 countries in arrears of their rescheduled GSM loan payments.

Mr. Bonilla: If so, list the countries and amounts.

Response: Those countries are Democratic Republic of Congo, Honduras, Yemen, Sudan and Dominican Republic. See the above table for the amounts.

As of December 31, 2002, there were \$2.211 billion in claims outstanding that have not been rescheduled at the Paris Club. The countries that have unrescheduled claims outstanding are listed in the table above. Of the total claims outstanding, \$2.047 billion is related to Iraq, which includes a \$400 million settlement paid by CCC to Banca Nazionale del Lavoro (BNL).

INTEREST RATE ON CCC BORROWINGS

Mr. Bonilla: What is the current interest rate Treasury charges on CCC borrowings?

Response: The Treasury interest rate on CCC borrowings changes monthly. For February 2003, the rate was 1.375 percent, and for March 2003, the rate is 1.375 percent. Since 1996, the rate Treasury charges is 1 percent greater than the Treasury rate.

CCC INVENTORY

Mr. Bonilla: Please provide a list of the availability of commodities held in CCC inventory, giving both quantity and dollar values, for fiscal year 2002, and the most up-to-date totals for fiscal year 2003.

[The information follows:]

COMMODITY CREDIT CORPORATION

Status of CCC Inventory
 FY 2002 actual and FY 2003 preliminary actuals as of March 01, 2003
 (in millions)

Item	FY 2002 Actual		FY 2003 as of March 01, 2003	
	Quantity	Dollars	Quantity	Dollars
Corn (bushel).....	19.1	\$33.1	17.5	\$32.2
Grain sorghum (bushel).....	0.3	0.6	0.7	2.5
Barley (bushel).....	0.0	0.0	0.0	0.0
Oats (bushel).....	0.0	0.0	0.0	0.0
Other feed grain products.....	0.9	0.2	20.9	2.9
Total feed grains.....	19.3	33.9	39.1	37.3
Wheat (bushel).....	149.1	370.0	95.5	332.2
Rice, rough (hundredweight).....	1.0	7.9	1.1	7.8
Soybeans (bushel).....	2.7	14.1	2.9	15.3
Honey (pound).....	0.0	0.0	0.0	0.0
Sugar - Raw cane (pound).....	358.0	84.0	308.0	55.0
Sugar - Refined beet (pound).....	155.0	37.3	0.0	0.0
Sugar - Refined cane (pound).....	1.3	0.3	0.0	0.0
Sugar - Pending operations.....	0.0	0.0	0.0	0.0
Upland cotton (bales).....	0.1	29.8	0.2	60.6
Extra long staple cotton (bales).....	0.0	14.1	0.2	73.4
Minor oilseeds (thousand hundredweight).....	0.0	0.0	0.0	0.0
Dairy products.....				
Butter (pound).....	0.0	0.0	0.8	0.8
Butter oil (pound).....	0.0	0.0	0.0	0.0
Cheese (pound).....	3.4	3.9	11.9	13.8
Milk, Dry Whole (pound).....	0.0	0.0	0.0	0.0
Milk, dried (pound).....	1,329.1	1,276.3	1,185.3	1,096.2
Mozzarella (pound).....	0.0	0.0	0.0	0.0
Total dairy.....	1,332.6	1,280.2	1,178.0	1,110.8
All other commodities.....	83.8	27.9	89.2	30.6
Total Inventory.....	XXX	1,879.2	XXX	1,723.0

Note: Amounts reflect CCC Financial Management System records and include commodities committed to sale or otherwise obligated for specific uses.

Mr. Bonilla: Also provide a detailed description of commodities provided from CCC inventory in FY 2002 to other Government programs, including the quantity provided and the market value.

[The information follows:]

[illegible]

THE EMERGENCY FOOD ASSISTANCE PROGRAM

Mr. Bonilla: Please update the table that appears in last year's hearing record that shows all commodities that have been donated to The Emergency Food Assistance Program since it was established as a temporary program in 1981.

[The information follows:]

COMMODITY CREDIT CORPORATION
DONATIONS UNDER THE EMERGENCY FOOD ASSISTANCE PROGRAM
FROM INCEPTION
FISCAL YEARS 1982 THROUGH 1988 ACTUALS

(In Thousands)

Commodity and Unit of Measure	FY 1982		FY 1983		FY 1984		FY 1985		FY 1986		FY 1987		FY 1988	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Butter Lb.	0	0	151,665	233,598	84,382	127,525	178,490	266,795	61,644	95,067	61,111	90,974	81,558	109,352
Butter Oil Lb.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cheese Lb.	86,460	122,186	379,807	563,292	328,270	485,038	579,916	854,646	345,560	462,782	392,630	530,765	350,069	438,358
Mozz. Cheese Lb.	0	0	122	174	38	62	0	0	0	0	0	0	0	0
Nonfat Dried Milk Lb.	0	0	27,139	30,335	55,930	58,593	87,064	77,346	79,322	69,105	92,424	77,626	104,538	80,541
Total Dairy Lb.	86,460	122,186	558,733	827,370	468,620	671,218	846,470	1,198,787	486,526	626,954	546,365	699,365	536,165	628,251
Rice Cwt.	0	0	52	1,113	1	13	627	12,283	1,248	23,176	1,495	16,806	974	17,753
Honey Lb.	0	0	0	0	71,137	46,594	67,743	42,441	65,330	50,984	89,864	73,811	59,925	48,337
Corn Products Lb.	0	0	9,079	1,194	32,529	4,987	29,504	4,044	37,998	4,317	46,579	5,132	46,143	5,162
Wheat Flour Lb.	0	0	2,880	458	24,834	3,842	93,078	12,321	126,509	15,517	130,917	13,546	135,052	15,461
Vegetable Oil Lb.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total All Commodities	xxx	122,186	xxx	830,135	xxx	726,654	xxx	1,269,876	xxx	720,948	xxx	808,660	xxx	714,864

Source: CCC Report of Financial Condition (Financial Management System).

Note: Value reflects CCC acquisition cost.

COMMODITY CREDIT CORPORATION
DONATIONS UNDER THE EMERGENCY FOOD ASSISTANCE PROGRAM
FROM INCEPTION
FISCAL YEARS 1989 THROUGH 1995 ACTUALS
(In Thousands)

Commodity and Unit of Measure	FY 1989		FY 1990		FY 1991		FY 1992		FY 1993		FY 1994		FY 1995	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Butter	63966	88894	56,320	66,688	57,039	70,960	63,995	75,008	63,936	60,351	50,527	44,384	37,566	30,785
Butter Oil	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cheese	2,495	3,351	0	0	446	561	-446	-581	0	0	0	0	0	0
Mozz. Cheese	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonfat Dried Milk	7411	6794	0	0	53	45	0	0	0	0	0	0	0	0
Total Dairy	73,872	99,039	56,320	66,688	57,538	71,566	63,549	74,427	63,936	60,351	50,527	44,384	37,566	30,785
Rice	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Honey	24946	18270	35625	32,283	5,711	5,055	36	29	0	0	0	0	0	0
Corn Products	48209	5766	48,141	5,805	46,716	5,435	46,853	5,546	48,490	5,470	50,614	6,474	4,923	578
Wheat Flour	134921	18569	118,352	16485	124,035	14,523	122,846	16,618	16,001	2,084	0	0	0	0
Vegetable Oil	0	0	16	6	0	0	0	0	0	0	0	0	0	0
Total All Commodities	xxx	141,644	xxx	121,057	xxx	96,599	xxx	98,039	xxx	67,865	xxx	50,858	xxx	31,383

Sources: CCC Report of Financial Condition (Financial Management System).
Note: Value reflects CCC acquisition cost.

COMMODITY CREDIT CORPORATION
DONATIONS UNDER THE EMERGENCY FOOD ASSISTANCE PROGRAM
FROM INCEPTION
FISCAL YEARS 1996 THROUGH 2002 ACTUALS
(in Thousands)

Commodity and Unit of Measure	FY 1996		FY 1997		FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Butter	298	265	-17	-17	0	0	0	0	0	0	0	0	0	0
Butter Oil	0	0	-14	-16	0	0	0	0	0	0	0	0	0	0
Cheese	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mozz. Cheese	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonfat Dried Milk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Dairy	298	265	-31	-33	7,903	10,243	13,122	17,034	14,421	18,572	23,866	31,569	26,747	38,486
Rice	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Honey	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corn Products	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wheat Flour	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vegetable Oil	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total All Commodities	xxx	265	xxx	-33	xxx	10,243	xxx	17,034	xxx	18,572	xxx	31,569	xxx	38,486

Source: CCC Estimate Book - Output 30

Note: Value reflects CCC acquisition cost.

COUNTY OFFICE EMPLOYEES

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the number of FSA county employees by State, to reflect fiscal years 1995 through 2003.

[The information follows:]

**NUMBER OF PERMANENT FULL-TIME NON FEDERAL
COUNTY OFFICE EMPLOYEES
FISCAL YEARS 1995-2003
(INCLUDES COUNTY OPERATIONS TRAINEES)**

STATE	FY 1995 as of 10/11	FY 1996 as of 10/4	FY 1997 as of 10/3	FY 1998 as of 9/30	FY 1999 as of 9/25	FY 2000 as of 1/29	FY 2001 as of 1/27	FY 2002 as of 1/26	FY 2003 as of 2/22
Illinois	613	563	488	461	455	458	470	489	495
Indiana	402	384	324	310	300	302	305	310	307
Iowa	744	705	590	553	543	553	559	567	574
Michigan	275	267	237	218	210	206	201	206	200
Minnesota	451	458	389	377	374	376	409	400	410
Missouri	437	447	389	375	368	368	377	386	379
Ohio	365	378	331	313	306	302	285	283	283
Wisconsin	347	356	325	306	301	300	291	291	292
Midwest Area	3,634	3,558	3,073	2,913	2,867	2,865	2,897	2,932	2,940
Connecticut	19	20	18	18	15	15	15	15	15
Delaware	12	10	10	11	10	8	7	11	11
Maine	37	40	38	34	35	35	32	32	34
Maryland	60	57	51	52	49	49	51	53	56
Massachusetts	20	24	23	22	21	21	21	21	21
New Hampshire	14	14	13	14	11	12	13	13	13
New Jersey	19	22	17	18	16	17	18	16	21
New York	151	162	147	137	137	131	134	136	132
Pennsylvania	198	200	187	161	149	148	150	150	152
Rhode Island	3	4	3	3	3	3	3	3	4
Vermont	24	28	25	21	17	18	15	17	19
Virgin Islands	0	0	0	0	1	1	1	1	1
West Virginia	91	94	92	82	79	78	74	75	78
Northeast Area	648	675	624	573	543	535	534	543	557
Alaska	6	4	5	5	5	5	4	4	7
Idaho	131	134	128	116	109	100	98	101	99
Montana	204	228	213	209	206	207	206	210	207
Nebraska	570	509	435	391	384	387	400	410	413
North Dakota	385	346	303	274	275	279	283	290	295
Oregon	86	96	85	81	70	69	66	63	72
South Dakota	356	331	312	292	293	277	273	287	310
Washington	111	103	93	87	82	83	84	86	86
Wyoming	55	59	57	58	56	54	54	54	57
Northwest Area	1,914	1,810	1,631	1,513	1,480	1,461	1,468	1,505	1,546
Alabama	240	238	207	197	199	193	188	188	196
Arkansas	263	282	267	234	230	227	230	222	220
Florida	112	122	114	109	99	99	91	80	88
Georgia	414	404	372	331	330	321	326	326	323
Kentucky	373	403	356	328	324	321	333	338	332
Louisiana	203	202	184	170	166	165	162	160	158
Mississippi	291	290	265	256	247	246	250	243	248
North Carolina	436	442	398	364	357	352	349	344	348
Puerto Rico	0	0	0	0	0	0	0	0	0
South Carolina	171	169	153	137	137	134	131	130	132
Tennessee	354	363	334	302	303	291	283	275	283
Virginia	236	233	218	202	188	184	177	166	177
Southeast Area	3,093	3,148	2,869	2,530	2,580	2,533	2,520	2,472	2,505
Arizona	40	42	37	37	33	32	25	25	35
California	138	143	135	126	115	113	113	118	125
Colorado	158	157	141	133	133	134	136	136	138
Hawaii	10	9	9	9	9	9	9	8	12
Kansas	584	586	480	461	463	453	440	441	448
Nevada	17	16	15	16	15	15	13	13	15
New Mexico	78	74	69	63	61	61	60	60	59
Oklahoma	284	269	255	234	239	240	240	243	244
Texas	892	874	789	725	694	681	669	675	665
Utah	57	65	59	55	52	53	52	52	54
Southwest Area	2,238	2,217	1,989	1,859	1,814	1,791	1,757	1,772	1,796
Total All Areas	11,527	11,408	10,186	9,488	9,274	9,185	9,176	9,224	9,343

Mr. Bonilla: Please provide a table showing the number of civil service employees located in FSA county offices by State, reflecting fiscal year 2002 end-of-year activity and current 2003 employment.

[The information follows:]

**Farm Service Agency
FSA Federal Employees at County Level, By State
FY 2002 Actual and FY 2003 Estimate**

State	FY 2002 Actual	FY 2003 Estimate	1/
Alabama	32	30	
Alaska	0	0	
Arizona	5	7	
Arkansas	88	85	
California	48	46	
Colorado	27	25	
Connecticut	3	3	
Delaware	3	3	
Florida	34	32	
Georgia	46	49	
Hawaii	0	0	
Idaho	40	39	
Illinois	79	77	
Indiana	61	59	
Iowa	131	136	
Kansas	82	81	
Kentucky	92	94	
Louisiana	87	87	
Maine	18	21	
Maryland	8	7	
Massachusetts	9	9	
Michigan	56	58	
Minnesota	110	107	
Mississippi	92	100	
Missouri	100	107	
Montana	38	38	
Nebraska	79	78	
Nevada	3	3	
New Hampshire	4	3	
New Jersey	8	8	
New Mexico	18	18	
New York	65	66	
North Carolina	60	57	
North Dakota	104	99	
Ohio	50	48	
Oklahoma	127	115	
Oregon	29	25	
Pennsylvania	22	28	
Puerto Rico	0	0	
Rhode Island	1	1	
South Carolina	34	33	
South Dakota	110	111	
Tennessee	64	64	
Texas	163	159	
Utah	22	24	
Vermont	24	23	
Virginia	45	42	
Washington	27	28	
West Virginia	30	24	
Wisconsin	88	86	
Wyoming	14	14	
TOTAL, State Office Employees	2,478	2,457	

1/ Per the Employment Information System Report as of March 08, 2003.

STATE OFFICE EMPLOYEES

Mr. Bonilla: Please provide a table showing the number of FSA State office employees by State for fiscal years 1995 through 2003.

[The information follows:]

Farm Service Agency
State Office Employees By State
FY 1995 Through 2003

STATE	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	1/
Alabama	64	66	59	59	59	64	68	65	64	
Alaska	7	8	6	7	6	7	7	5	8	
Arizona	23	25	23	23	26	27	27	21	27	
Arkansas	111	116	110	112	116	125	118	126	131	
California	70	73	66	66	73	73	73	70	75	
Colorado	48	50	49	51	53	55	57	56	50	
Connecticut	8	15	12	13	16	12	12	13	13	
Delaware	10	14	14	13	13	14	14	11	14	
Florida	68	72	87	68	63	65	63	60	60	
Georgia	101	102	118	84	81	85	86	81	86	
Hawaii	14	14	13	12	14	14	16	14	17	
Idaho	65	64	53	58	59	70	70	70	69	
Illinois	144	144	126	129	127	128	130	128	126	
Indiana	86	89	87	86	88	91	91	93	95	
Iowa	206	200	171	163	170	178	176	178	184	
Kansas	45	122	114	116	114	135	136	143	140	
Kentucky	125	132	129	128	135	144	140	141	141	
Louisiana	145	139	130	127	125	128	124	117	122	
Maine	31	39	36	42	38	41	39	40	43	
Maryland	25	29	22	24	24	24	23	22	23	
Massachusetts	22	25	23	25	22	23	23	19	27	
Michigan	88	95	84	91	90	87	82	90	93	
Minnesota	152	151	138	136	141	145	155	156	157	
Mississippi	147	145	103	136	131	135	137	134	131	
Missouri	144	147	135	135	142	146	155	153	159	
Montana	68	71	65	66	73	74	71	75	76	
Nebraska	129	131	119	118	120	121	123	128	125	
Nevada	13	15	13	16	14	15	15	10	15	
New Hampshire	10	12	11	10	10	9	10	9	11	
New Jersey	23	24	23	25	23	22	21	23	25	
New Mexico	35	39	30	34	37	39	38	40	38	
New York	89	93	85	91	93	93	98	97	96	
North Carolina	113	111	64	105	111	110	105	107	106	
North Dakota	159	156	136	143	140	147	141	146	140	
Ohio	69	77	68	75	75	78	75	80	80	
Oklahoma	140	146	139	147	148	153	153	155	159	
Oregon	39	43	41	45	46	50	50	51	52	
Pennsylvania	80	79	74	79	71	70	73	72	71	
Puerto Rico	45	65	67	65	72	67	59	60	64	
Rhode Island	7	12	9	10	9	9	9	8	10	
South Carolina	69	68	53	57	60	60	66	66	66	
South Dakota	149	148	137	136	143	153	157	157	154	
Tennessee	107	106	102	103	99	109	104	103	107	
Texas	263	270	252	255	249	252	258	258	262	
Utah	33	35	35	34	40	42	42	44	44	
Vermont	29	33	31	30	33	34	31	29	37	
Virginia	67	78	69	69	73	77	78	70	77	
Washington	46	56	49	50	49	50	50	51	52	
West Virginia	41	42	41	43	40	45	46	48	44	
Wisconsin	122	124	115	119	124	122	121	122	127	
Wyoming	28	28	28	29	30	31	31	28	31	
TOTAL	3,921	4,138	3,764	3,856	3,908	4,048	4,045	4,041	4,124	

1/ Employment per the Employment Information System Report as of March 8, 2003

COUNTY AND STATE OFFICE EMPLOYEES

Mr. Bonilla: Please provide a table comparing the numbers of FSA county and State office employees in fiscal year 1993 versus 2002 actual.

[The information follows:]

Farm Service Agency
Non-Federal County and Federal State Office Staff Years
FY 1993 vs. FY 2002

	FY 1993	FY 2002	Change, 1993 vs. 2002	
			Number	Percent
States 1/	4,722	3,870	-852	18.0%
Non-Federal County	14,953	11,301	-3,652	24.4%

1/ Includes the FTE equivalent of Federal employees working at the county level.

SALARIES AND BENEFITS

Mr. Bonilla: Please provide the average salary and benefits costs and grade level for Federal and non-Federal county office permanent employees, temporary employees and State office employees.

Response: FY 2002 actual information is as follows:

FY 2002	Federal		Non-Federal County Office	
	Total Permanent	State Office Permanent**		
			Permanent	Temporary
Average Salary and Benefits	\$70,573	\$66,516	52,627	26,663
Average Grade Level	12.4	12.2	11.5	5.5

Includes Federal county office level permanent employees.

** Reflects salary only for temporary employees.

CCC BORROWING AUTHORITY

Mr. Bonilla: Please provide a report of the CCC Status of Borrowing for 2003 to date.

Response: The available borrowing authority at the beginning of the fiscal year and at the end of each month during FY 2003 to date is as follows:

Start of year, FY 2003	\$12,172,567,551
October 2002	\$8,628,038,411
November 2002	\$4,798,307,481
December 2002	\$17,628,251,251
January 2003	\$14,816,753,390
February 2003	\$13,750,771,552
as of March 5, 2003	\$13,575,145,554

Mr. Bonilla: What appropriation amount would be needed in fiscal year 2004 to reimburse CCC for net realized losses sustained, but not previously reimbursed pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11)?

Response: An appropriation of \$17,275,465,000 would be needed to reimburse CCC for net realized losses sustained during FY 2004.

HAZARDOUS WASTE ACTIVITIES

Mr. Bonilla: Describe the fiscal year 2002 activity in the CCC hazardous waste cleanup activities, including progress against site investigation backlog and the scheduled plans for fiscal years 2003 and 2004.

Response: In FY 2002, CCC completed a backlog of those sites for which identification of other parties responsible for carbon tetrachloride contamination had yet to be identified. We reduced that backlog by 2 site investigations in 2002 (Craig and Adams, Nebraska). However, six additional sites were identified in 2002 as requiring no further work by CCC (East Everest, Glasco, Moundridge, Potwin, Randall, and Yates Center, all in Kansas). These sites were subject to a preliminary or limited investigation that determined that CCC/USDA was not responsible for the contamination.

CCC provided assistance to the community of Frankfort, Kansas, by providing replacement pumps for the municipal wells impacted by carbon tetrachloride contamination in the vicinity of the city. CCC, at the request of the state regulatory agency, developed a revised feasibility study for the long-term remedial approach at the Frankfort site. CCC conducted negotiations with the city and the state regarding the Frankfort remedy.

CCC completed the engineering design for remedial system at the Utica, Nebraska site. This system will incorporate the use treated groundwater to assist in the restoration of a significant wetland basin in a major migratory bird flyway.

CCC continued to monitor the contaminant plume at the Waverly and Murdock, Nebraska sites. In FY 2002, CCC commenced an expanded monitoring effort at Murdock in order to assess the proposed EPA remedy at this site. Negotiations were ongoing with EPA regarding the Murdock remedy.

Site investigation activities were completed at the Adams and Craig, Nebraska sites.

At the Milford, Nebraska site, an interim investigation was completed. This effort was not finalized due to access issues that were ongoing in FY 2002.

Site characterization activities were begun at the Centralia, Everest, Morrill, and Webber sites in Kansas.

In FY 2003, the Utica groundwater project will be awarded and construction completed. Operation of the system is planned for FY 2003.

CCC will complete site investigation activity at the Centralia, Morrill, Everest, Milford, and Webber sites.

CCC will continue monitoring efforts at the Waverly with the goal of removing the site from the EPA National Priorities List (NPL) as soon as possible.

CCC plans to commence up to four site characterization efforts in FY 2003.

Negotiations will continue with the Nebraska Department of Environmental Quality to develop an inter-governmental agreement (IGA) to facilitate activities at Nebraska CCC sites. CCC will continue to operate under the auspices of the Kansas IGA that has been in place since 1999.

CCC plans to design and construct remedial systems at the Murdock, Nebraska and Frankfort, Kansas sites.

Mr. Bonilla: Please provide a table highlighting the CCC use of the USDA Hazardous Waste Management Account over the past five years, including site investigations and cleanup expenses.

Response: The following table provides the former CCC bin sites where activities have been conducted and the amounts of USDA Hazardous Waste Management Account funds used. Site activities include data evaluations and limited investigations, site characterizations, feasibility studies, response actions, and providing impacted communities with permanent alternate drinking water sources.

Nebraska Sites

(In thousands of dollars)

Site	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Adams	\$0	\$39	\$407	\$25	\$138
Bruno	0	0	0	0	0
Ceresco	396	340	2	0	0
Clay Center	0	0	0	0	0
Cortland	0	0	0	0	45
Craig	0	0	0	99	330
Funk	72	8	0	0	0
Gladstone	20	1	0	2	0
Hordville	247	0	0	0	0
Hubbard	0	365	311	0	0
Humphrey	513	0	0	0	0
Johnson	0	0	0	14	0
Kenesaw	72	10	0	0	0
Leshara	0	0	0	21	3
Milford	0	503	87	115	358
Raymond	224	146	5	0	0
Shelby	0	0	0	0	0
Utica	522	0	0	0	0
Walton	0	0	0	0	0
York	1	1	1	0	0
TOTAL, Nebraska	\$2,067	\$1,413	\$813	\$276	\$877

Kansas Sites

(In thousands of dollars)

Site	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Agenda	\$54	\$0	\$3	\$0	\$0
Agra	0	63	7	0	0
Barnes	0	0	0	23	1
Bendena	0	102	0	0	0
Bremen	0	0	0	0	50
Canada	0	60	2	0	0
Centralia	0	0	0	121	32
Everest	0	0	346	480	100
Frankfort	236	809	2	29	116
Hilton	0	0	0	0	0
Home	0	0	0	0	33
Leoti	0	0	1	0	0
Morrill	0	0	0	22	95
Navarre	400	300	1	3	1
Ramona	0	0	0	0	0
Webber	0	0	0	198	50
TOTAL, Kansas	\$690	\$1,334	\$362	\$876	\$478
TOTAL, Nebraska and Kansas	\$2,757	\$2,747	\$1,175	\$1,152	\$1,355

TOBACCO ADMINISTRATIVE COSTS

Mr. Bonilla: How much was spent for administrative costs in support of the tobacco program in fiscal year 2002?

Response: Administrative costs of \$20.6 million were expended by FSA in support of the tobacco price support program in FY 2002.

FARM LOANS

Mr. Bonilla: How much debt did FSA write off during fiscal year 2002?

Response: FSA farm loan programs wrote off a total of \$496,711,284 in FY 2002. This amount includes \$446,967,593 for writeoffs in direct loan programs and \$49,743,691 for writeoffs in guaranteed loan programs.

Mr. Bonilla: For several years, the budget proposals for farm credit have been too low to meet the needs of the agricultural community. Congress has had to provide emergency funding to address these shortfalls. Please provide by loan account the detailed assumptions that were used to compute the fiscal year 2004 President's budget request for ACIF.

Response: The assumptions used in formulating the FY 2004 Budget are as follows.

**FY 2004 PRESIDENT'S BUDGET
FARM LOAN PROGRAM ASSUMPTIONS**

Item	DIRECT					GUARANTEED		
	Ownership	Operating	Emergency	Indian Tribe	Boll Weevil	Ownership Unsub- sidized	Operating Unsub- sidized	Operating Subsidized
Subsidy rate (%)	22.08	14.42	13.83	-0.78	-6.07	0.54	3.33	12.77
Average interest rate charged borrower (%)	5.46	5.23	3.85	4.54	6.17			
Lifetime defaults (% of disb)	0.01	4.00	0.03	0.00	0.00	0.01	0.03	0.01
Disbursement rate in year 1 (%)	94	98	99	100	100	89	93	95
Cash inflow rates (exclude schedule payments)	0.36	0.73	0.28	0.00	0.00	0	0	0
Fees to government (%)	0.00	0.00	0.00	0.00	0.00	0.01	0.01	9.28
Maximum loan term (years)	40	7	40	40	7	40	7	7
Average loan term (years)	34	11	16	34	7	18	4	6

FARM LOAN FUNDING

Mr. Bonilla: What assurances can you provide the committee that the proposed funding for the farm credit area is sufficient to meet the needs of the agricultural community?

Response: The budget proposal for farm credit represents the best application of limited resources within the overall constraints for which all programs must compete. FSA assesses the loan level required, and then applies the models prescribed by OMB to determine the amount of budget authority required to support those levels. Within the various loan categories, the FY 2004 budget represents an attempt to direct resources to the areas that have the greatest demand.

Mr. Bonilla: It has been stated that the ACIF account historically provides approximately 4 percent of the lending for the nation's farming community. What percentage does the fiscal year 2003 appropriation represent? And the fiscal year 2004 budget request?

Response: It is impossible to estimate the FSA share of farm lending nationwide for 2003 and 2004. The FSA market share is largely dependent on the total credit needs of the industry and the extent to which private lenders are willing to meet those needs. Weather and economic factors will play a major role, of course. Based on the current situation, it is probably safe to say FSA will provide more than the historical 4 percent of direct farm credit in 2003 and 2004, but it is not possible to predict how much more at this time. FSA also guarantees loans made by commercial lenders; the portfolio of loan guarantees is growing and currently represents about 3 percent of all farm debt.

FARM LOAN PROGRAM ACTIVITY

Mr. Bonilla: Please provide a process time frame, including peak months, for each type of loan funded through the ACIF account.

Response: The months of peak loan activity, by program, are as follows:

Farm Loan Program Activity

Loan Program	Peak Activity
Direct Operating	January through May
Guaranteed Operating	February through June
Direct Farm Ownership	Consistent throughout the year
Guaranteed Farm Ownership	Consistent throughout the year
Emergency	February through June

The average processing time (from the time the application is completed until the disposition of the application) is 14 days for direct loans and 5 days for guaranteed loans.

Mr. Bonilla: How many requests for direct operating loans did you have in fiscal year 2002?

Response: FSA received 20,217 direct operating loan applications in FY 2002.

Mr. Bonilla: Were all of them able to be filled?

Response: Not all applicants were approved for funding. However, all approved direct operating loans were funded in FY 2002.

Mr. Bonilla: Of the total amount available to you, how much was obligated?

Response: In FY 2002, \$668 million in direct operating loan funds was obligated to make 14,623 loans.

Mr. Bonilla: Please provide the number and dollar amount supported by direct and guaranteed operating loans, by year, for each of the past ten years.

[The information follows:]

Direct and Guaranteed Farm Operating Loans
FY 1992 through 2002

Fiscal Year	Direct Loans		Guaranteed Loans	
	Number	Amount (\$000)	Number	Amount (\$000)
1992	13,784	\$570,737	10,976	\$1,107,915
1993	13,144	545,173	9,783	1,013,341
1994	15,737	650,965	12,297	1,300,067
1995	10,712	437,854	12,788	1,378,323
1996	12,992	566,583	11,445	1,305,848
1997	11,944	515,720	8,910	1,044,841
1998	12,988	557,098	8,161	1,010,975
1999	16,266	789,000	12,175	1,776,234
2000	14,023	664,207	11,444	1,800,597
2001	14,403	690,796	9,085	1,462,588
2002	14,623	668,070	9,502	1,549,666
TOTAL	<u>150,616</u>	<u>\$6,656,203</u>	<u>116,566</u>	<u>\$14,750,395</u>

Mr. Bonilla: Please provide a table showing the number of farms assisted, by State, through rescheduling, consolidation, or reamortization by deferral or by the Interest Assistance Program for fiscal year 2002.

[The information follows:]

Number of Borrowers Assisted by				
State	Rescheduling	Consolidation	Reamortization by Deferral	Guaranteed Interest Assistance
Alabama	26	10	3	1
Alaska	7	3	2	0
Arizona	6	0	0	1
Arkansas	256	30	20	46
California	74	19	1	5
Colorado	34	10	6	59
Connecticut	0	1	0	1
Florida	15	4	1	4
Georgia	66	2	12	4
Hawaii	6	3	3	0
Idaho	69	0	15	7
Illinois	51	13	2	759
Indiana	31	1	3	171
Iowa	184	32	42	783
Kansas	106	16	11	355
Kentucky	105	29	17	89
Louisiana	231	21	58	3
Maine	30	1	8	2
Maryland	8	1	3	3
Massachusetts	36	15	0	0
Michigan	126	17	30	172
Minnesota	115	4	22	662
Mississippi	73	4	15	0
Missouri	82	4	23	264
Montana	59	8	13	157
Nebraska	86	34	12	614
Nevada	2	0	0	1
New Hampshire	10	8	0	2
New Jersey	4	1	1	10
New Mexico	33	6	1	10
New York	116	10	60	71
North Carolina	66	1	24	3
North Dakota	164	44	56	721
Ohio	14	3	1	90
Oklahoma	170	4	32	536
Oregon	40	5	5	4
Pennsylvania	81	26	24	89

Number of Borrowers Assisted by				
State	Rescheduling	Consolidation	Reamortization by Deferral	Guaranteed Interest Assistance
Puerto Rico	4	0	1	2
Rhode Island	4	1	0	1
South Carolina	29	2	3	378
South Dakota	111	20	9	0
Tennessee	103	16	12	125
Texas	439	10	177	34
Utah	54	9	7	8
Vermont	10	3	1	13
Virginia	42	1	20	8
Washington	49	10	5	0
West Virginia	47	28	4	67
Wisconsin	125	15	42	669
Wyoming	24	6	12	34
TOTAL	3,624	511	819	7,038

Mr. Bonilla: Please provide a table showing the same information on a national basis for each of the past five years.

[The information follows:]

Fiscal Year	Direct Farm Loan Rescheduling	Direct Farm Loans Consolidation	Direct Farm Loans Reamortization by Deferral	Guaranteed Interest Assistance Number of Borrowers
2002	3,624	511	819	7,038
2001	3,531	406	716	6,865
2000	3,220	377	669	8,606
1999	4,021	467	834	7,214
1998	4,051	240	1,018	6,394
Total	18,447	2,001	4,056	36,117

Mr. Bonilla: How many of these borrowers are again delinquent?

Response: As of February 28, 2003, the following numbers of borrowers are again delinquent, by category of servicing:

<u>Category</u>	<u>Number of Borrowers</u>
Direct Loans:	
Rescheduling	4,673
Consolidation	628
Re-amortization (By Deferral)	1,168
Guaranteed Interest Assistance	357

DELINQUENT LOANS

Mr. Bonilla: Please provide a breakdown of direct loan portfolio comparing delinquent versus non-delinquent borrowers in categories of: \$500,000 or less; \$500,000 to \$1 million; \$1 million or more; all borrowers. Please include a table showing the geographic dispersion of the delinquent borrowers.

[The information follows:]

	Delinquent borrowers (\$500,000 or less)	Non- delinquent borrowers (\$500,000 or less)	Delinquent borrowers (\$500,000 to \$1,000,000)	Non- delinquent borrowers (\$500,000 to \$1,000,000)	Delinquent borrowers (\$1,000,000 or more)	Non- delinquent borrowers (\$1,000,000 or more)
Alabama	112	1,157	0	3	0	0
Alaska	16	23	2	1	1	0
Arizona	84	192	2	3	5	0
Arkansas	514	3,045	23	21	4	0
California	344	1,085	43	34	11	9
Colorado	135	720	11	3	2	1
Connecticut	16	81	1	0	0	0
Delaware	9	33	0	0	0	0
Florida	102	469	5	9	1	1
Georgia	329	1,286	25	7	4	0
Guam	4	19	0	0	0	0
Hawaii	71	190	7	0	1	0
Idaho	182	1,515	5	4	1	1
Illinois	150	2,727	3	0	0	0
Indiana	169	1,446	6	2	0	0
Iowa	223	3,703	3	4	1	1
Kansas	259	3,162	2	1	1	0
Kentucky	262	3,526	5	2	0	0
Louisiana	627	1,640	6	12	1	0
Maine	112	454	5	3	0	0
Maryland	55	200	3	2	0	0
Massachusetts	115	366	11	3	1	0
Michigan	139	1,723	12	33	0	0
Minnesota	367	2,857	9	4	0	0
Mississippi	796	2,121	38	5	11	0
Missouri	185	2,725	3	5	0	0
Montana	126	1,381	17	25	5	5
Nebraska	249	3,271	12	2	1	1
Nevada	17	161	1	0	0	0
New Hampshire	9	160	0	0	0	0
New Jersey	86	178	21	5	3	1
New Mexico	104	578	6	3	0	0
New York	418	1,798	49	22	8	1
North Carolina	228	1,437	9	6	2	0
North Dakota	390	3,096	15	7	5	0
Ohio	115	878	5	1	1	0
Oklahoma	873	3,880	25	22	6	0
Oregon	126	908	4	7	0	2
Pennsylvania	217	1,531	8	9	0	1
Puerto Rico	1,193	1,734	70	16	8	1
Rhode Island	13	74	1	0	0	0
South Carolina	132	863	7	7	3	0
South Dakota	241	3,819	10	5	1	1
Tennessee	420	2,288	2	7	2	1
Texas	2,006	3,710	106	11	11	1
Utah	110	1,087	0	3	1	0
Vermont	29	337	0	0	0	0
Virgin Islands	6	15	0	0	0	0
Virginia	178	827	14	13	2	2
Washington	150	708	7	2	1	1
West Virginia	181	950	1	2	0	0
Wisconsin	202	2,260	3	4	0	1
Wyoming	35	578	0	3	0	0
	13,231	74,772	623	343	105	32

Mr. Bonilla: Please describe the progress made in decreasing loan delinquency in the last five years.

Response:

Farm Loan Program Delinquency Rates

<u>Fiscal Year</u>	<u>Percent of Dollars Delinquent</u>
2002	10.40
2001	11.34
2000	12.38
1999	15.79
1998	16.23

Mr. Bonilla: What do you need to make additional improvements?

Response: Overall delinquency is always greatly affected by nationwide environmental and economic conditions. However, we believe that the Agency's greater oversight of field operations (such as the National Internal Review process) and increased training have greatly contributed to the declining delinquency rate. To continue this trend, we believe adequate funding for training will be essential.

INVENTORY PROPERTY

Mr. Bonilla: How many farms do you currently have in inventory, by State, and what is the total average estimated value of each farm?

Response: As of September 30, 2002, there were 300 farms in inventory, with an average value of \$156,501. The following table provides a breakdown by State.

Inventory Farms

State	Current Number of Inventory Farms	Number of Inventory Farms Sold in FY 2002
Alabama	2	1
Arizona	7	9
Arkansas	6	5
California	27	16
Colorado	10	8
Florida	10	5
Georgia	7	0
Hawaii	0	2
Idaho	5	5
Indiana	2	0
Iowa	2	5
Kansas	5	3
Kentucky	0	1
Louisiana	4	0
Maine	7	5
Maryland	1	0
Michigan	1	1
Minnesota	32	20
Mississippi	15	14
Missouri	6	4
Montana	13	7
Nebraska	0	4
Nevada	0	1
New Hampshire	1	0
New Jersey	3	0
New Mexico	1	1
New York	12	10
North Dakota	11	6
Ohio	1	0
Oklahoma	12	5
Oregon	6	5
Pennsylvania	9	0
Puerto Rico	19	1
South Carolina	6	2
South Dakota	10	3
Tennessee	2	0
Texas	11	5
Utah	4	0
Vermont	2	0
Virgin Islands	1	0
Virginia	3	1
Washington	12	9
West Virginia	7	3
Wisconsin	2	1
Wyoming	3	3
TOTAL	300	171

Mr. Bonilla: How many farms were sold from inventory, by State, in fiscal year 2002?

Response: Please refer to the previous table.

FARM OPERATING LOANS

Mr. Bonilla: Please provide a table showing how much of the fiscal year 2002 loan allocations were provided for each of the insured farm operating loan programs, such as one-year operating loans, seven-year operating loans, limited resource programs, and socially disadvantaged programs, along with any others.

[The information follows:]

FY 2002 Direct Farm Operating Loans (dollars in millions)

Regular Rate	
one-year	\$352
seven-year	305
Limited Resource	
one-year	3
seven-year	<u>8</u>
TOTAL	<u>\$668</u>

A portion of the initial direct operating loan allocation was targeted to socially disadvantaged applicants. Obligations to these family farmers totaled \$80 million.

Mr. Bonilla: Provide the same information for guaranteed subsidized and unsubsidized operating loans.

[The information follows:]

FY 2002 Guaranteed Farm Operating Loans
(dollars in millions)

Subsidized	
one-year	\$195
seven-year	<u>301</u>
TOTAL	<u>\$496</u>
Unsubsidized	
one-year	\$666
seven-year	<u>387</u>
TOTAL	<u>\$1,053</u>

A portion of the initial guaranteed operating loan allocation was targeted to socially disadvantaged applicants. Obligations to these family farmers totaled \$86.6 million.

Mr. Bonilla: Did any of the legislatively mandated set-asides cause funds to go unused at the end of fiscal year 2002?

Response: A limited amount of funding – \$6 million for guaranteed operating loans with interest assistance – was left unused at the end of the fiscal year. A portion of funds in this loan program was initially targeted for socially disadvantaged applicants, and unused funds were released for any eligible applicants prior to the end of the fiscal year.

Mr. Bonilla: How much of the guaranteed unsubsidized loan subsidy was transferred to direct loans in FY 2002?

Response: In FY 2002, \$9.7 million of unsubsidized guaranteed operating loan subsidy funds were transferred to the direct farm loan programs. These transfers funded an additional \$45 million in direct farm loans.

FARM OWNERSHIP LOANS

Mr. Bonilla: Please provide a table showing the number of direct and guaranteed farm ownership loans, by year, for the past ten years.

[The information follows:]

Number of Farm Ownership Loans
FY 1993 through 2002

<u>Fiscal Year</u>	<u>Direct Loans</u>	<u>Guaranteed Loans</u>
1993	746	2,754
1994	1,066	3,339
1995	897	3,447
1996	1,120	3,130
1997	1,009	3,040
1998	978	2,396
1999	1,666	3,513
2000	2,085	3,448
2001	1,472	3,283
2002	<u>1,521</u>	<u>3,905</u>
TOTAL	<u>12,560</u>	<u>32,255</u>

Mr. Bonilla: Please provide a table showing the number and amounts of direct and guaranteed farm ownership loans made, by State, in fiscal year 2002.

[The information follows:]

	Direct 2002 Actual	Direct Number of Loans	Guaranteed 2002 Actual	Guaranteed Number of Loans
Alabama	1,756,000	16	26,384,623	74
Alaska	100,000	1	124,003	1
Arizona	908,000	6	1,898,045	8
Arkansas	3,758,000	33	106,441,513	274
California	3,557,000	24	35,237,832	99
Colorado	2,129,000	18	14,003,331	40
Connecticut	50,000	1	1,211,029	5
Delaware	0	0	5,539,131	17
Florida	1,047,000	8	4,793,113	16
Georgia	2,568,000	20	35,186,831	94
Hawaii	497,000	3	748,018	3
Idaho	1,992,000	17	14,723,348	58
Illinois	7,964,000	79	30,119,711	131
Indiana	4,845,000	38	35,189,831	116
Iowa	11,762,000	112	42,956,014	173
Kansas	8,995,000	96	21,807,515	90
Kentucky	5,313,000	44	30,372,717	117
Louisiana	881,000	9	16,233,383	52
Maine	570,000	5	1,787,042	7
Maryland	350,000	2	8,646,204	35
Massachusetts	862,000	5	2,394,057	7
Michigan	4,464,000	40	50,913,202	163
Minnesota	11,794,000	79	48,018,134	219
Mississippi	1,269,000	11	16,696,394	36
Missouri	5,769,000	55	39,737,938	186
Montana	2,738,000	17	23,956,566	76
Nebraska	14,604,000	117	50,964,203	173
Nevada	293,000	2	3,210,076	8
New Hampshire	603,000	5	108,003	1
New Jersey	455,000	3	1,539,036	7
New Mexico	1,468,000	11	7,281,172	23
New York	4,175,000	30	22,743,537	105
North Carolina	1,422,000	15	38,909,919	132
North Dakota	7,535,000	78	25,174,594	127
Ohio	2,911,000	28	26,040,615	128
Oklahoma	17,604,000	156	53,284,258	206
Oregon	1,425,000	10	15,056,355	47
Pennsylvania	3,864,000	32	24,051,568	88
Puerto Rico	883,000	10	1,225,029	6
Rhode Island	510,000	3	93,002	1
South Carolina	969,000	7	30,283,715	83
South Dakota	6,466,000	54	20,585,486	97
Tennessee	4,105,000	35	15,784,373	49
Texas	4,923,000	43	27,001,638	91
Utah	2,222,000	18	8,208,194	28
Vermont	512,000	4	5,580,132	23
Virginia	1,439,000	10	11,682,276	34
Washington	1,821,000	14	15,164,358	50
West Virginia	1,979,000	20	5,445,129	23
Wisconsin	8,700,000	67	67,290,589	243
Wyoming	1,035,000	10	9,366,221	35
	<u>177,861,000</u>	<u>1,521</u>	<u>1,101,193,000</u>	<u>3,905</u>

EMERGENCY DISASTER LOANS

Mr. Bonilla: How many emergency disaster loans did you make in fiscal year 2002 and so far in fiscal year 2003? Please provide a table showing how many and the total dollar value by each State.

[The information follows:]

Emergency Loan Program
Obligations by State

State	Fiscal Year 2002		Fiscal Year 2003	
	Number	Amount	Number	Amount
Alabama	0	0	0	0
Alaska	2	32,000	0	0
Arizona	3	57,000	2	24,000
Arkansas	5	446,000	1	120,000
California	40	3,643,000	10	892,000
Colorado	1	58,000	10	1,090,000
Connecticut	0	0	1	277,000
Delaware	0	0	0	0
Florida	2	373,000	0	0
Virgin Islands	0	0	0	0
Georgia	4	845,000	3	103,000
Hawaii	0	0	0	0
W. Pacific Terr.	0	0	2	15,000
Idaho	9	620,000	0	0
Illinois	2	40,000	37	1,371,000
Indiana	0	0	13	420,000
Iowa	17	573,000	1	8,000
Kansas	31	1,028,000	33	1,301,000
Kentucky	6	175,000	9	1,436,000
Louisiana	86	6,143,000	14	1,198,000
Maine	2	212,000	0	0
Maryland	2	96,000	1	61,000
Massachusetts	0	0	2	172,000
Michigan	198	14,860,000	32	2,913,000
Minnesota	8	307,000	6	299,000
Mississippi	5	237,000	0	0
Missouri	4	78,000	4	162,000
Montana	19	865,000	7	324,000
Nebraska	0	0	3	183,000
Nevada	1	84,000	0	0
New Hampshire	4	132,000	0	0
New Jersey	0	0	1	97,000
New Mexico	11	1,286,000	3	151,000
New York	64	3,988,000	8	691,000
North Carolina	0	0	12	1,588,000

State	Fiscal Year 2002		Fiscal Year 2003	
	Number	Amount	Number	Amount
North Dakota	7	144,000	31	1,632,000
Ohio	3	90,000	5	451,000
Oklahoma	83	3,035,000	8	622,000
Oregon	4	207,000	1	29,000
Pennsylvania	57	1,328,000	13	469,000
Puerto Rico	1	26,000	1	21,000
Rhode Island	0	0	1	89,000
South Carolina	9	1,181,000	36	3,874,000
South Dakota	2	53,000	17	1,304,000
Tennessee	3	172,000	2	206,000
Texas	176	9,884,000	35	2,066,000
Utah	19	2,095,000	14	1,294,000
Vermont	6	39,000	1	5,000
Virginia	0	0	1	20,000
Washington	10	787,000	2	424,000
West Virginia	1	44,000	0	0
Wisconsin	30	1,605,000	0	0
Wyoming	12	741,000	0	0
Total	<u>949</u>	<u>57,609,000</u>	<u>383</u>	<u>27,402,000</u>

Mr. Bonilla: For emergency disaster loans, please provide a ten-year table showing the actual number and dollar amount of emergency disaster loans made each year.

[The information follows:]

Emergency Disaster Loans
FY 1993 through 2002

<u>Fiscal Year</u>	<u>Number of Loans</u>	<u>Amount (\$000)</u>
1993	885	58,607
1994	3,815	145,738
1995	1,526	68,823
1996	3,015	176,500
1997	2,490	144,880
1998	1,569	97,570
1999	3,970	329,849
2000	2,451	150,852
2001	1,679	90,026
2002	<u>949</u>	<u>57,609</u>
TOTAL	<u>22,349</u>	<u>\$1,320,454</u>

SOCIALLY DISADVANTAGED FARMER TARGETS

Mr. Bonilla: Please provide a fiscal year 2002 summary of the FSA experience in meeting socially disadvantaged (SDA) targets, including a breakdown on minority and gender basis.

Response: FSA has been very successful in providing assistance to minority and women farmers in both the direct operating and farm ownership loan programs. In FY 2002, the direct operating loan program provided loans totaling \$79.9 million to socially disadvantaged (SDA) farmers. In this program there are no separate SDA targets for minority and women farmers; both groups are included in one SDA-targeted allocation.

In the direct farm ownership program, FSA provided a total of \$30.7 million to SDA farmers – \$17.4 million to minority farmers and \$13.3 million to women farmers.

STATE MEDIATION GRANTS

Mr. Bonilla: Please provide a list of all State mediation grants made in fiscal years 2002 and 2003.

[The information follows:]

State Mediation Grants

State	FY 2002	FY 2003
Alabama	\$102,636	\$169,738
Arizona	111,804	110,927
Arkansas	83,541	74,104
California	67,186	129,169
Colorado	75,583	97,429
Florida	44,202	31,074
Idaho	8,840	39,835
Illinois	63,810	37,104
Indiana	29,817	71,995
Iowa	309,411	327,250
Kansas	332,210	465,098
Louisiana	0	313,497
Maryland	45,307	40,989
Massachusetts	108,089	132,858
Michigan	84,093	92,040
Minnesota	342,196	318,948
Missouri	13,260	94,053
Nebraska	167,448	177,546
Nevada	29,429	31,126
New Jersey	13,260	0
New Mexico	61,347	50,605
New York	178,298	48,487
North Dakota	331,887	129,814
Oklahoma	332,434	327,250
South Dakota	137,866	62,835
Texas	82,731	53,039
Utah	22,101	23,375
Washington	58,788	63,814
Wisconsin	211,222	130,557
Wyoming	44,204	20,027
TOTAL	<u>\$3,493,000</u>	<u>\$3,974,000</u>

Mr. Bonilla: How much has each participating State contributed in fiscal year 2002 and 2003?

[The information follows:]

State Share of Mediation Program Costs

State	FY 2002	FY 2003
Alabama	\$34,830	\$77,802
Arizona	55,037	55,635
Arkansas	40,500	42,000
California	33,000	87,750
Colorado	39,159	44,658
Florida	13,300	32,471
Idaho	0	19,994
Illinois	11,039	56,864
Indiana	14,454	33,000
Iowa	150,000	200,000
Kansas	217,743	213,187
Louisiana	54,728	141,869
Maryland	21,794	43,838
Massachusetts	52,400	60,897
Michigan	42,266	44,506
Minnesota	165,894	156,938
Nebraska	84,927	81,381
Nevada	14,590	14,590
New Mexico	35,716	35,977
New York	85,120	51,858
North Dakota	160,896	155,938
Oklahoma	100,000	10,000
South Dakota	65,647	67,203
Texas	37,956	56,726
Utah	10,710	10,710
Washington	28,500	29,250
Wisconsin	102,500	106,803
Wyoming	<u>21,429</u>	<u>21,419</u>
TOTAL	<u>\$1,797,135</u>	<u>\$2,085,723</u>

Mr. Bonilla: Were any new States certified for mediation grant programs in 2002?

Response: Louisiana, Massachusetts, and Idaho were new to the program in 2002, and Vermont, Georgia, Montana and Puerto Rico are expected to be certified this fiscal year.

Mr. Bonilla: Did any State drop the program in fiscal year 2002 or request less funding than in 2001?

Response: Idaho and New Jersey withdrew from the program in FY 2002. Idaho was re-certified this fiscal year. The following States requested less funding in 2002 than 2001: Alabama, Arizona, Arkansas, Florida, Idaho, Illinois, Kansas, Missouri, Nebraska, Wisconsin, and Wyoming.

CREDIT SALES OF ACQUIRED PROPERTY

Mr. Bonilla: Provide a five-year table showing the annual cost and the number of units sold through the credit sales of acquired property program.

[The information follows:]

Credit Sales of Acquired Property

Fiscal Year	Acres Sold, End of Period	Estimated Holding Cost of Total Sales*	Total Inventory Sold	Credit Sales**
2002	25,790	\$2,501,630	171	0
2001	40,134	\$3,892,998	209	0
2000	49,926	\$4,842,822	263	0
1999	75,309	\$7,304,973	346	0
1998	147,165	\$14,275,005	539	86
TOTAL	338,324	\$32,817,428	1528	86

* The estimated annual cost for inventory farm property is calculated by multiplying \$97 per acre estimated holding/management cost by the number of acres. The estimated per acre holding cost was determined by a study completed by the former Farmers Home Administration Planning and Analysis Staff in 1992. This includes such expenses as interest cost, taxes, hazardous waste cleanup, maintenance and legal fees. The interest on a non-performing asset such as inventory property is often the greatest component of the total cost of the property while it is in inventory. We are in the process of updating the 1992 study to determine the current cost of acquiring, managing and disposing of inventory property. The research and analysis should take approximately six months to complete.

** The Agency received no Credit Sale funding in fiscal years 1999 through 2002. FSA's current automation system does not identify inventory farms purchased through the Farm Ownership loan program.

Mr. Bonilla: What is the current backlog of inventoried property? Please provide a list by State.

[The information follows:]

State	Current Number of Inventory Farms	Number of Inventory Farms Sold in FY 2002
Alabama	2	1
Arizona	7	9
Arkansas	6	5
California	27	16
Colorado	10	8
Florida	10	5
Georgia	7	0
Hawaii	0	2
Idaho	5	5
Indiana	2	0
Iowa	2	5
Kansas	5	3
Kentucky	0	1
Louisiana	4	0
Maine	7	5
Maryland	1	0
Michigan	1	1
Minnesota	32	20
Mississippi	15	14
Missouri	6	4
Montana	13	7
Nebraska	0	4
Nevada	0	1
New Hampshire	1	0
New Jersey	3	0
New Mexico	1	1
New York	12	10
North Dakota	11	6
Ohio	1	0
Oklahoma	12	5
Oregon	6	5
Pennsylvania	9	0
Puerto Rico	19	1
South Carolina	6	2
South Dakota	10	3
Tennessee	2	0
Texas	11	5
Utah	4	0
Vermont	2	0

State	Current Number of Inventory Farms	Number of Inventory Farms Sold in FY 2002
Virgin Islands	1	0
Virginia	3	1
Washington	12	9
West Virginia	7	3
Wisconsin	2	1
Wyoming	3	3
TOTAL	30	17

Mr. Bonilla: Describe what efforts have been made to assist disadvantaged farmers in the credit sales program.

Response: FSA has not received credit sales funding since 1998. The Agency does sell inventory farms through its regular Direct Farm Ownership Loan program. Potential purchasers are notified of the availability of inventory farms by advertising in local newspapers of general circulation, providing public "Notice of Sale" forms, and notifying known interested parties. Notices are also posted to bulletin boards in the reception areas of USDA service centers, employment centers, apartment complexes, or door-to-door distribution. Most recently, an Internet website has been developed that contains information on properties that are available throughout the nation for sale.

INDIAN TRIBE LAND ACQUISITION LOANS

Mr. Bonilla: Please provide a table showing the five-year history of the Indian Tribe Land Acquisition Loan Program. Show, by State, the dollar amount and number of loans made each year.

[The information follows:]

Indian Tribe Land Acquisition Loans FY 1998 through 2002

<u>Fiscal Year</u>	<u>State</u>	<u>Number of Loans</u>	<u>Amount</u>
1998	Idaho	1	\$500,000
1999	Idaho	1	224,000
2000	Idaho	1	641,000
2001	Oklahoma	2	590,000
2002	Oklahoma	<u>1</u>	<u>74,000</u>
TOTAL		<u>6</u>	<u>\$2,029,000</u>

FSA EMPLOYEE LOANS

Mr. Bonilla: Please update the table that appears in last year's hearing record that shows the status of FSA employee and county committee member loans.

[The information follows:]

Farm Loans to Federal Employees

<u>Employee Type</u>	<u>Direct Loans</u>		<u>Guaranteed Loans</u>	
	<u>Total</u>		<u>Total</u>	
	<u>Borrowers</u>	<u>Loan Balance</u>	<u>Borrowers</u>	<u>Loan Balance</u>
County Committee	835	\$100,177,413	407	\$98,197,702
Non-Federal County Employee	166	15,139,471	88	18,058,200
Federal Employee	11	976,703	3	763,742
State Committee	15	2,515,184	10	2,512,838
State Executive Director	2	144,543	2	292,798
TOTAL	1,029	\$118,953,314	510	\$119,825,280

FARM LOAN PROGRAM DELIVERY

Mr. Bonilla: Please update the table in last year's hearing record that shows the dispersion of Federal and non-Federal employees delivering the farm loan program since 1995.

[The information follows:]

FSA Employment for Farm Loan Program Delivery									
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u> (Est)
Federal	3,328	3,101	2,897	2,849	2,848	3,061	3,059	3,075	3,083
Non-Federal	0	0	83	200	399	564	479	429	422
TOTAL	<u>3,328</u>	<u>3,101</u>	<u>2,980</u>	<u>3,049</u>	<u>3,247</u>	<u>3,625</u>	<u>3,538</u>	<u>3,504</u>	<u>3,505</u>

OBJECT CLASS 25

Mr. Bonilla: Please provide a detailed breakdown of fiscal year 2002, 2003 and estimated 2004 salaries and expenses costs in object class 25, Other Services.

[The information follows:]

Farm Service Agency
Breakdown of Object Class 25
2002 Actual and Estimated 2003 and 2004
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Estimate	FY 2004 President's Budget
Conservation Reserve Program	\$0	\$1,917	\$0
Emergency Conservation Program	2,095	12,206	0
ACIF Program Account	272,595	277,361	290,136
ACIF Liquidating Account	181,326	226,801	210,695
Salaries and Expenses	122,269	150,241	147,357
TOTAL	\$578,285	\$668,526	\$648,188

WORKLOAD

Mr. Bonilla: Please provide a detailed explanation of workday changes in county offices by functional category for fiscal years 2002, 2003, and 2004.

Response: Overall staffing level in FSA county offices is expected to increase by 2,175 staff years from FY 2002 to FY 2003, in order to complete the increased activity associated with the Farm Bill. Specifically, FSA projects increase in direct and counter-cyclical payments, conservation, MILC and commodity loan activity for farm stored and warehouses stored loans. Some decreases are expected for commodity program payment activity including loan deficiency payments.

For FY 2003 to FY 2004, FSA staff years will decrease by 2,692 since most initial Title 1 implementation work will be complete. FSA does not yet know the full impact of the permanent ongoing maintenance of the new farm bill programs. Every effort will be made to continue the high standard of service provided to our customers while analyzing the impacts.

Mr. Bonilla: Are you projecting an increase in compliance workload in fiscal year 2004?

Response: Yes, the Farm Bill increases requirements for annual acreage reporting which, in turn, increases spot checking and verifications activities.

FARM STORAGE FACILITY LOAN PROGRAM

Mr. Bonilla: How many Farm Storage Facility loans do you anticipate making in fiscal years 2003 and 2004?

Response: CCC expects to make about 1,600 farm storage facility loans totaling \$125 million in fiscal year 2003 and 1,800 loans totaling \$95 million in fiscal year 2004. Subsidy budget authority required to support these loan levels is estimated to be \$1.6 million in fiscal year 2003 and \$1.2 million in fiscal year 2004.

CONSERVATION RESERVE PROGRAM ENROLLMENT

Mr. Bonilla: Please provide a State-by-State table showing the CRP acres enrolled at the end of 2002 and the fiscal year 2003 expiring acreage.

[The information follows:]

CRP Enrollment as of September 30, 2002 and Acres Expiring September 30, 2003

STATE	ACRES ENROLLED 09/30/02	ACRES EXPIRING 09/30/03 ^a
ALABAMA	483,654	28,905
ALASKA	29,476	0
ARIZONA	33	0
ARKANSAS	161,363	15,625
CALIFORNIA	138,997	3,589
COLORADO	2,209,459	22,776
CONNECTICUT	318	0
DELAWARE	6,572	0
FLORIDA	88,286	6,185
GEORGIA	313,664	23,992
HAWAII	21	0
IDAHO	792,049	58,384
ILLINOIS	964,289	121,053
INDIANA	301,669	57,143
IOWA	1,865,730	167,407
KANSAS	2,658,808	59,511
KENTUCKY	312,878	20,593

STATE	ACRES ENROLLED 09/30/02	ACRES EXPIRING 09/30/03 ^a
LOUISIANA	205,781	6,382
MAINE	24,273	849
MARYLAND	60,926	1,327
MASSACHUSETTS	121	0
MICHIGAN	310,138	92,803
MINNESOTA	1,669,457	63,848
MISSISSIPPI	864,882	42,125
MISSOURI	1,551,755	154,195
MONTANA	3,411,536	71,638
NEBRASKA	1,140,754	51,591
NEVADA	151	0
NEW HAMPSHIRE	195	0
NEW JERSEY	2,294	62
NEW MEXICO	593,971	1,260
NEW YORK	60,266	4,361
NORTH CAROLINA	113,535	8,149
NORTH DAKOTA	3,326,805	26,459
OHIO	304,828	78,371
OKLAHOMA	1,025,294	27,603
OREGON	455,504	10,915
PENNSYLVANIA	118,061	2,699
PUERTO RICO	671	0
SOUTH CAROLINA	218,828	8,466
SOUTH DAKOTA	1,432,131	23,582
TENNESSEE	248,777	25,553
TEXAS	4,043,602	165,873
UTAH	200,489	1,772
VERMONT	1,006	6
VIRGINIA	55,819	2,940
WASHINGTON	1,281,324	51,492

STATE	ACRES ENROLLED 09/30/02	ACRES EXPIRING 09/30/03 ^a
WEST VIRGINIA	1,077	8
WISCONSIN	634,875	81,993
WYOMING	<u>277,992</u>	<u>202</u>
TOTAL	<u>33,964,386</u>	<u>1,591,689</u>

^{a/} February 2003 active contracts set to expire on 9/30/03.

FFAS EMPLOYEES DETAILED TO OTHER AGENCIES

Mr. Bonilla: Please list the number of employees, by agency, who are payrolled within the FFAS mission area, but detailed to other agencies or departments within the Executive branch. Include the agencies where these employees are detailed in your response.

Response: FSA does not have any employees detailed to other agencies or departments within the Executive branch.

SERVICE TO PRODUCERS

Mr. Bonilla: How does the budget request for FSA enhance the ability of FSA to provide better service to producers more efficiently?

Response: The FY 2004 FSA budget request allows the Agency to maintain current staff year levels in order to provide service to producers. In addition, FSA's goal is to change the way it does business in an attempt to lessen the impact of increased program levels and reduced staffing levels. Requested Information Technology (IT) funding would allow FSA to move systems and applications to an open platform independent environment and implement the final phase of Government Paperwork Elimination Act (GPEA) to provide Agency customers with alternate methods for obtaining FSA services, which will ultimately improve program delivery capabilities. FSA also hopes to accelerate the migration of operations to utilize Geographic Information Systems (GIS) through technical components and training. A fully operational GIS will eliminate printing and storage of hard copy maps, maintain a digital database of aerial photography, soils information, customer information and farm records and allow the Agency to integrate program applications, contracts and compliance activities. FSA's request for Information Technology (IT) and Geographic Information System (GIS) was provided to the Office of the Chief Information Officer (OCIO) in the Common Computing Environment (CCE) account. The OCIO will provide oversight and ensure that the funds are expended on behalf of FSA.

CRP SIGNUP

Mr. Bonilla: How many acres does USDA plan to enroll under the CRP general signup in fiscal year 2004?

Response: The FY 2004 President's Budget assumes that a general signup will enroll approximately 2.8 million acres in FY 2003.

FARMABLE WETLANDS PILOT PROJECT

Mr. Bonilla: What is the cost to enroll 78,000 acres in the Farmable Wetlands Pilot Project in fiscal year 2003?

Response: For Farmable Wetland contracts through February 2003, rental payments will be about \$9.5 million (\$122 per acre) per year. Up-front signing and practice incentive payments are estimated to total \$11.7 million and \$6.4 million, respectively. Other costs include about \$2.4 million in technical assistance costs, and \$8.0 million (\$102 per acre) in cost-share payments for practice establishment expenses.

EMERGENCY CONSERVATION PROGRAM

Mr. Bonilla: Please provide for the record a table showing current ECP needs by State.

Response: As of March 5, \$554,599 is available for current ECP needs.

FARM LOAN PROGRAMS

Mr. Bonilla: What specifically has made direct loan programs more expensive to operate?

Response: The cost of subsidizing direct loans has increased due largely to increased projections of loan defaults. Defaults are a major component of the subsidy rate that determines the amount of budget authority that is required to support the requested loan levels. Direct loans are more expensive to operate than guaranteed loans due to the fact that borrowers of direct loans are generally not able to obtain credit from commercial lenders due to their credit risk. Direct borrowers graduate to guaranteed loans when they have demonstrated the ability to maintain their credit.

FARM LOAN OUTLOOK

Mr. Bonilla: What is the current status of FSA loan programs?

Response: Demand for FSA direct and guaranteed farm loans has been strong in recent years. This trend is continuing in FY 2003.

Mr. Bonilla: Does the FSA have adequate funding to cover loan programs for the remainder of fiscal year 2003?

Response: We anticipate that the current funding level will meet the most critical needs of the Agency's borrowers.

BOLL WEEVIL ERADICATION LOANS

Mr. Bonilla: How much of the fiscal year 2003 loan authority for the boll weevil eradication program is being used?

Response: We anticipate that all available funds will be used in FY 2003.

Mr. Bonilla: How much do you project to use in fiscal year 2004?

Response: Current projections indicate that \$60 million in loan level will be used.

COTTON-RELATED ACTIVITIES

Mr. Bonilla: Please provide a table that shows USDA spending, by activity, on cotton for each of fiscal years 2002 – 2004. Include programs that directly provide income to the cotton industry, e.g., CCC, and programs that directly support the cotton industry, e.g., boll weevil, research, etc.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
Cotton Related Activities
Fiscal Years 2002 through 2004
(Dollars in Thousands)

	2002 <u>Actual</u>	2003 <u>Estimate</u>	2004 <u>Estimate</u>
Commodity Credit Corporation Net Expenditures for Cotton	\$3,391,512	\$3,252,964	\$2,894,719
Boll Weevil Eradication Loan Program:			
Loan Level	(100,000)	(100,000)	(60,000)
Crop Insurance for Cotton <i>a/</i>:			
Cotton--Premium Subsidy	270,581	202,242	208,309
Cotton--Indemnities	491,319	355,771	366,444
ELS Cotton--Premium Subsidy	4,033	3,216	3,312
ELS Cotton--Indemnities	6,720	5,550	5,717
Total, Crop Insurance for Cotton	772,653	566,779	583,782
Research:			
Agricultural Research Service	46,726	48,479	43,946
Cooperative State Research, Education, and Extension Service	6,327	6,004	6,429
Economic Research Service	213	222	229
Total, Research	53,266	54,705	50,604
Animal and Plant Health Inspection Service			
Boll Weevil	80,307	61,597	26,722
Agricultural Marketing Service:			
Appropriated:			
Standardization	1,131	1,072	1,087
Market News	2,383	2,266	2,296
Global Market Expansion	--	55	56
Reimbursements:			
Market Research and Promotion	192	201	201
Trust/User Fee:			
Market News Trust	25	16	17
Standards and Futures	4,000	2,392	2,366
Grading and Classing	33,000	31,753	30,077
Total, AMS	40,731	37,755	36,100
Total, Cotton	4,338,469	3,973,800	3,591,927

a/ Based on Crop Year.

BOLL WEEVIL ERADICATION LOANS

Mr. Bonilla: FSA has requested a decrease of \$40,000,000 in boll weevil eradication loans. Is the remaining \$60,000,000 program level sufficient to totally eliminate boll weevil infestation? If not, how many years will be required to complete the task at this level of effort?

Response: Due to the success of this program in eliminating boll weevils in select regions, the budgetary needs for this program are reduced from the FY 2003 level. It is estimated that an additional 5 years will be needed to complete the effort to eliminate boll weevil infestation. The budgetary needs to accomplish this task are expected to decrease in future fiscal years.

GEOGRAPHIC INFORMATION SYSTEM

Mr. Bonilla: Please provide a status report on the Geographic Information System implementation to date and the plans for the additional \$45 million requested in the budget for the Office of the Chief Information Officer.

Response: The following is a status report and plans for GIS implementation.

CLU/MDOQ/NAIP Status

Between 1999 and 2001, FSA established 27 digitizing centers in 22 states to create the Common Land Unit (CLU) database. As of March 1, 2003, Common Land Unit data has been completed or is in development for 854 counties. Ten states are complete or nearly complete and another six states have substantial coverage completed. In house digitizing centers are completing between 30-40 CLU data files per month. Mosaicked aerial photography is complete for 1277 counties. APFO is completing about 40 mosaics per month in house.

FSA has issued solicitations for CLU digitizing and MDOQ production with proposals due April 2, 2003. FSA expects private contractors to mosaic about 100 counties (300,000 square miles) of aerial photography in Idaho, Montana and Washington using FY 2003 funding at an estimated cost of \$2.7 million. CLU digitizing is being contracted in seven states in FY 2003: Washington, Idaho, Montana, Illinois, Ohio, Mississippi, and North Carolina. The estimated cost of this effort is \$8 million.

The National Agricultural Imagery Program (NAIP) has been developed to implement a long-term replacement to 35 mm aerial photography programs currently used by FSA service centers for conducting compliance reviews. NAIP has a secondary purpose of providing service centers with a more timely update to their base map than is available through other federal programs. In FY 2002, FSA flew NAIP photography for 121 counties in six states. In FY 2003, FSA plans to contract for NAIP photography in about 800 counties where CLU has been completed. The estimated cost of this effort is \$7.8 million.

Deployment of GIS application for CRP

We have created an ArcView GIS Extension to be used by Service Center staff working together with producers during the next General CRP signup (April/May 2003). The tool creates offer boundaries, determines their component soil types, calculates the weighted average rental rate per offer acre, and determines land eligibility based on the top three offer soil types. The GIS tool requires a digital soils layer but may be used with or without the Common Land Unit Layer.

The tool is being deployed nationally although its use is optional and subject to availability of digital soils data. Contractor staff are conducting training on the CRP GIS Tool as well as basic GIS software. Thirty-eight sessions have been conducted in 39 states where staff from about 500 service centers have been trained to utilize these tools.

Landsat Imagery Web Site

The USDA acquires Landsat 5 and 7 imagery for most of the crop growing areas of the continental US. With the proper training and software, this imagery can be used by Service Centers to assess the extent of natural disasters such as floods, hail storms, and fires and aids in farm program compliance for certain types of crops.

Landsat imagery was pre-processed, clipped to county boundaries, and converted to GIS-compatible formats. The county-based files are available for download from the intranet (<http://fsagis.usda.gov/fsalandsat/>). For the 2002 growing season, FSA created 23,000 image files in 39 states. FSA plans to process this data and make it available for the service centers for the 2003 growing season and in future years.

FY 2004 Budget Request

FSA will have completed a substantial amount of CLU digitizing and mosaicking by the end of FY 2003. However, CLU will still have to be digitized for about half of the country. FSA anticipates contracting for the development of at least 1,100 CLU counties in FY 2004 at an estimated cost of \$13.3 million. FSA also anticipates mosaicking aerial photography for at least 424 counties in FY 2004 at an estimated cost of \$8.2 million. FSA anticipated flying NAIP photography for 1,500-2,000 counties where CLU has been completed in the summer of 2004 at an estimated cost of \$15.3 million. Fiscal year status and projected goals for established in-house and contracted CLU and MDOQ development is displayed in the table below.

	Pre-2001	2001	2002	2003	2004
CLU Goals/Completed In-House	141	120	399	400	400
CLU Goals/Completed Contracted	9	31		450	1,101
CLU Cumulative Totals	150	301	700	1,550	3,051
Mosaic Goal/Completed APFO	300	250	516	500	500
Mosaic Goals Contract/Other Sources		30	31	500	424
Mosaic Cumulative Totals	300	580	1,127	2,127	3,051

Mr. Bonilla: Which office, CIO or FSA, is responsible for administering these funds?

Response: The funding is under the purview of the Department's Office of the Chief Information Officer (OCIO). The CIO's office is responsible for administering these funds. FSA works closely with the CIO's staff in expending the funds, and provides the staff with required documentation and reports.

COUNTY OFFICE SYSTEM

Mr. Bonilla: In OMB's recent assessment of federal programs, the USDA County Office system was rated as "ineffective" because "even though USDA has worked on improving efficiency since 1992, enormous duplication and inefficiencies remain." Does FSA agree with this assessment and, if so, what will be done to correct the situation?

Response: Mr. Chairman, the fact that FSA, along with its sister agencies, the Natural Resources Conservation Service and Rural Development, administer billions of dollars in program assistance through a network of field offices throughout the country almost assures that there will be some operational inefficiencies. The review that the Secretary is currently conducting will provide some opportunity to correct whatever inefficiencies are found. The second phase of the current effort will examine steps USDA may need to take to enable us to adjust the operational structure as needs and programs change.

OFFICE CONSOLIDATION

Mr. Bonilla: In our report on last year's bill, we continued our direction (under the account "Office of the Secretary") that any reallocation of resources related to the collocation of state offices is subject to the committee's reprogramming procedures. Do you propose to close any state offices in fiscal year 2003 or 2004?

Response: Mr. Chairman, State Office collocation is not part of this effort.

Mr. Bonilla: In the same report, we reiterated our view (under the account "Farm Service Agency") that county office closure or consolidation should occur except in those locations for

which closures and relocations are supported by rigorous analysis to ensure actions are cost effective, and that services available to the public will not be reduced.

During our hearing last Thursday, Secretary Veneman told us that USDA might close or consolidate 200 offices, not in the Farm Service Agency alone.

Dr. Penn, is it correct that the budget presentation for your mission area does not propose any office closure or consolidation?

Response: Mr. Chairman, the FY 2004 FFAS budget request does not request any additional funding for office closure or consolidation. The Secretary has directed that no field office collocation will be required to occur prior to October 1, 2003.

Mr. Bonilla: How do you intend to handle any closures or consolidations that may be proposed during fiscal year 2003 or 2004?

Response: If collocation of FSA offices is warranted based on the Secretary's review, we anticipate that it will be accommodated within the budget request we have submitted to Congress.

QUESTIONS SUBMITTED BY MR. LATHAM

FARM BILL IMPLEMENTATION

Mr. Latham: FSA has approximately 2,500 service centers around the country according to its budget documents. Since 1993, these entities have been seeking to provide a "one-stop" system of service for farmers, yet complaints continue to come in from farmers who have difficulty getting appointments to apply for various services. As you know, last year, I raised the issue of staffing in local FSA offices, and the difficulties that farmers have had in signing up for services. What types of staff increases and other enhancements have been put in place to implement the new Farm Bill?

Response: Since 2001 the FSA has maintained the same permanent county office staffing level. In addition, a total of 342 temporary staff years were hired in FY 2002 and 1,000 temporary staff years in FY 2003. The Consolidated Appropriations Resolution, 2003, provided \$70 million for implementing the farm bill and disaster assistance and they will use a portion of the funding to hire an additional 1,200 temporary staff years for county field offices.

USDA is taking extra steps to ensure that FSA County Offices have the necessary resources to efficiently complete the sign-up process and respond to producer questions and issues. Many County Offices have extended their hours in order to schedule meetings with producers interested in program participation. Furthermore, any producer who has made an attempt to set up an appointment, or come into the office prior to the April 1 deadline, will be provided the time needed to sign-up. Producers will not have any loss of benefits if their pre-scheduled meeting would fall after April 1.

Mr. Latham: Given the passage of the 2002 Farm Bill, and the increased demand for services, along with the continuing complaints about staffing problems in local offices, what types of improvements in FSA offices can we expect to see in the near future?

Response: The Farm Security and Rural Investment Act of 2002 (the Act), P.L. 107-171, contained many programs that have a long term impact on the level of permanent staffing needed to perform ongoing farm bill workload. FSA supports the President's Management Agenda and several initiatives have been completed and others are underway by the Agency that not only comply with e-filing, e-government, and competitive sourcing requirements, but also result in streamlined operations for both the government and the citizens we serve.

Initiatives such as Geospatial Information System (GIS) are expected to provide significant savings. FSA is initiating plans to accelerate the implementation of the Geographic Information System (GIS). GIS serves to eliminate paper processes and increase the quality of products, such as accurate digitized maps instead of manually marked up photos.

These efforts, however, require monetary and human resource investments and immediate Agency staffing needs cannot be completely offset by the many strategies underway to reduce staffing levels, increase productivity and reduce administrative costs.

FSA is part of the Service Center Modernization Initiative (SCMI) partnership, which is a collaboration with the Department and our partner agencies, Natural Resources Conservation Service (NRCS) and Rural Development (RD). Through the SCMI, FSA uses a shared information system built on a Common Computing Environment operating over a common telecommunications and data infrastructure (LAN/WAN/Voice) network that will increasingly provide Service Center staffs access to customer, program, technical, and administrative information, regardless of the Agency they represent. This same architecture and infrastructure will increasingly support the requirements of eGovernment, including Freedom to E-File and the Government Paperwork Elimination Act (GPEA).

Through this common architecture and infrastructure and FSA's modernization efforts, the following improvements have been made to assist FSA personnel in the delivery of our programs.

Common Computing Environment

- Improved information sharing among agencies as a result of common facilities
- Elimination of information conversions to different agency resources (e.g. word processors, databases)
- Sharing of common resources among USDA personnel to eliminate redundant administration efforts, thereby freeing up resources for serving customers (e.g., printer, fax, terminal, PC, desktop software)
- Consolidate of Service Center personnel access to one common user interface, thereby eliminating multiple terminal devices (savings in energy, space, administration/maintenance, wiring/networking, support software)
- Improved communications among all Service Center locations:
 - Common email system
 - Common telephone system
 - Common networking facilities (standard TCP/IP addressing scheme, common cable plant, common router/hub facilities, etc.)
- Enhance data transfer due to faster networking facilities
- Enhance delivery of program software to Service Center locations
- User access to remote Service Center facilities/processes (e.g., remote printing, processing customer information on remote location, remote upgrade of application/system software)
- Common facilities for reengineering individual Agency programs into one common process (e.g., SCIMS, GIS, etc.)

Consolidation of Program Processes at Web Farm Facilities

- Widespread customer access to electronic forms
- Central location for maintenance of customer information
- Improved customer information services (e.g., notices, programs, instructions, email, etc.)
- Improved security of data access for customers and internal USDA users
- Elimination of duplicate processing of information in different Agency databases

Application Software Systems

- Expand Intranet-based program monitoring tools for State and Service Center personnel (i.e., data warehouse tools).
- New delivery systems in exploratory stage for inter-agency conservation systems.
- The web-based Service Center Information Management System (SCIMS) is deployed for Partner Agency use.
- Deployment of common human resource management system (i.e., CAMS).
- Common authentication/authorization system for future web-based, e-commerce applications (i.e., WebCAAF).

Geospatial Information Systems (GIS)

Completing the Common Land Unit (CLU), delivery of GIS hardware and software, and integrating project applications with GIS sets the stage to allow the Service Center Agencies to begin to realize the \$169 million in total annual savings documented in the 1997 USDA Service Center Business Case. Benefits from implementing GIS include:

- Ability, when linked with FSA's vast amount of land and customer information, to effectively administer farm and farm loan programs, as well as effectively respond to natural disaster, animal or plant disease outbreaks, and bio-terrorism events. The wheel and chain manual field acreage measurement is replaced with more accurate GPS equipment. Efficient integration with GPS (Global Positioning System) ground measurement and remote sensing (Satellite) information for compliance verification, disasters, and other program needs, and accurate area calculations of affected crops, acres, and producers.
- Ability, in the incident of a disaster event, to accurately identify, map with GPS units, and import the information to GIS for graphical display and analysis. This allows FSA to more effectively pass this information to other agencies such as FEMA, APHIS, and state and local emergency management officials. When the data is geo-referenced, it allows those agencies to respond in real-time because they can spatially integrate, relate and analyze data from a variety of sources. This improves decision-making and expands program tracking and analysis at all levels - local, state and national.
- Ability to implement streamlined compliance process which will have greater consistency between Service Centers, reduce errors, and make available a permanent digital record of the compliance activities. Also improves coordination and data sharing between Federal, State, and local agencies, such as maintaining and sharing farm record maps digitally.
- Faster reconstitution of farms and updates of farm and tract boundaries along with the associated tabular data for determining acreage for contracts, verification of land eligibility, acreage reports, and compliance work. This is a result of standardized accurate measurements of fields from a digital orthophotography base and digital compliance aerial photography.

- Ability to create high quality, accurate, customized maps for customers on demand, and to create and share data with farmers and private industry using advanced technology in farm operations.
- Assists in determining eligibility for the Conservation Reserve Program (CRP) being used to evaluate the spatial scoring criteria,
- Assists loan officers in appraisals. For example, appraisers are using review software with GPS units to determine boundaries for the Debt for Nature program. New York has used this program on more than 1,000 acres at cost savings in excess of \$100,000.
- Provide loan officers with the ability to digitally identify dwellings, buildings, structures, inventory property and hazardous waste sites or areas for customers purchasing properties. Also provides the ability to identify rental land for borrowers, and assist in production planning and property management. In addition, it assists loan officers with inventory of foreclosure properties and the information used to support the advertisement of these properties.
- Develop employee leadership at the local level in the use and application of GIS for farm program delivery and natural resource analysis.

LOAN DEFICIENCY PAYMENTS

Mr. Latham: Last year, during the hearing, you noted that the electronic loan deficiency payment system was going to be deployed in county offices around Spring, and that a farmer could simply come in to the local office to sign up. With this in mind, as I have noted, many farmers continue to have difficulty getting service at local offices. What type of assessment can you give the electronic Loan Deficiency Payments system so far, and what types of problems are you finding with the system?

Response: The electronic Loan Deficiency Payment System (eLDP) was beta tested from May 1-31, 2002. FSA had projected a Beta Testing II Period for the electronic Loan Deficiency Payments (LDP) System for the Spring of 2003. Our development cycles, to enhance the system based on Beta Testing I comments, took longer than anticipated. Further, when our systems became ready, the eLDP supported crops no longer were posting an LDP rate.

FSA has participated in two reviews of the electronic Loan Deficiency Payments (eLDP) system. The first review was completed internally following the Beta Testing I period. The second review was conducted independently by a vendor contracted through USDA's OCIO. Based on the results from the internal review, system modifications have been made. FSA is awaiting the results from the OCIO's independent review process.

USDA issued a policy for granting Internet access to the eLDP application software after a farmer visits the local office and requests Internet credentials via a "USDA Registration Form to Request Electronic Access Code," Form AD-2016. From our experiences with the first Beta Test, FSA understands producers had experienced delays in receiving their credentials. Based on this finding, the Partner Agencies are working on a solution for requesting credentials on-line rather than via a paper-based process. Additionally, from system monitoring of the first Beta

Testing period, FSA has implemented numerous rule changes in the authentication and authorization facility. These adjustments will streamline user access to Internet applications.

During the first beta testing period, system performance trouble spots were identified. All performance issues were identified as internal to the system rather than resulting from user data entry. These internal issues have led to data base redesigns, common modules interface redesigns, and the use of new technology features (e.g., connection pooling). Linkages to interfacing systems such as the Partner Agencies' Service Center Information Management System (SCIMS) have been optimized.

Finally, FSA has purchased and installed application server hardware with increased in processor power and throughput. FSA expects that these system enhancements will significantly improve the user's experience of the eLDP application system. FSA intends to test this theory during a Beta Testing II period prior to nationwide deployment.

Mr. Latham: Producers have expressed their frustrations regarding the difficulty in updating their base acreage as called for in the Farm Bill. It is my understanding that the problems of those who feed corn, beans and silage have been resolved. I think these farmers are now able to receive a fair LDP as opposed to three-quarters of the LDP in their counties. What other issues do you anticipate finding – for example in the areas of farms recently purchased, or producers who cannot provide receipts or have gaps in crop years?

Response: The provisions for partially updating counter-cyclical payment yields for DCP have been revised to allow county committees to assign production based on the production of 3 or more similar farms, as opposed to 75 percent of the county average yield, when production was fed to livestock or when the current owner or producer is unable to obtain production evidence on certain planted acreage from 1998 through 2001 because they were not a producer on the acreage. Livestock producers who had existing documentation on file with FSA or RMA, indicating that a crop was to be fed, receive production credit based on the actual production of similar farms. Livestock producers who currently certify that production was fed, and owners and producers who are unable to obtain evidence because they were not a producer on the acreage, will receive assigned production based on similar farms, with the resulting yield being limited to the county average yield.

CCC BIO-ENERGY ASSISTANCE

Mr. Latham: The CCC has been making payments to bio-energy producers to offset a portion of their costs involved with the increased purchases of commodities in expanding production of ethanol and bio-diesel. How much money in payments to producers did you outlay in fiscal year 2002?

Response: A total of \$61,203,000 was outlayed to producers in FY 2002.

Mr. Latham: The 2002 Farm Bill created a number of bio-energy programs under Title IX, including bio-energy development grants, bio-diesel education grants and biomass research

and development grants. How much money do you expect the CCC to outlay on these programs in fiscal year 2003?

Response: It is estimated that \$150,000,000 will be outlayed in FY 2003 for the Bioenergy Program. In addition, \$14,000,000 will be used for Biomass Research and Development.

QUESTIONS SUBMITTED BY MS. EMERSON

FARM BILL SIGN UP DEADLINE

Ms. Emerson: Over the past few months I have spoken with many of my producers back home and the most common complaint they have for me is the length of time it takes to sign up for the new Farm Bill programs. I realize that some of the delay is the result of some growing pains of implementing the new programs and the majority of my producers understand that and I respect their patience. When Agriculture Secretary Veneman came before this subcommittee last week, she stated that the upcoming April 1st deadline for Farm Bill sign up will be met, and she was confident that the necessary FSA resources will be allocated to sign farmers up in areas that are lagging behind. I have spoken with some of my FSA offices on their progress with sign up and some aren't even halfway done. Could you outline, in some detail, exactly how FSA will sign these farmers up in such short notice?

Response: USDA is taking extra steps to ensure that FSA County Offices have the necessary resources to efficiently complete the sign-up process and respond to producer questions and issues. Many County Offices have extended their hours in order to schedule meetings with producers interested in program participation. Furthermore, any producer who has made an attempt to set up an appointment, or come into the office prior to the April 1 deadline, will be provided the time needed to sign-up. Producers will not have any loss of benefits if their pre-scheduled meeting would fall after April 1.

FSA LOANS

Ms. Emerson: Does any loan servicer provide the kinds of remedies to delinquencies that FSA does?

Response: No, FSA's statutory loan servicing practices differ from those employed by any commercial lender. Only FSA loan programs covered by the Agriculture Credit Act of 1987, specifically farm ownership and operating loans, offer as great a degree of loan servicing practices.

Ms. Emerson: Can anyone do a more comprehensive job of trying to collect delinquent debt?

Response: Given the complexity of its statutory requirements, any other entity -- Federal or commercial -- attempting to service FSA loans would face a costly, lengthy, and comprehensive learning curve before being able to provide the level of assistance offered by the Agency. Additionally, only FSA has the extensive field office structure and trained personnel required to give each delinquent borrower individual attention in his or her own geographical area.

Ms. Emerson: Are FSA's borrowers the type of borrowers that loan companies are used to dealing with?

Response: They are not. As the lender of last resort, FSA provides assistance only to individuals and entities that cannot obtain commercial credit at reasonable rates and terms. Once an FSA borrower has made sufficient financial progress to qualify for commercial credit, he or she is required by statute to "graduate" from the FSA loan program.

Ms. Emerson: Will a contracted servicer be able to relate to and assist our borrowers with their needs?

Response: Given the complexity and uniqueness of FSA's statutory servicing requirements as well as the additional costs that would be incurred by private lenders, it is difficult to see how a contractor could provide supervised credit, as required by statute, to assist borrowers as efficiently and promptly as FSA personnel are currently doing. In addition, due to increased costs of servicing, private lenders would not be likely to provide this level of service.

Ms. Emerson: Is contracting cost effective?

Response: Some types of contracting are cost effective, such as appraisals, environmental cleanup of inventory properties, and inventory property maintenance. However, extensive training would be required for contractors to understand and provide the complex statutory loan servicing benefits provided by FSA. Additionally, any contractor attempting to provide the level of individualized servicing required by statute would have to incur the expense of a large, nationwide network of offices or considerable travel expenses. Given these considerations, it would not appear that contracting for basic loan servicing functions would be cost-effective.

Ms. Emerson: What activities does the Loan Operations Division (LOD) in St. Louis, MO. perform?

Response: The Loan Operations Division (LOD) performs loan making and servicing, activities for guaranteed and direct farm loan programs (FLP), and miscellaneous accounts. LOD provides field offices and headquarters FLP staff with technical and operational support related to direct and guaranteed loan making and servicing. It also coordinates implementation of new FLP programs/initiatives by evaluating new and/or amended legislation, regulations, and program guidance to identify the impact on direct and guaranteed FLP servicing. LOD provides technical advice and support to the Department, Agency, Department of Justice, auditors, lenders, and private contractors on matters relating to guaranteed and direct FLP loan/grant making and servicing. LOD also reviews new and revised Agency policy and accounting procedures to ensure compliance with Department, Office of Management and Budget and other regulatory agency guidelines and regulations. The division also coordinates all farm loan activities related to the Debt Collection Improvement Act of 1996, including Treasury offset, cross-servicing, electronic funds transfer, consumer credit bureau reporting, and administrative offset for the FLP.

Ms. Emerson: What private sector entities have the institutional knowledge required to perform these activities?

Response: No private sector entity has the institutional knowledge required to perform these activities in whole. The various legislative and unique statutory servicing requirements that govern the loan making, loan servicing and reporting of these activities is not required in private industry. FSA provides guarantees to private lenders for borrowers receiving loans with a private lender. In addition, direct loans are provided to borrowers who are unable to obtain private financing. Direct borrowers rely on field office personnel and Loan Operations Division personnel to service their loans. Unique statutory requirements for loan making include but are not limited to loan limitations within a program fund, and borrower training in specific situations in order to receive government appropriated funds. The requirements for these servicing options frequently change over the years due to subsequent legislation. Some of these servicing options include but are not limited to -- limited resource interest rates changes, deferrals, disaster set-asides, Softwood Timber, net recovery/market value buyout, shared appreciation write-downs, shared appreciation amortization, suspension of shared appreciation.

Ms. Emerson: President Bush's 2004 Budget calls for additional centralized servicing in the Farm Loan Program. What specific activities are proposed for centralization and where does the Agency propose to find the institutional knowledge to perform such centralized functions?

Response: The President's initiative calls for "centralizing servicing functions that do not need to be performed at the field level." Currently FSA is considering the centralization of billings (payment reminders), mailings and other forms of generalized correspondence (Limited Resource notification letters, etc.), and the development of an Interactive Voice Response System to handle routine information requests from borrowers. In addition, FSA will continue to analyze its loan servicing functions to determine if it also makes sense to centralize any other functions.

Ms. Emerson: In 1998, the USDA Administrative Convergence Implementation Planning Team issued a "Final Proposal for Converging Information Technology Services". This document included an Appendix, "Recommendations on Contracting". Can you recall whether that USDA task force called for increasing or decreasing the use of contractors to support the IT services of the Farm Service Agency and the other county-based agencies, and what the basis for its recommendations was?

Response: The paper, "Recommendations for Contracting", recognized that the agencies would have a continued need for contracting but offered that the converged organization should utilize the best blend of Government and contract resources in delivering its mission.

The paper cited the disparity of costs in contract resources. The prices varied based on the IT skill set needed. Also, an assumption was made that for every contractor used, some Government resources would be needed to manage the contract and to ensure the delivery of quality goods and services.

The conclusion of the "Recommendations for Contracting" paper offered that the converged IT organization should research as many options as possible when making decisions about using in-house or contractor resources. It was believed that infrastructure support such as LAN administration, legacy support, etc. would be easier to contract out than development work where business case knowledge is needed.

FSA PERSONNEL ISSUES

Ms. Emerson: It has come to my attention that there has been a significant reduction in permanent FSA staff members. How will this reduction affect the implementation of the Farm Bill and the quality of service FSA provides to our farmers?

Response: Since 2001, FSA has maintained the same permanent county office staffing level, so there has been no reduction to affect Farm Bill implementation. The initial impact of Farm Bill related implementation workload increases are similar to that of a disaster in that they are temporary in nature. A total of 342 temporary staff years were hired in FY 2002 and 1,000 temporary staff years in FY 2003. The Consolidated Appropriations Resolution, 2003, provided \$70 million for implementing the Farm Bill and disaster assistance. A portion of this funding will be used to hire an additional 1,200 temporary staff years for county field offices.

It is anticipated that in FY 2004, FSA will decrease approximately 2,692 temporary staff years since most initial Title 1 implementation work will be complete. FSA does not yet know the full impact of the permanent ongoing maintenance workload of the new Farm Bill programs. Every effort will be made to continue the high standard of service provided to our customers while analyzing these impacts.

Ms. Emerson: What are you doing to ensure that farmers will receive the same level of assistance with the temporary FSA staff members as they would with permanent members?

Response: FSA conducts program training at all levels to educate staff on the details necessary to accurately and efficiently deliver programs and provide a high level of service to our customers. Training is directed to all employees involved in program delivery including temporary field office employees. Temporary employees also work side-by-side with full time employees, receiving daily on-the-job training. Temporary employees also augment full-time staff by data loading, answering phones, and filing. This frees up full-time staff to deal more directly with customer questions and concerns that require a higher level of technical program knowledge.

QUESTIONS SUBMITTED BY MS. KAPTUR

Ms. Kaptur: Let me thank you for your responsiveness to the issue I raised with Secretary Veneman regarding the concern of a producer in Ohio who was concerned about the fact that he could not get an appointment at the county office until after the April 2nd sign-up deadline. Your personal assurance to him that his having scheduled a meeting prior to April 2nd even though the meeting itself cannot occur until May will serve as constructive compliance with the program deadline has been helpful. Is this the policy that you intend to follow with offices -- those efforts by farmers to secure appointments before April 2nd is effectively compliance with the program deadline?

Response: Yes, any producer who has made an attempt to set up an appointment, or come into the office prior to the April 1 deadline, will be provided the time needed to sign-up for the program. Producers will not have any loss of benefits if their pre-scheduled meeting would fall after the April 1 deadline. USDA is, however, taking steps to avoid late sign-up. Many FSA County Offices have extended hours of operation and additional temporary employees and IT equipment have been placed in several high workload volume offices to help alleviate any backlogs.

Ms. Kaptur: And let me also confirm that should the date of his appointment conflict with optimum conditions for planting that the producer should plant and reschedule the appointment without fear of risking program eligibility?

Response: USDA is taking extra steps to ensure that FSA County Offices have the necessary resources to efficiently complete the sign-up process and respond to producer questions and issues. Many County Offices have extended their hours in order to schedule meetings with producers interested in program participation. Furthermore, any producer who has made an attempt to set up an appointment, or come into the office prior to the April 1 deadline, will be provided the time needed to sign-up. Producers will not have any loss of benefits if their pre-scheduled meeting would fall after April 1.

Ms. Kaptur: Mr. Little, I continue to believe that county office personnel are doing an outstanding job. Between the complexities of a new farm bill and the demands of another disaster program, I am sure that FSA personnel are deserving of every compliment we can give them. But at the same time, I understand their frustration. They keep doing more while others in government, and I include people outside of USDA, expect them to continue to work miracles with limited resources. When you analyze the number of permanent and non-permanent personnel needed to meet FSA's workload, how do you decide that nearly 2,000 temporary personnel over several years is a preferable to increasing the number of permanent staff employed to operate the program?

Response: While permanent ongoing workload has remained fairly static over the last several years, disaster activity has been implemented annually during those same years. Disaster associated workload, being both regional and temporary in nature, can't be projected and included in the President's Budget. Because of this, workload is predicted to go down each year

as disaster activity is completed. This would be an accurate assumption except that new unanticipated disasters seem to occur each year. The ad hoc, regional, and temporary nature of disaster related workload doesn't easily lend itself to support of permanent staff.

FARM CREDIT NEEDS

Ms. Kaptur: As you look at producer's needs for credit, what do you believe to be the most significant changes in the average farm ownership or operating loan? Are they getting larger or remaining the same in size?

Response: The most notable change has been an increase in the average loan in the direct farm ownership program, due to the increase in farmland values. The average size of these loans has increased from \$85,000 in FY 1998 to \$117,000 in FY 2002. The average direct operating loan has remained at \$45,000 to \$48,000.

Ms. Kaptur: Are farmers remaining current on debt obligations, or are there increasing delinquencies?

Response: Overall, FSA loan delinquencies are declining at this time. Only 10.4 percent of all direct loan dollars were delinquent at the end of FY 2002.

Ms. Kaptur: If producers did not receive farm disaster assistance, how would that impact your delinquency rates and the continued eligibility of farmers for credit?

Response: In general, disaster payments do assist a great many borrowers in paying their annual installments on FSA debts. Additionally, many delinquent borrowers whose operations continue to be feasible can resolve much of their financial stress through the existing debt restructuring programs offered by FSA.

COST OF FARMING

Ms. Kaptur: Some of my farmers tell me that land rents are strongly influenced by federal assistance payments. Simply put, land rents are higher than they otherwise would be as a result of farm income support and disaster programs. Some producers have reached the point where they find the economic return from renting their land to others perhaps more financially rewarding and less stressful than actual farming. What analysis have you or others in the Department done to examine the impact of farm programs on the prices of farm inputs?

Response: Government commodity program payments are estimated to have added nearly \$62 billion to U.S. farmland values, as farmland value depends largely on expected future earnings, including program payments. From the perspective of many farm operators who own land, farmland value increases are favorable. Farmland value underlies the financial stability of many farm businesses, and farmland is often the principal source of collateral for farm loans. But for operators who pay more to buy land, appreciated values add to the fixed cost of

production, largely related to higher financing costs and/or real estate taxes. Additionally, operators who lease farmland may pay higher rents that reflect their receipt of some of the government payments. The added farmland value is particularly high in the Heartland region, where farm commodity payments have added \$40 billion to the market value of cropland, nearly two-thirds of the effect nationwide. Much of the added value nationally, over 60 percent, accrues to non-operator landlords who lease out their land.

Ms. Kaptur: If you were looking at the other sectors of the economy, are farmers more or less dependent on rented or leased inputs than other business operators?

Response: Farm operators are highly reliant on leased inputs, particularly farmland. According to USDA statistics, over 45 percent of all farmland operated by farmers is leased. Through these leasing arrangements, landlords provide 40 percent of the capital needed to farm. Compared to the typical small business proprietorship, farmers are more reliant on leased capital. The reason is mostly explained by the fact that their capital needs are much greater than those of typical small businesses. The capital investment of a commercial farm typically exceeds \$500,000. In contrast, capital needs for 95 percent of small businesses are less than \$100,000 according to the Census of Business Owners (Bureau of the Census). To obtain the capital needed to operate their businesses, small business owners may utilize personal savings, loans, or the sale of physical assets. However, a reliance on leased capital is not unusual for an industry where capital requirements are large and the assets are fixed. In order to leverage their limited capital, firms in industries where capital requirements are large will often use leasing arrangements. Leasing is very common in commercial real estate, for example.

BIOFUELS

Ms. Kaptur: General Motors recently announced an effort with the National E-85 Vehicle Coalition to promote the use of 85 percent ethanol fuel by the consumers who already own these vehicles. There are more than 3.3 million on the road right now while there are less than 200 E-85 refueling locations around the country. What can you do to join in this effort to promote the actual use of biofuels?

Response: The Department encourages increased use of ethanol and biodiesel through the Commodity Credit Corporation's Bioenergy Program. Program provisions are set forth in Section 9010 of the Farm Security and Rural Investment Act of 2002 (the 2002 Act). The 2002 Act specifies that the Secretary, under part 1424 of title 7, Code of Federal Regulations, shall make program "payments to eligible producers to encourage increased purchases of eligible commodities for the purpose of expanding production of such bioenergy (defined by the 2002 Act as fuel grade ethanol and biodiesel) and supporting new production capacity for such bioenergy." The 2002 Act also provides that "the Secretary shall make payments to eligible producers, based on the quantity of bioenergy produced by the eligible producer during a fiscal year that exceeds the quantity of bioenergy produced by the eligible producer during the preceding fiscal year." The 2002 Act establishes the program for fiscal years 2003 - 2006 and provides funding of up to \$150 million per fiscal year. By reducing net cost of production, we are reducing ethanol and biodiesel costs to the public and stimulating demand for these fuels.

USE OF SURPLUS COMMODITIES

Ms. Kaptur: I continue to support connecting the production side of USDA with the nutrition side of the Department, and believe that we can be creative with how we use the commodities we acquire under price support operations. Last year we had nearly a two-year supply of nonfat dry milk in storage. How has this situation changed?

Response: In FY 2002, CCC was able to utilize 178 million pounds of nonfat dry milk, while we purchased 653.1 million pounds. So far this year in 2003 we have utilized over 390 million pounds of nonfat dry milk in our domestic and export programs. Our goal for 2003 is to use over 600 million pounds. However, we have purchased over 400 million pounds of nonfat dry milk this year. FY 2002 year end inventory was 1.2 billion pounds, and today it is 1.3 billion pounds. Commercial sales of nonfat dry milk average from 750 to 950 million pounds yearly. At this point CCC has approximately 1.5 years of domestic consumption in inventory. We welcome any suggestion you or anyone else may have to utilize more nonfat dry milk. How USDA uses nonfat dry milk can upset commercial dairy markets. Therefore, our first test on any new utilization of nonfat dry milk remains commercial displacement.

Ms. Kaptur: I understand that the Department has made efforts to use some of the nonfat dry milk in the production of cheese, pudding, and perhaps yogurt for different food assistance programs operated by USDA. To the extent that you have done so, I am very happy that you pursued my suggestion from last year. Can you more fully describe what products are being obtained, to which food assistance programs they are being distributed, how long this effort is likely to continue, and what the net cost of this effort might be?

Response: This question is a little complicated and there are two parts. I cannot answer the question concerning the net cost since USDA is not provided state level information after they obtain nonfat dry milk from CCC-owned inventory and exchange it for cheese or other products such as cheese, yogurt, cheese sauce, etc. However, the pudding exchange program is administered by the Farm Service Agency. Under this program no dollars are exchanged, it is strictly an exchange of nonfat dry milk for pudding delivered to the states. There is no net cost to CCC since the nonfat dry milk has already been paid for under the milk price support program. The current price support price for milk is \$ 0.8000 cent per pound. Pudding will be provided to FDIPIR, CSFP, TEFAP and schools. The initial allotment of pudding was made to TEFAP. Farm Service Agency will be providing pudding to the domestic programs as long as there is nonfat dry milk and there are suppliers to exchange nonfat dry milk for pudding. In addition, Farm Service Agency will be exchanging nonfat dry milk for cheese this year for domestic feeding programs; however, this program will be a one year program due to commercial displacement of nonfat dry milk. At this time I can not provide you any data on the net cost, because FSA has not purchased any cheese under these contracts to date.

QUESTIONS SUBMITTED BY MR. HINCHEY

AFFIRMATIVE ACTION

Mr. Hinchey: In this testimony, as Mr. Little describes the direct farm ownership loan program, he explains that FSA has "established annual county-by-county participation targets for members of socially disadvantaged groups based on demographic data." I am pleased to see that the Bush Administration's disdain for affirmative action programs that target minorities in higher education does not extend to your program.

I am concerned, however, about the administration of the way FSA manages and disposes of foreclosed real estate and would like to ask a series of questions about this subject.

FSA has for a decade used an estimate of \$97 annual per acre as standard to cover the costs for managing and holding property in inventory. Is this standard still accurate, and does it include only holding costs, or acquisition and holding costs? What is the real costs, and is it time to revise this standard downward? How would a reduction affect overall spending for this program? Will the Secretary make this change?

Response: The \$97 annual per acre cost was the result of a 1992 study and has never been considered a "standard" for the Agency. That study considered acquisition, holding, and disposition costs. A large portion of the \$97 constituted "accounting costs" in the form of interest that might have been realized if those funds had been put to other uses -- a dubious measurement since those funds could not in any case have been used to make loans and generate interest income. In 1992, FSA held more than 3,300 inventory properties. At the beginning of the current fiscal year, the Agency held only about 300 such properties, many of which were under lease or subject to environmental reviews before sales could be authorized. The dramatic drop in the number of inventory properties has resulted in a significant savings to the American taxpayer.

Mr. Hinchey: If FSA has overstated of costs for managing and holding property affected the policies regarding the timetable for sale of the inventory properties?

Response: Until the 1992 study is updated, actual current costs will not be known. However, properties have been sold as quickly as possible, given the particular circumstances of each individual case, and the holding costs have not been a significant factor in that process.

Mr. Hinchey: Has USDA adopted formal or informal procedures to hasten the sale of inventory land?

Response: FSA procedures for selling inventory property are mandated by Congress, and the timeframe is a statutory requirement. However, that timetable may be affected by certain other considerations, including litigation, environmental issues, wetland or easement determinations, historical determinations, statutory homestead protection rights, and existing

leases under the now obsolete leaseback/buyback program. Properties cannot be sold until these issues are resolved.

Mr. Hinchey: How might this practice of disposing of land have affected the sale price of the land and how much USDA recoups in sale of inventory property?

Response: Inventory properties are offered at their appraised value at the time of sale, which could be higher or lower than their value at acquisition, depending on the general farm economy and specific local conditions. FSA procedures for selling inventory property are in compliance with statutes and published regulations.

Mr. Hinchey: Please compare the appraised prices, the average time properties remained in inventory, and the sale prices of inventory property detailed by state, and in a national summary and within each state, by gender, race, and ethnicity with appropriate comparisons.

Response: This information can be provided within 60 days, once a brief analysis of this type of data can be accomplished. However, under Federal law, inventory farm properties must be advertised for sale with a priority for beginning farmers, as defined by statute. If there is more than one qualified applicant, the purchaser is drawn by lot, also as provided by statute. If no beginning farmers apply, the property is then sold to the highest bidder.

Mr. Hinchey: Are there any significant disparities or differences that should be addressed?

Response: FSA is not aware of any significant disparities.

Mr. Hinchey: Compare average appraised and sale prices by size of parcels, and the gender, race and ethnicity of the owner before the parcel was taken into inventory.

Response: This information can be provided within 60 days, once a brief analysis of this type of data can be accomplished.

Mr. Hinchey: How does the length of time properties remain in inventory affect the average sale price of the properties compared to the appraised price when the property is taken into inventory?

Response: This information can be provided within 60 days, once a brief analysis of this type of data can be accomplished.

Mr. Hinchey: USDA is required to provide preferences to beginning farmers and ranchers in the sale of inventory property. The terms of the Pigford v. Glickman settlement also required that claimants be afforded the opportunity to reclaim their properties in inventory. Please provide data on the racial and gender composition of the farmers who have purchased inventory land in each of the past five years, and of the income level of the farmers who have lost the land compared to the farmers who purchase the land.

Response: The following two charts display inventory property purchasers by race and by type. FSA does not track the income levels of purchasers.

RACE/GROUP	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	TOTAL
Asian/Pacific Islander	2	7	0	7	1	17
Black	12	5	4	5	6	32
Hispanic	41	6	12	4	4	67
Native American	5	15	4	3	2	29
White	477	351	260	212	174	1,474
Non-Tax-Exempt*	2	3	2	0	0	7
Tax-Exempt*	15	7	4	4	4	34
Undefined	0	0	1	0	0	1
Total	554	394	287	235	191	1,661

* These categories reflect corporations that have status as a race or ethnic group. Purchases made by these entities are not tracked by any other group designation.

TYPE	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	TOTAL
Beginning Farmer	43	11	15	8	6	83
Other	511	383	272	227	185	1,578
Total	554	394	287	235	191	1,661

Mr. Hinchey: Also provide data on the racial, ethnic, and gender composition of participants in the beginning farm program.

Response: With regard to inventory property sales, this information is not available because the automation system does not cross-match beginning farmers with the inventory sales' racial-ethnic-gender data.

Mr. Hinchey: By what method does FSA inform claimants, and minority and beginning farmers of the availability of inventory property and their rights to seek to purchase or repurchase the land?

Response: It is USDA's responsibility to ensure adequate advertising to inform the public and achieve a timely sale. Inventory farm property is advertised for sale by publishing, as a minimum, two weekly advertisements in at least two newspapers that are widely circulated in the area in which the farm is located. The advertisements contain language advising that there is a priority to beginning farmers or ranchers and prevailing claimants in the Pigford case. The primary means of notification are newspaper advertisements, public "Notice of Sale" forms, and notification of known interested parties. Notices are also posted to bulletin boards in the reception areas of USDA service centers, employment centers, apartment complexes, or door-to-door distribution. Most recently, an Internet website has been developed that contains information on properties that are available throughout the nation for sale.

Mr. Hinchey: How are beginning farmers made aware of their eligibility for the beginning farm program?

Response: FSA service centers promote the program by displaying posters and providing brochures concerning the program, noting its availability during public meetings, and discussing any questions raised by potential participants in one-to-one conversations. Information on the program is also available on the FSA Internet website and published in the Federal Register.

Mr. Hinchey: Are there differences in participation rates by gender, race, and ethnicity?

Response: Participation in this program by gender, race and ethnicity is generally similar to that in the overall Farm Loan Programs portfolio.

Race/Ethnicity/Gender	Number of Participants
American Indian	441
Asian	106
Black	530
Hispanic	482
White	12,421
Other race/ethnicity	1
Women*	(838)
TOTAL	13,981

* Women are also counted in the racial and ethnic categories

Mr. Hinchey: If so, how does the Department plan to correct these differences?

Response: No significant discrepancies have been noted.

QUESTIONS SUBMITTED BY MR. OBEY

DAIRY PRICE SUPPORT PROGRAM

Mr. Obey: Despite the fact that the dairy price support program is mandated by Congress to support the price of milk at \$9.90 per hundredweight, the monthly Class III milk price announcement has dropped below \$9.90 in 15 of the past 40 months, dating back to November 1999. Further, the Class III price has averaged below the \$9.90 support level for the past eight months. Why are Class III prices falling below support?

Response: The monthly Class III announced price and the support price are not directly comparable because they are based on different fat contents of milk. The support price at the same fat content as the Class III price is \$9.78. Class III prices have fallen below the support price primarily because of reluctance of cheese manufacturers to sell product to USDA. Manufacturers say they are reluctant to sell cheese to USDA because: they have higher costs when selling product to USDA than in the commercial market; they have long term contracts that do not allow diversion of product to USDA; competitive pressures encourage them to sell to the commercial market to gain market share; and the Federal Milk Marketing Order formulas guarantee them a margin since low cheese prices lead to low milk prices. Overall manufacturing milk prices have remained above the \$9.90 support rate because of higher Class IV (milk used for butter and nonfat dry milk (NDM)) milk prices.

Mr. Obey: What steps can USDA take with current authorities to maintain Class III prices at \$9.90?

Response: USDA is currently studying options for increasing the support program effectiveness. One possibility is to add a marketing allowance to product purchase prices to compensate producers for the extra packaging, grading and storage costs for products being sold to USDA. However, compensation for those costs may not prevent Class III prices from falling below \$9.90 per cwt for the reasons listed above.

Mr. Obey: What further authorities would USDA need to maintain Class III prices at \$9.90?

Response: The current Milk Price Support Program does not directly support milk prices. Milk prices are supported indirectly through Commodity Credit Corporation purchases of storable dairy products—cheese, butter and nonfat dry milk. Manufacturers' voluntary participation in the program is necessary for the program to work. Some industry members have suggested conversion to a target price program for milk, with deficiency payments making up the difference between market prices and target prices. This would make farm revenue support for milk production more direct.

DAIRY PRICES AND IMPORTS OF MILK PROTEIN CONCENTRATE

Mr. Obey: Dairy farmers believe that a high level of virtually tariff-free imports of Milk Protein Concentrate (MPC) is contributing to low dairy prices. The tariff treatment concession to MPC appears to have resulted from an oversight during negotiations under the Uruguay Round of the GATT. MPC was not afforded a tariff comparable to comparable products, such as nonfat dry milk because, it appears, the ultrafiltration process by which MPC is created was not commercially viable at that time and, as such, MPC was overlooked.

Ultrafiltration is now commercially viable in many countries and a GAO report published in March 2001 identified a 600 percent increase in MPC imports into the United States from 1995 to 1999 due to this oversight. How much MPC has been imported into the United States since 1999? How much of a factor are MPC imports on current low dairy prices and federal purchases of surplus nonfat dry milk?

Response: MPC imports peaked in 2000 at 53,000 metric tons while 2002 imports were 34,000 metric tons, 18 percent above 2001. Imports for 1999 through 2002 totaled 160,000 metric tons. Some of the MPC imports are used for new specialized products that require highly concentrated protein and do not directly compete with domestically produced dairy products. Some of the lower valued imports are blends of nonfat dry milk (NDM) and casein produced to have just enough protein to avoid the tariff on NDM imports and do compete with domestic NDM. Imported MPC represents less than 1 percent of total milk protein produced in the domestic market. It provides about 5 percent as much protein as domestically produced nonfat dry milk. MPC imports have increased price support program NDM purchases somewhat, but the protein content of MPC imports represents less than 25 percent of the protein content of USDA NDM purchases. The impact on farm milk prices has been minimal since NDM prices have been at support levels during the time when MPC imports increased.

Mr. Obey: Cheese manufacturers are seeking approval from the FDA of a change in regulations that would allow MPC to be used as an ingredient in standardized cheeses. Dairy farmers fear this may open the floodgates to even more MPC imports. What would be the impact on dairy prices, federal purchases of surplus dairy products, and the cost of the dairy program of a change in FDA regulations that allowed imported MPC as an ingredient in standardized cheese?

Response: FDA has not enforced regulations preventing use of MPC in cheese manufacturing as long as it is listed as an ingredient on the package. It is unlikely that a regulation change would lead to much larger MPC imports. MPC imports tend to vary with relative prices for domestic and world NDM. The regulation change might make it more advantageous to ultra-filter western milk and transport it to Midwestern cheese plants. Federal purchases would see little impact but regional milk movement and pricing might be impacted.

Mr. Obey: What would be an appropriate tariff for MPC if it were to be treated the same way as nonfat dry milk?

Response: The question of an appropriate tariff on MPC is problematic in that most of the differences in tariffs are related to the fat-content of the product. Thus NDM, with a fat content below 1.5 percent has an in-quota tariff of 3.3 cents per kilogram while whole milk powder with a fat content above 3 percent, has an in-quota tariff of 6.8 cents per kilogram. The out-of-quota tariffs are 86.5 cents per kilogram and \$1.092 per kilogram respectively.

In 2001, the U.S. Customs Service proposed narrowing the definition of MPCs and that the excluded products be classified under Note 10--miscellaneous dairy products with more than 5.5 percent butterfat or 16 percent total milk solids. Customs 'in-house' proposal was withdrawn but National Milk Producers Federation has petitioned that the issue be re-studied.

FARM SERVICE AGENCY STAFFING BUDGETS AND THE MILC PROGRAM

Mr. Obey: Estimates from Wisconsin FSA offices are that it takes one-tenth of an FTE to service one farmer under the Milk Income Loss Contract (MILC) program. Further, because Wisconsin has a much larger number of dairy farmers than any other State, nearly 20 percent of all dairy operations in the United States, the burden of servicing dairy farmers falls disproportionately on Wisconsin FSA offices. Wisconsin FSA estimates Wisconsin will need 30-35 additional staff years just to administer the MILC program. Is FSA aware of the unique workload burdens placed upon Wisconsin FSA staff due to the MILC program and what does FSA propose to do about it?

Response: Yes, FSA is aware of workload burden placed on each of the States through the use of an intricately established workload measurement system to review workload demands. New programs, such as MILC, are added to the system as soon as activities begin in the county offices. This data generates program staff years that would be required to carry out all the Agency programs responsibility. The generated staff years, however, are usually reviewed and appropriate adjustments made according to current funding levels. As always, the agency objective is to ensure effective and efficient program delivery.

DAIRY PROGRAM COSTS AND MILK PRODUCTION

Mr. Obey: Page 58 of the Administration's Budget for FY 2004 includes a reference to market distortions created by the dairy program. The reference recognizes that dairy farmers have been suffering from low prices while production levels have remained relatively high:

"Even though dairy prices have been stagnant to declining in the past few years, production levels have not adjusted, as the government is obliged to purchase dairy products... future action [will be] taken if government stocks continue to grow."

Does this reference to production apply to milk production or production only on nonfat dry milk? How does USDA propose that milk production levels be adjusted?

Response: The market distortions referred to the Milk Price Support Program (MPSP) purchase price providing a floor for NDM prices while butter market prices were much higher

than the MPSP purchase price. This distortion kept Class IV milk prices well above Class III prices and created large inventories of NDM in government storage. The reduction in the NDM purchase price in November 2002 has led to less distortion in the dairy product markets. Government purchases are now more balanced between fat and nonfat solids from milk.

Mr. Obey: Ultimately, whatever the production in question, if a market is saturated and prices are declining due to overproduction, you have to cut back on production. That is what happens in the oil industry, in automobiles, in steel and virtually everything else.

As I understand it, in the case of milk production, there are only two ways to address the problem of a saturated market and declining prices. Either low prices will drive farmers out of business and, if the cows and equipment are not purchased by neighbors, that may reduce milk production although it may be very disruptive to farming communities. Or, you adopt some measure of supply management. Which method does USDA prefer—driving dairy farmers out of business with low prices or adopting some measure of supply management? Or, does USDA perceive other options?

Response: Low prices can reduce the incentives of producers to increase production and stimulate increased use of dairy products. Reductions in NDM purchase prices in May 2001 and November 2002 brought Class III and Class IV prices into better alignment and has reduced regional advantages for production areas with higher Class I and Class IV utilization. Milk prices are expected to increase in the second half of the year taking some of the pressure off struggling farms. USDA does not favor supply management programs because they increase government intervention in markets and usually suppress innovation. A lower support price may be necessary if dairy product purchases increase substantially in 2003, but purchases are currently expected to decrease.

QUESTIONS SUBMITTED BY MR. BISHOP

ASSISTANT SECRETARY FOR CIVIL RIGHTS

Mr. Bishop: I have long been concerned with the challenges and issues faced by African American farmers in this country, and the Department's continued role, on several fronts, in resolving this. In the past, Congress took several steps to attempt to root out the various vestiges of discrimination at the Department of Agriculture. One issue, which is of particular concern to me, was the creation of the new Assistant Secretary for Civil Rights at the Department of Agriculture. What is the status of this office, the plan for its ongoing and continued staffing plan?

Response: Mr. Vernon Parker of Arizona was nominated in January to be the first Assistant Secretary of Agriculture for Civil Rights. We expect Mr. Parker to be confirmed by the Senate later this month. We appreciate the funding Congress provided for the Office of the Assistant Secretary for Civil Rights this year and are seeking to maintain that funding in FY 2004. After Mr. Parker is confirmed he will evaluate the office's staffing needs.

Mr. Bishop: Programmatically, where are we in terms of the office's strategic focus?

Response: To strategically address the issues facing civil rights in USDA, a 90-day plan is in the process of being developed that should result in lasting improvements in civil rights within USDA. At a minimum, this includes reducing the complaint inventory of both employment and program complaints, decreasing the number of employment complaints filed, and a communications strategy to keep the public and customers informed regarding USDA civil rights programs.

MENTOR PROTÉGÉ PROGRAM

Mr. Bishop: Can you provide us an update on the "Mentor Protégé Program" created last year?

Response: Over the last few months, USDA has reviewed mentor protégé programs developed by other Federal agencies to identify best program practices. As a result, we have designed policies and regulations that support a USDA unique Mentor Protégé Program. We anticipate initial implementation of the USDA Mentor Protégé Program by the end of fiscal year 2003.

Mr. Bishop: Also, the Congress asked that the Department keep track of program participation rates for minority farmers to access USDA programs at the local level. There are several programs in place to assist not only minority farmers, but small and rural farmers as well, (i.e., Outreach program to Disadvantage farmers, etc). In your view where is the Department in terms of the implementation and execution of programs aimed at assisting the small and disadvantaged farmer, particularly given the Department's history in this area -nationally,

regionally, and locally? I am extremely interested in an assessment of the Department's activities in my District in this area as well.

Response: Language for the 2501 program requires the Department to keep track of program participation rates for minority farmers to access USDA programs at the local level. The Department continues implementation and execution of programs aimed at assisting the small and disadvantaged farmer. The 2501 program is still addressing the needs of small and disadvantaged farmers. In order to improve the programs' effectiveness and efficiency, the grant making authority of the 2501 program was transferred from the USDA office of Outreach to CREES. Grant recipients are now able to take advantage of CREES' long history of grant making and servicing. The USDA outreach staff is still providing assistance for USDA programs and services.

In August 2002, eight counties in your district received emergency disaster declaration. The designation immediately provided eligibility for USDA emergency farm loans to farmers and ranchers in Mitchell, Baker, Colquitt, Decatur, Dougherty, Thomas and Worth counties.

The Department is committed to providing fair and equitable treatment to farmers in your district. FSA developed an action plan of concrete steps it will take to ensure that customers are treated in an appropriate manner and that all customers have full access to its programs and services.

OVERSIGHT OF FSA LOANS TO MINORITIES

Mr. Bishop: In the past, there has been some concern regarding the Department's oversight and execution of the FSA direct loan program, and in particular, issues surrounding charges of discrimination the administration of the program. Can you provide us an update on the Department's activities in this area, and the status of its execution of the several recommendations suggested by the Congress with respect to addressing and turning this situation around?

Response: The Farm Service Agency has undertaken various initiatives to ensure that minority and women farmers receive every opportunity available in the establishment and continuance of their family farming operations. The oversight of application processing has been intensified for minority farmers. A minimum of 50 percent of the rejected/withdrawn applications of minority farmers is reviewed for statutory compliance. Management standards have been established to increase the amount of assistance provided to minority and women farmers. This effort resulted in the amount of direct and guaranteed loan assistance to minority and women farmers increasing in FY 2002 by 12 percent compared to FY 2001. A toll-free telephone number has been established to answer inquiries from minority farmers who have questions regarding the application process for FSA assistance. FSA performs a civil rights review prior to an adverse servicing action on all minority farmer accounts. Minority farmers who are financially distressed and members of the *Pigford vs. Veneman* class action lawsuit are being notified of the opportunity to apply for loan servicing actions such as a rescheduling or

deferral of their loan payments. A moratorium is in effect on the sale of FSA inventory property formerly owned by members of the *Pigford vs. Veneman* class action lawsuit.

SMALL FARM PRESERVATION

Mr. Bishop: In our district, I've received several inquiries with respect to growing problems in the area of small farm preservation. Specifically, we are increasingly finding that a number of our smaller farm and farm families, which are located near our state's urban centers, are facing extreme pressure by developers and others for the land. In deed, we're seeing more and more small farms located near our urban centers just simply disappearing. I would be interested in hearing your views regarding the ongoing Federal role in preserving the small farm, and the unique challenges and issues faced by those farms that are located in or near emerging urban centers? With respect to our Land Preservation activities, do we need to strengthen those safeguards in place aimed at managing this problem? Can you give me some idea of the Department's activities in this area in my district?

Response: FSA is committed to supporting the farmers and ranchers of this country. This includes helping to preserve small family-oriented farms and farmsteads from development and other pressures. There is a definite role for Federal agencies to assist with farm preservation. The National Historic Preservation Act directs Federal agencies to use measures, including financial and technical assistance, to foster conditions for historic resources to exist; to contribute to the preservation of non-federally owned prehistoric and historic resources; and to encourage the public and private preservation of the Nation's built environment. According to the American Farmland Trust, every single minute of every day, America loses two acres of farmland. Between 1992-1997, more than 6 million acres of agricultural land was converted to developed use. Solutions addressing farm loss include passing zoning laws, encouraging agricultural districts, better growth management laws, improved comprehensive planning, providing tax breaks, offering conservation easements, and transferring development rights. FSA is willing to discuss ways that the agency can better help farmers protect farms, including examining existing programs that may be used for farmland preservation. We are taking an active role in protecting farmland from development. In January, FSA transferred 470 acres in Mississippi to the National Park Service in order to protect it from development.

Mr. Bishop: I am concerned that the Department, and in particular, the FSA, has not been fully staffed to meet overall needs in the farm community. For example, in the area of disaster relief, especially in my district, there are not enough local FSA staff available to meet the office's demand for disaster and related support. Additional staff is also needed to implement Congress' latest changes to our farm programs, especially to update in base acreage allocations and to cope with the structural payment changes that will arise out of the new programs such as the new peanut program. Would you please share with us your thoughts in this area?

Response: FSA recognizes the workload increase in county offices. Since 2001, FSA has maintained the same permanent county office staffing level, so there has been no reduction in this area to affect Farm Bill implementation. The initial impact of Farm Bill related implementation workload increases are similar to that of a disaster in that they are temporary in

nature. A total of 342 temporary staff years were hired in FY 2002 and 1,000 temporary staff years in FY 2003. The Consolidated Appropriations Resolution, 2003, provided \$70 million for implementing the Farm Bill and disaster assistance. A portion of this funding will be used to hire an additional 1,200 temporary staff years for county field offices.

Georgia, specifically, has been provided with additional temporary FTE's for implementation of the Farm Bill in both FY 2002 and FY 2003. In the 2nd District of Georgia, FSA has a presence in 22 of the 26 counties. In those 22 counties, FSA currently has 14 temporaries with one county opting to use overtime in lieu of hiring additional temporary employees. Many of the newly allocated temporaries will be trained to assist in the activities associated with the new disaster programs.

Mr. Bishop: Also, can you please provide me an update with respect to local FSA staffing plans and activities in the Second District of Georgia, including plans to distribute disaster assistance payments?

Response: As outlined above, FSA has distributed additional temporary staff years in both FY 2002 and FY 2003 to support disaster and Farm Bill related workload increases. In the 2nd District of Georgia, FSA has a presence in 22 of the 26 counties. In those 22 counties, FSA currently has 14 temporaries with one county opting to use overtime in lieu of hiring additional temporary employees. Many of the newly allocated temporaries will be trained to assist in the activities associated with the new disaster programs.

FUTURE FARMERS OF AMERICA

Mr. Bishop: I've heard from several folks in my district concerned with continued reductions in funding for various educational and training activities aimed at our local farm and agriculture constituency. I am particularly concerned about several Future Farmers of America groups throughout my district, whose continued operation would appear endangered as a result of a lack of funding. Would you please give me your views on this, and also, check on our situation and give me your assessment of this issue in the Second District of Georgia? Thank you.

Response: In FY 2002, the Future Farmers of America (FFA) received funding from the U.S. Department of Agriculture in the amount of \$2,996,448 through the Grants for Youth Serving Institutions program provided by Section 7412 of the 2002 Farm Bill and administered by the Cooperative State Research, Education, and Extension Service (CSREES). The Grants for Youth Serving Institutions program authorized \$8 million in FY 2002 for four eligible national youth organizations, one of which was the National FFA Organization.

In FY 2003, the appropriation to CSREES for Grants to Youth Serving Institutions is \$2,981,000. FY 2003 awards have not been made to eligible youth serving institutions as of this date. The FY 2004 President's Budget does not include funding for Grants for Youth Serving Institutions.

[Clerk's Note. — The President's budget request for fiscal year 2004 was submitted on February 3, 2003. This preceded final Congressional action of the fiscal year 2003 bill, which was completed in the House of Representatives on February 13, 2003. The President's fiscal year 2004 budget request (including the explanatory notes) compared the submission with the budget request for fiscal year 2003, NOT with the fiscal year 2002 enacted amounts. The following material covers portions of the fiscal year 2004 explanatory notes revised to reflect enactment of the fiscal year 2003 appropriations act.]

FARM SERVICE AGENCY

Proposed Language Changes

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

Agricultural Credit Insurance Fund Program Account (Including Transfers of Funds)

- 1 For gross obligations for the principal amount of direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, [farm ownership (7 U.S.C. 1922 et seq.) and operating (7 U.S.C. 1941 et seq.) loans, Indian tribe land acquisition loans (25 U.S.C. 488), and boll weevil loans (7 U.S.C. 1989),] to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, [\$1,130,000,000] \$1,140,149,000, of which \$1,000,000,000 shall be for guaranteed loans and [\$130,000,000] \$140,149,000 shall be for direct loans; operating loans, [\$2,705,000,000] \$2,316,249,000, of which [\$1,700,000,000] \$1,400,000,000 shall be for unsubsidized guaranteed loans, [\$400,000,000] \$266,249,000 shall be for subsidized guaranteed loans and [\$605,000,000] \$650,000,000 shall be for direct loans; Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, \$2,000,000; and for boll weevil eradication program loans as authorized by 7 U.S.C. 1989, \$100,000,000] \$60,000,000.

For the cost of direct and guaranteed loans, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, [\$22,593,000] \$36,345,000, of which [\$7,500,000] \$5,400,000 shall be for guaranteed loans, and [\$15,093,000] \$30,945,000 shall be for direct loans; operating loans, [\$205,513,000] \$174,350,000, of which [\$53,890,000] \$46,620,000 shall be for unsubsidized guaranteed loans, [\$47,200,000] \$34,000,000 shall be for subsidized guaranteed loans; and [\$104,423,000] \$93,730,000 shall be for direct loans; and Indian tribe land acquisition loans, \$179,000.

- 2 In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [\$287,176,000] \$298,136,000; of which [\$279,176,000] \$290,136,000 shall be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

Funds appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership and operating direct loans and guaranteed loans may be transferred among these programs: *Provided*, That the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of any transfer.

The first change reflects a more precise listing of the authorizing legislation for the various loan types than what was shown in the 2003 Consolidated Appropriations Act.

The second change is due to fact that there is no subsidy for Indian tribe land acquisition loans in the 2004 budget.

AGRICULTURAL CREDIT INSURANCE FUND PROGRAMS

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>
Appropriations Act, 2003.....	\$3,937,000,000	\$228,285,000	\$287,176,000
Budget Estimate, 2004.....	3,518,398,000	210,695,000	298,136,000
Increase in Appropriation.....	-418,602,000	-17,590,000	10,960,000
Adjustments in 2003:			
Appropriations Act, 2003.....	3,937,000,000	228,285,000	287,176,000
Rescission under P.L. 108-7 a/	-24,941,000	-1,484,000	-1,867,000
Adjusted Base for 2003	3,912,059,000	226,801,000	285,309,000
Budget Estimate, 2004.....	3,518,398,000	210,695,000	298,136,000
Decrease over adjusted 2003	-393,661,000	-16,106,000	12,827,000

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	<u>2003 Enacted</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Loan Levels:			
Farm Ownership.....	\$129,155,000	\$10,994,000	\$140,149,000
Farm Operating.....	601,067,000	48,933,000	650,000,000
Emergency.....	0	0	0
Indian Land.....	1,987,000	13,000	2,000,000
Boll Weevil.....	100,000,000	-40,000,000	60,000,000
Total Direct Loans.....	832,209,000	19,940,000	852,149,000
Farm Ownership - Unsubsidized.....	993,500,000	6,500,000	1,000,000,000
Farm Operating - Unsubsidized.....	1,688,950,000	-288,950,000	1,400,000,000
Farm Operating - Subsidized.....	397,400,000	-131,151,000	266,249,000
Total Guaranteed Loans.....	3,079,850,000	-413,601,000	2,666,249,000
Total Loans.....	3,912,059,000	-393,661,000	3,518,398,000
Budget Authority:			
Direct Loan Subsidy.....	118,917,000	5,758,000	124,675,000
Guaranteed Loan Subsidy.....	107,884,000	-21,864,000	86,020,000
Total Subsidy.....	226,801,000	-16,106,000	210,695,000
Administrative Expenses.....	285,309,000	12,827,000	298,136,000
Total Budget Authority.....	\$512,110,000	-\$3,279,000	\$508,831,000

Agricultural Credit Insurance Fund

..... Project Statement
 (On basis of available funds)
 (Dollars in Thousands)

Strategic goal number 3: Assist eligible individuals and families in becoming successful farmers and ranchers.

	2002 Actual		2003 Enacted		Increase or Decrease		2004 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct Loans:								
Farm Ownership.....	\$177,861	\$4,678	\$129,155	\$14,995	\$116,994	\$15,950	\$146,149	\$30,945
Farm Ownership - Carryover.....	0	0	0	0	0	0	0	0
Subtotal.....	177,861	4,678	129,155	14,995	10,994	15,950	146,149	30,945
Farm Operating.....	668,070	\$9,659	601,068	103,744	48,932	-10,014	650,000	93,730
Farm Operating - Carryover.....	0	0	5,214	900	-5,214	0	0	0
Subtotal.....	668,070	\$9,659	606,282	104,644	43,718	-10,914	650,000	93,730
Emergency Disaster.....	22,308	3,000	0	0	0	0	0	0
Emergency Disaster - Carryover.....	35,301	4,743	139,014	28,345	-43,375	-10,001	133,639	18,344
Subtotal.....	\$7,609	7,748	139,014	28,345	-63,515	-10,001	133,639	18,344
Indian Land Acquisition.....	74	4	1,387	178	13	178	2,000	0
Boil Water Endowment.....	99,995	0	100,000	0	-40,000	0	60,000	0
Subtotal.....	100,069	4	101,387	178	-39,387	-178	62,000	0
Total Direct Loans and Subsidies.....	1,003,609	72,689	976,438	148,162	8,350	-5,143	984,788	143,019
Guaranteed Loans:								
Farm Ownership, Unsubsidized.....	999,860	4,499	993,500	7,451	6,500	-2,051	1,000,000	5,400
Farm Ownership, Unsubsidized - Carryover.....	101,333	456	48,400	363	-48,400	-363	0	0
Subtotal.....	1,101,193	4,955	1,041,900	7,814	-41,900	-2,414	1,000,000	5,400
Farm Operating, Unsubsidized.....	1,053,259	36,969	1,688,950	53,540	-288,550	-6,920	1,400,000	46,620
Farm Operating, Unsubsidized - Carryover.....	0	0	20,789	659	-20,789	-659	0	0
Subtotal.....	1,053,259	36,969	1,709,739	54,199	-309,719	-7,579	1,400,000	46,620
Farm Operating, Subsidized.....	498,408	67,313	397,400	46,893	-131,151	-12,893	266,249	34,000
Farm Operating, Subsidized - Carryover.....	0	0	3,924	463	-3,924	-463	0	0
Subtotal.....	498,408	67,313	401,324	47,356	-135,025	-13,356	266,249	34,000
Total Guaranteed Loans and Subsidies.....	2,650,860	109,693	3,152,963	109,349	-486,113	-33,319	2,666,249	80,020
Subtotal Loans Regular Appropriation.....	3,517,834	176,122	3,912,659	218,801	-393,825	-16,106	3,518,398	210,695
Subtotal Carryover.....	156,634	8,104	212,341	20,130	-44,702	-13,386	132,639	18,344
Total Loans and Subsidies.....	3,674,468	184,226	4,125,000	238,931	-447,532	-29,492	3,651,037	229,039
Administrative expenses.....		278,824		288,309		12,827		298,136
Residual.....			24,941	3,351				
GRAND TOTAL.....	3,654,468	460,150	4,154,241	546,191	-479,653	-15,663	3,635,097	271,175

FARM SERVICE AGENCY

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

Salaries and Expenses (Including Transfers of Funds)

- For necessary expenses for carrying out the administration and implementation of programs administered by the Farm Service Agency, [\$976,738,000] \$1,016,836,000: Provided, That the Secretary [of Agriculture] is authorized to use the services, facilities, and authorities (but not the funds) of the Commodity Credit Corporation to make program payments for all programs administered by the Agency: Provided further, That other funds made available to the Agency for authorized activities may be advanced to and merged with this account: Provided further, That these funds 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 \$1,000,000 shall be available for employment under 5 U.S.C. 3109.

The first change deletes unnecessary language.

The second change is in lieu of Section 703 of Division A of P.L. 108-7. The language for temporary employment is still required for fiscal year 2004.

FARM SERVICE AGENCY

Lead-Off Tabular Statement

SALARIES AND EXPENSES

Appropriations Act, 2003	\$1,257,774,000
Budget Estimate, 2004	1,310,932,000
Increase in Appropriation	<u>+53,158,000</u>

Adjustments in 2003:

Appropriations Act, 2003	1,257,774,000
Rescission under P.L. 108-7 a/	<u>-8,176,000</u>

Adjusted base for 2003	1,249,598,000
Budget Estimate, 2004	1,310,932,000
Increase over adjusted 2003	<u>+61,334,000</u>

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

FARM SERVICE AGENCY

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	<u>2003</u> <u>Estimated</u>	<u>Pay Costs</u>	<u>Program</u> <u>Changes</u>	<u>2004</u> <u>Estimated</u>
Farm Programs	593,161,000 +	9,749,000 +	11,965,000	614,875,000
Conservation and Environmental Programs	123,623,000 +	2,883,000 +	13,749,000	140,255,000
Farm Loan Programs	277,361,000 +	5,659,000 +	7,116,000	290,136,000
Commodity Operations	1,301,000 +	12,000 +	14,000	1,327,000
Administrative and Information Technology Programs	233,578,000 +	4,522,000 +	4,934,000	243,034,000
Civil Rights & EEO Programs	20,574,000 +	286,000 +	335,000	21,195,000
Federal Employees Compensation Act (FECA)	- -	- -	110,000	110,000
Total Available	<u>1,249,598,000 +</u>	<u>23,111,000 +</u>	<u>38,223,000</u>	<u>1,310,932,000</u>

FARM SERVICE AGENCY

Account: SALARIES AND EXPENSES (CONT'D)

Project Statement
(On basis of appropriation)

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
RECAP: Salaries and Expenses.	\$1,213,000,346	5,562	\$1,249,598,000	5,566 +	\$36,597,654	\$1,310,122,000	5,566
FECA	--	--	--	--	130,000	110,000	--
Total Available or Estimate at	1,213,000,446	5,562	1,249,598,000	5,566 +	61,334,000	1,310,932,000	5,566
Transfers From Congressional Affairs.	-307,400	--	0	--			
Reversion	-628,954	--	-8,176,000	--			
Total, Appropriation	\$1,213,387,000	5,562	\$1,257,774,000	5,566			

a/ FY 2001 Military Construction Appropriations Act (P.L. 106-246) provided \$77,560 million to remain available until expended. An unobligated balance of \$7,226 million was carried forward into FY 2002, of which \$5,050 million was obligated. The remaining \$2,176 million will be carried forward into FY 2003.

Project Statement
(On basis of available funds)

	FY 2002 Actual	FY 2003 Estimated	Increase or Decrease	FY 2004 Estimated
Farm Programs	\$596,357,219	\$593,161,000	+ \$3,196,219	\$614,875,000
Includes transfers from:				
P.L. 480 Program Account	(972,000)	(1,019,000)	+ 1,956,000	(2,975,000)
CCC Export Guarantee Account	(790,000)	(829,000)	+ 156,000	(985,000)
Conservation and Environmental Programs	97,261,036	123,623,000	+ 16,632,000	140,255,000
Farm Loan Programs	272,595,100	277,361,000		290,134,000
Includes transfers from:				
ACF Program Account	(272,595,000)	(277,361,000)	+ 12,775,000	(290,136,000)
Commodity Operations	1,310,001	1,301,000	+ 26,000	1,277,000
Administrative and Information Technology Programs	231,247,043	225,754,000	+ 7,390,000	240,144,000
Civil Rights & EEO Programs	19,080,007	20,294,000	+ 621,000	21,153,000
Total Available or Estimate	\$1,218,110,446	\$1,251,774,000	+ \$39,158,000	\$1,316,932,000
Advances and Reimbursements (A&R)				
Loan Service Fees Transferred	13,305,000	10,850,000	- 1,358,000	5,292,000
Reimb. from CCC - P.L. 107-171	30,000,000	0	0	0
Reimb. from CCC - P.L. 108-7	0	50,000,000	- 50,000,000	0
Reimb. from OCIO for Outspaid	0	21,833,000	+ 25,218,000	47,045,000
Information Systems Support	1,627,000	5,895,000	- 1,322,000	4,573,000
National Food and Agricultural Council	0	0	0	0
All Other Advances and Reimbursements	91,389,000	18,035,000	+ 2,205,000	20,581,000
Subtotal, A&R	156,681,000	196,611,000	+ 45,156,000	151,455,000
Total net obligations	1,274,751,446	1,448,385,000	+ 16,904,000	1,462,317,000
Oblig. Funds Carried Forward From Prior Year	29,287,000	54,656,000	- 54,656,000	0
Oblig. Funds Carried Forward to Next Year	-54,656,000	0	0	0
Change in Carryover Funds	25,362,000	54,656,000	- 54,656,000	0
Total, Available Funds Basis	\$1,400,140,446	\$1,501,041,000	- \$40,654,000	\$1,462,317,000

a/ FY 2001 Military Construction Appropriations Act (P.L. 106-246) provided \$77,560 million to remain available until expended. An unobligated balance of \$7,226 million was carried forward into FY 2002, of which \$5,050 million was obligated. The remaining \$2,176 million will be carried forward into FY 2003.

b/ Loan service fees are paid by producers who obtain CCC commodity loans. These fees partially defray the administrative costs of processing the loans and are held in an account for use by the FSA administrative expenses account as needed.

c/ The Farm Security and Rural Investment Act of 2002, P.L. 107-171, provided \$50 million from CCC funding for implementation of Title I of the 2002 Farm Bill. The funding is available until expended.

d/ Section 705 of Title VII - General Provisions of the 2001 and 2002 Appropriations Acts provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209e).

e/ The Agricultural Assistance Act of 2003 (P.L. 108-7) provided \$70 million from CCC funding to cover administrative costs of the Act and of Title I of the Farm Bill.

FARM SERVICE AGENCY

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

State Mediation Grants

- 1 For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended
- 2 ~~{(7 U.S.C. 5102(b))}~~ (7 U.S.C. 5101-5106), \$4,000,000.

The first change reflects the fact that the original authority has been amended to extend the program through 2005 and expand the scope of issues covered by mediation.

The second change corrects the citation for the authority of the program.

STATE MEDIATION GRANTS

Appropriation Act, 2003.....	\$4,000,000
Budget Estimate, 2004	<u>4,000,000</u>
Increase in Appropriation	<u>0</u>

Adjustments in 2003:

Appropriations Act, 2003.....	\$4,000,000
Rescission under P.L. 108-7 a/.....	<u>-26,000</u>

Adjusted base for 2003.....	3,974,000
Budget Estimate, 2004.....	<u>4,000,000</u>
Increase over adjusted 2003.....	<u>+26,000</u>

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	2003 <u>Estimated</u>	Program <u>Changes</u>	2004 <u>Estimated</u>
State Mediation Grants.....	<u>\$3,974,000</u>	<u>+\$26,000</u>	<u>\$4,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
State mediation grants	\$3,493,000	\$3,974,000	+\$26,000	\$4,000,000
Rescission.....		+26,000	-26,000	0
Total Appropriation.....	3,493,000	4,000,000	0	4,000,000

FARM SERVICE AGENCY

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

Dairy Indemnity Program (Including Transfers of Funds):

For necessary expenses involved in making indemnity payments to dairy farmers and manufacturers of dairy products under a dairy indemnity program, \$100,000, to remain available until expended: Provided, That such program is carried out by the Secretary in the same manner as the dairy indemnity program described in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106-387; [114 Stat. 1549A-12]).

This change clarifies the legislative reference for the Dairy Indemnity Program.

[Clerk's Note. – Following are the explanatory notes submitted as part of the President's fiscal year 2004 budget request prior to enactment of the fiscal year 2003 appropriations act.]

FY 2004 Explanatory Notes
Farm Service Agency

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FARM SERVICE AGENCY

Purpose Statement

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, which was amended by the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127. FSA's mission is to ensure the well-being of American agriculture and the American public through efficient and equitable administration of farm commodity, farm loan, conservation, environmental, emergency assistance, and domestic and international food assistance programs. FSA provides the personnel to carry out most of the programs funded by the Commodity Credit Corporation (CCC).

FSA administers programs authorized by the Farm Security and Rural Investment Act of 2002, P.L. 107-171, and a variety of other laws. These activities include:

- Marketing Assistance Loans
- Direct, Counter-cyclical, Loan Deficiency, and Other Payments to Producers
- Tobacco Price Support and Production Control Programs
- Sugar Program
- Noninsured Crop Disaster Assistance Program
- CCC Disaster-Related Activities
- Conservation Reserve Program
- Hazardous Waste Management Program
- Farm Loan Programs
- State Mediation Grants Program
- Emergency Conservation Program
- Dairy Indemnity Program
- Commodity Warehouse Activities
- Domestic and Export Commodity Procurement Activities

Descriptions of the programs administered by FSA and funded by CCC appear in the CCC Purpose Statement in Section 19 of these Explanatory Notes. The following is a summary of FSA's programs and activities funded by other sources, including appropriations, transfers, and fees.

Farm Loan Programs: FSA's farm loan programs provide a safety net for farmers and ranchers temporarily unable to obtain sufficient credit elsewhere to finance their operations at reasonable rates and terms.

Most farm loan programs administered by FSA are authorized by the Consolidated Farm and Rural Development Act, Public Law 87-128, August 8, 1961, as amended. Subtitle A of this act authorizes farm ownership, recreation, and soil and water loans. Subtitle B authorizes direct and guaranteed operating loans. The Agriculture Credit Improvement Act of 1992, Public Law 102-554, establishes special assistance to qualified beginning farmers and ranchers to enable them to conduct viable farming and ranching operations. Indian Tribe Land Acquisition Loans are authorized by Public Law 91-229, approved April 11, 1970.

The Agricultural Credit Insurance Fund Program Account was initiated in FY 1992, as required by the Federal Credit Reform Act of 1990. The account shows the direct loan obligations and guaranteed loan commitments of FSA's farm loan programs and the associated subsidy costs. Subsidy costs are obtained by estimating the net present value of the Government's cash flows resulting from direct and guaranteed loans made through this account.

The programs funded by this account are:

- **Farm Ownership Loans.** FSA makes direct and guaranteed loans to family farmers to purchase farmland; restructure their debts, including utilizing their real estate equities to refinance heavy short-term debts; and make adjustments in their operations to comply with local sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources, or meet changing market requirements. Guaranteed farm ownership loans may be used to finance income-producing recreational enterprises or other non-farm enterprises that supplement but do not supplant farm income.

Loans are made for 40 years or less. A direct loan may not exceed \$200,000 and a guaranteed loan may not exceed \$763,000. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers (farmers who need special supervision or who cannot afford the regular interest rate due to low income) bear interest of not more than one-half of the Treasury rate for marketable obligations with maturities of 5 years plus not more than 1 percentage point, with a floor of 5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower.

At least 25 percent of the amounts appropriated for guaranteed farm ownership loans will be reserved for beginning farmers and ranchers during the first 6 months of the fiscal year. Also, at least 70 percent of the amount appropriated for direct farm ownership loans will be reserved for qualified beginning farmers and ranchers.

- **Farm Operating Loans.** Farm operating loans are targeted to family farmers unable to obtain credit from private sources and are accompanied by supervisory assistance in farm and financial management.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry, and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other non-farm enterprises; and refinancing existing indebtedness.

Farm operating loans are for periods of 1 to 7 years depending on loan purposes. The loan limit is \$200,000 for a direct loan and \$763,000 for a guaranteed loan. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers bear interest of not more than one-half of the Treasury rate for marketable obligations plus not more than 1 percentage point, with a floor of 5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower and may be subsidized under the interest assistance program. In addition, the interest rate assistance program may also be sufficient to allow moderate-income borrowers to move from the direct loan program to the guaranteed loan program.

The Agricultural Credit Improvement Act of 1992, Public Law 102-554, requires at least 35 percent of the amounts available for insured farm operating loans be reserved for qualified beginning farmers and ranchers during the first 9 months of the fiscal year.

- **Emergency Loans.** Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct

result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family-size farmers, ranchers, and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, provided they are primarily engaged in agricultural or aquaculture production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss; whichever is less, for each disaster, at an interest rate of 3.75 percent.

Actual loss loans may be made to repair, restore, or replace damaged or destroyed farm property, livestock and livestock products, and supplies and to compensate for disaster-related loss of income based on reduced production of crops and/or livestock products. Eligible farmers may use actual loss loan funds to pay costs incident to reorganizing a farming system to make it a sound operation that is approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies, and equipment may be scheduled for repayment for up to 7 years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when a loan term of more than 7 years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years:

- **The Boll Weevil Eradication Loans.** Boll weevil loans provide assistance to producers and State governmental agencies to eradicate boll weevils. Loans are made in major cotton producing States.
- **Credit Sales of Acquired Property.** Loans are authorized for the sale of security properties previously acquired by FSA during the servicing of its loan portfolio. For the past several years, loans for sales of property have been financed under the farm ownership loan program since separate funding for credit sales was not appropriated.

State Mediation Grants: Section 502 of the Agricultural Credit Act of 1987, P.L. 100-233, authorized the Secretary of Agriculture to help States develop and operate mediation programs to assist agricultural producers, their creditors, and other persons directly affected by the actions of USDA in resolving disputes confidentially, efficiently, and cost effectively compared to administrative appeals, litigation, and bankruptcy. Under the program, FSA makes grants to States to support mediation programs established under State statute and certified by FSA. Grants can be up to \$500,000 annually, or 70 percent of the State's cost of operating its program for the year.

Originally designed to address farm loan disputes, the program was expanded by the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, to include other agricultural issues such as wetland determinations, conservation compliance, rural water loan programs, grazing on National forest system lands, and pesticides.

The program was extended through fiscal year 2005 by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, which also clarified that certified State programs can provide mediation training and consulting services to producers, lenders, and USDA agencies.

Emergency Conservation Program (ECP): ECP is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). ECP provides emergency cost-sharing assistance to farmers and ranchers to help rehabilitate farm or ranch land damaged by natural disasters and to carry out water conservation measures during periods of severe drought. Subject to the availability of funds, FSA County Committees, in consultation with State Committees, are authorized to implement ECP for eligible farmers for all disasters except drought. In the event of a drought, the determination to implement ECP is made by the Deputy Administrator for Farm Programs. Cost-sharing may be offered only for emergency conservation practices to restore farmland to a condition similar to that existing prior to the natural disaster.

Dairy Indemnity Program: Since its inception under the Economic Opportunity Act of 1964, the Dairy Indemnity Program has been extended in various farm bills, most recently the 2002 Act. Although the 1996 Act had not reauthorized the program, Congress continued to fund it throughout the hiatus in authority from fiscal year 1996 to 2002.

The Dairy Indemnity Program indemnifies dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because of residues of chemicals that have been approved by the Federal Government and certified as safe for use. The program also reimburses dairy farmers for milk removed from commercial markets because of nuclear radiation, fallout, or certain other toxic substances.

Commercial Warehouse Activities: Commercial warehouse activities are governed by the CCC Charter Act, as amended through P.L. 104-130, April 9, 1996; and by the U.S. Warehouse Act (USWA), first enacted in 1916 and most recently reauthorized by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472. The CCC Charter Act provides that, in purchasing, selling, warehousing, transporting, processing, and handling agricultural commodities, CCC shall utilize usual and customary channels of trade and commerce. The USWA authorizes the Secretary of Agriculture to license warehouse operators who store agricultural products. The USWA is considered a "permissive regulatory act," permissive because it applies to warehouse operators who voluntarily apply, and regulatory because licensees must operate under its provisions and are subject to its regulations. The USWA also authorizes the Secretary to license qualified persons to sample, inspect, weigh, and grade agricultural products. Commercial warehouse operators, those regulated by the USWA and those who elect to enter into a storage agreement with CCC to store Government-owned or producer-owned commodities pledged to CCC as loan collateral, are required to meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities.

FSA personnel periodically make unannounced examinations of the facilities, commodities, and warehouse records to ensure protection of all depositors, including the U.S. Government, against potential losses in quality and quantity of the stored commodities and to ensure compliance with the USWA and any CCC storage agreements. These examinations provide the foundation for industry-wide confidence in the integrity of warehouse receipts and facilitate the orderly marketing of agricultural products. Examination functions are supported by fees from the warehouse industry and CCC.

End-Use Certificate Program: FSA monitors Canadian wheat imports under end-use certificates. The certificates track Canadian wheat imports and how the imports are consumed. Congress enacted the program February 27, 1995, as a result of the North American Free Trade Agreement legislation to ensure foreign wheat does not benefit from U.S. export programs. Under the program, importers of Canadian

wheat, regardless of ultimate use, must complete the end-use certificate. Transactions subsequent to entry must be reported, and all purchasers must continue to report any consumption.

Domestic and Export Commodity Procurement Activities: Procurement activities are governed by the following legislation: National School Lunch Act, Sections 6 (a) and (e), 13 and 17; Emergency Food Assistance Act of 1983, as amended; Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480, Titles II and III), as amended; Food for Progress Act of 1985, as amended; and the Agricultural Act of 1949, Section 416(b), as amended.

- **Domestic Nutrition and Feeding Programs.** FSA procures commodities for domestic food programs administered by the Food and Nutrition Service (FNS). These programs include the National School Lunch Program; elderly, disaster, and emergency feeding programs; food aid to Native Americans living on reservations, and other programs that help individuals in need. FSA also donates surplus Government-owned commodities for use in feeding programs, using CCC authority, when these products are available.
- **Foreign Food-Aid Humanitarian and Developmental Assistance Programs.** FSA procures commodities on behalf of the Agency for International Development (AID) and the Foreign Agricultural Service for overseas humanitarian and developmental use under Titles II and III of P.L. 480, Food for Progress, and Section 416(b) programs. FSA also procures commodities for the Vulnerable Group Assistance Program, a specially funded AID program that targets women and children at risk nutritionally.
- **Surplus Removal and Disaster and Food Assistance Programs.** FSA procures commodities under Executive Order and congressional mandate for surplus removal and disaster and food assistance programs. In response to natural disasters, FSA distributes Government-owned food from warehouses and may make special purchases of food as part of the disaster relief effort.

Agency Structure: FSA delivers its programs through approximately 2,500 USDA Service Centers and 51 State offices, including Puerto Rico. This network enables FSA to maintain close relationships with Agency customers and address customer needs in an effort to continually improve service. FSA has headquarters offices in Washington, DC, two field offices in Kansas City, an office in Salt Lake City, and a field office in St. Louis servicing farm loan programs. In addition to providing management oversight of State and Service Center program delivery, personnel at Washington headquarters and the Kansas City complex are principally responsible for acquiring, merchandising, and disposing of CCC commodities for domestic and international food assistance programs.

Since 1993, the county-based agencies have been implementing streamlining plans to cut red tape and collocate offices in the same county, with the goal of providing "one-stop service" for USDA customers. The Common Computing Environment (CCE) Account budget includes \$97.471 million on behalf of FSA for information technology (IT), Service Center initiatives, and the geospatial information system. This account is managed by the USDA Chief Information Officer and directly supports the ongoing Service Center and CCE initiatives of FSA, NRCS, 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. IT initiatives will also be supported from within agency information technology and administrative funds.

FSA's permanent, full-time, end-of-year Federal employment as of September 30, 2002, was 764 for Washington headquarters and 5,090 for field offices. FSA non-Federal permanent employment in Service Centers was 9,412.

OIG Reports:

Number	Title	Final Report Date
03099-45-KC	Conservation Reserve Enhancement Program	October 25, 2001
03099-47-KC	Farm Service Agency/Commodity Credit Corporation – Security Over Information Technology Resources.	October 31, 2001
06401-4-KC	Commodity Credit Corporation's Financial Statements for Fiscal Year 2001	February 26, 2002
03099-4-SF	Farm Service Agency - Limited California Cooperative Insolvency Payment Program Tri Valley Growers	August 26, 2002
03099-5-SF	Farm Service Agency - Crop Disaster Program Payments to Peach Growers, Sutter/Yuba County California	August 29, 2002
03099-164-AT	Farm Service Agency - Tobacco Importer Assessment Program Marketing Penalty Assessments and Collections, Washington, DC	September 30, 2002
50601-4-CH	Implementation of the Government Performance and Results Act in the Farm Service Agency – Fiscal Year 2000	September 30, 2002

GAO Reports:

Number	Title	Final Report Date
GAO-02-295	Agricultural Conservation: State Advisory Committees' Views on How USDA Programs Could Better Address Environmental Concerns	February 22, 2002
GAO-02-462	Debt Collection Improvement Act of 1996: Major Data Sources Inadequate for Implementing the Debtor Bar Provision	March 29, 2002
GAO-02-463	Debt Collection Improvement Act of 1996: Department of Agriculture's Farm Service Agency Has Not Yet Fully Implemented Certain Key Provisions	March 29, 2002
GAO-02-942	Department of Agriculture: Improvements in the Operations of the Civil Rights Program Would Benefit Hispanic and Other Minority Farmers	September 20, 2002

FARM SERVICE AGENCY

Available Funds and Staff Years
2002 Actual and Estimated 2003 and 2004

Item	2002 Actual		2003 Estimated		2004 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries & Expenses:						
Direct Appropriation	\$929,030,000	2,038	\$976,528,000	2,041	\$1,016,726,000	2,023
Federal Employees Compensation Act	0	0	110,000	0	110,000	0
Credit Reform Transfers:						
P.L. 480 Program Account	972,000	12	1,026,000	12	2,975,000	30
CCC Export Loans Program Account	790,000	8	834,000	8	985,000	9
ACIF Program Account	272,595,000	3,504	279,176,000	3,505	290,136,000	3,504
Subtotal, Salaries and Expenses	1,213,387,000	5,562	1,257,774,000	5,566	1,310,932,000	5,566
Transfer from Congressional Affairs	302,000	0	0	0	0	0
Emergency ADP Supp. P.L. 106-246	5,050,000	0	2,176,000	0	0	0
Supplemental P.L. 107-171	0	0	60,000,000	0	0	0
Rescission P.L. 107-205	-628,954	0	0	0	0	0
Net, Salaries and Expenses	1,218,110,046	5,562	1,319,950,000	5,566	1,310,932,000	5,566
Emergency Conservation Program	32,358,516	0	122,061,082	0	0	0
Conservation Reserve Program	0	0	1,917,227	0	0	0
Dairy Indemnity Program	124,309	0	100,000	0	1,409,255	0
ACIF Program Account:						
Subsidy:						
Appropriation	181,326,000	0	212,139,000	0	210,695,000	0
Supplemental P.L. 106-113	5,204,000	0	30,730,000	0	18,344,000	0
Taxol Subsidy	186,530,000	0	242,869,000	0	229,099,000	0
Administrative Expenses	6,229,000	0	8,000,000	0	8,000,000	0
Non-Recoverable Loan Costs	3,493,000	0	4,000,000	0	4,000,000	0
State Mediation Grants	0	0	0	0	0	0
Total, Above	1,446,844,871	5,562	1,698,897,309	5,566	1,583,380,255	5,566
Obligations under other USDA appropriations:						
Natural Resources Conservation Service	43,303,770	12	33,953,327	3	33,953,327	2
Rural Development	11,355,412	0	11,525,743	0	11,525,745	0
Foreign Agricultural Service	7,233,000	89	7,253,000	89	7,378,000	99
Risk Management Agency	4,101,500	63	4,310,000	63	4,596,000	63
Office of the Chief Information Officer (CIS)	0	0	21,831,000	0	47,049,000	36
CCC (Warehouse Examination)	5,000,000	59	5,904,000	60	5,904,000	56
Food & Nutrition Service	1,728,000	28	1,608,000	30	1,729,000	30
Flying Contracts	5,233,000	0	7,623,000	0	9,125,000	0
Agricultural Marketing Service	765,000	12	698,000	10	760,000	11
Miscellaneous	3,747,334	0	9,310,932	0	7,942,930	0
Total, Other USDA Appropriations	82,466,516	263	183,297,000	255	129,772,000	387
Total, Agriculture Appropriations	1,529,311,387	5,825	1,882,894,309	5,821	1,683,153,255	5,873
Obligations under Other Federal Funds:						
CCC P.L. 107-171	50,000,000	0	0	0	0	0
Sales of Aerial Photographs	1,453,721	11	2,225,399	11	2,206,669	11
Miscellaneous	1,304,000	0	521,000	0	535,000	0
Total, Other Federal Funds	52,757,721	11	2,746,399	11	2,741,669	11
Obligations under Non-Federal Funds:						
Loan Processing	13,505,000	0	10,830,000	0	9,292,000	0
Producer Measurement Service	5,440,000	0	5,773,000	0	5,773,000	0
Warehouse Examinations	2,153,000	25	2,870,000	29	3,482,000	33
Sales of Aerial Photographs	355,763	0	374,601	0	393,331	0
Total, Non-Federal Funds	21,453,763	25	19,867,601	29	18,940,331	33
Total, Farm Service Agency	1,603,525,871	5,861	1,925,598,309	5,861	1,704,835,255	5,917

FSA Non-Federal county staff-years (S/Y) are as follows:

	Direct	Reimbursable	Total S/Y
FY 2002	10,149	1,131	11,300
FY 2003	13,009	467	13,476
FY 2004	10,386	398	10,784

*/ FY 2001 Military Construction Appropriations (P.L. 106-246) provided \$77,560 million to remain available until expended. An unobligated balance of \$7,216 million was carried forward into FY 2002 of which \$5,050 million was obligated. The remaining \$2,176 million unobligated balance will be carried forward to FY 2003.

FARM SERVICE AGENCY
 Permanent Positions by Grade and Staff Year Summary
 2002 Actual and Estimated 2003 and 2004

Grade	2002			2003			2004		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES 6	1	0	1	1	0	1	1	0	1
ES 5	1	1	2	1	1	2	1	1	2
ES 4	3	0	3	3	0	3	3	0	3
ES 3	1	0	1	1	0	1	1	0	1
ES 2	3	0	3	3	0	3	3	0	3
ES 1	5	0	5	5	0	5	5	0	5
GS 15	51	55	106	51	55	106	51	55	106
GS 14	106	43	149	106	43	149	106	43	149
GS 13	292	624	916	292	624	916	292	624	916
GS 12	89	1,759	1,848	89	1,759	1,848	89	1,815	1,904
GS 11	40	735	775	40	735	775	40	735	775
GS 10	0	0	0	0	0	0	0	0	0
GS 9	37	322	359	37	322	359	37	322	359
GS 8	21	69	90	21	69	90	21	69	90
GS 7	60	1,141	1,201	60	1,141	1,201	60	1,141	1,201
GS 6	35	178	213	35	178	213	35	178	213
GS 5	15	122	137	15	122	137	15	122	137
GS 4	3	27	30	3	27	30	3	27	30
GS 3	1	8	9	1	8	9	1	8	9
GS 2	0	6	6	0	6	6	0	6	6
Ungraded Positions	0	0	0	0	0	0	0	0	0
Total Permanent Positions	764	5,090	5,854	764	5,090	5,854	764	5,146	5,910
Total Permanent Full-Time Employment, end-of-year	764	5,090	5,854	764	5,090	5,854	764	5,146	5,910
Staff-Year Ceiling	759	5,102	5,861	761	5,100	5,861	761	5,156	5,917

FARM SERVICE AGENCY

CLASSIFICATION BY OBJECTS

2002 Actual and Estimated 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Personnel Compensation:			
Washington D.C.	\$47,369,000	\$50,145,000	\$52,212,000
Field	270,392,000	287,399,000	299,552,000
11 Total personnel compensation	317,761,000	337,544,000	351,764,000
12 Personnel benefits	76,427,000	80,862,000	84,343,000
13 Benefits for former personnel	803,000	1,481,000	1,481,000
Total pers. comp. & benefits	394,991,000	419,887,000	437,588,000
Other Objects:			
21 Travel	22,976,000	24,606,000	24,606,000
22 Transportation of things	2,568,000	3,452,000	3,452,000
23 Rent, communications, and utilities	16,833,000	22,003,000	22,003,000
23.1 Rental Payments to GSA	248,000	248,000	248,000
24 Printing and reproduction	1,087,000	1,321,000	1,321,000
25 Other services	111,218,000	136,643,000	109,787,000
26 Supplies and materials	6,790,000	7,679,000	7,679,000
31 Equipment	20,420,000	11,397,000	11,397,000
41 Grants, subsidies, and contributions	858,875,000	1,036,783,000	916,002,000
42 Insurance claims and indemnities	354,000	707,000	707,000
43 Interest and dividends	226,000	229,000	229,000
44 Refunds	4,000	17,000	17,000
Total other objects	1,041,599,000	1,245,085,000	1,097,448,000
Total direct obligations	1,436,590,000	1,664,972,000	1,535,036,000

Position Data:

Average Salary, ES positions	\$132,840	\$139,482	\$146,456
Average Salary, GS positions	\$54,174	\$56,287	\$58,876
Average Grade, GS positions	10.4	10.4	10.4

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**Agency Motor Vehicle Fleet
Size, Composition, and Annual Cost**
(in thousands of dollars)

Fiscal Year	Number of Vehicles by Type						Total Vehicles	Annual Operating Costs
	Sedans & Station Wagons	Light Trucks 4X2	4X4	Medium Trucks	Heavy Trucks	Ambulances	Buses	
FY 2000	325	51		12	0	0	0	1,841
Change**								
FY 2001	301	54		15	0	0	0	1,766
Change**								
FY 2002	360	59	124	18	0	0	0	2,299
Change**								
FY 2003 1/	367	62	130	20	0	0	0	2,438
Change**								
FY 2004 1/	374	65	131	21	0	0	0	2,572
Change**								

1/ FY 2003 and FY 2004 are estimates.

The majority of the State Offices use GSA Motor Pool services for use within their State for travel purposes. These vehicles are used for different types of travel such as site visits, information meetings, training, speech and presentation, conference attendance, relocation, entitlement, special mission, emergency and other travel. These vehicles are obtained from the nearest GSA Motor Pool with the approval of Management Services Division (MSD). Each State is assigned a Billing Office Address Code (BOAC) number, find code and sales code by MSD.

FSA owns all-terrain vehicles in Puerto Rico and Hawaii. Neither private contractors nor the GSA Interagency Fleet Management System provide or maintain these types of vehicles.

FARM SERVICE AGENCY
Summary of Appropriated Funds for FY 2004 by Strategic Goals

Program	Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5	Strategic Goal 6	Total Estimate	Total Staff Years
Salaries and Expenses:								
Federal	\$122,515,000 *	\$23,537,000	\$244,399,000	\$1,337,000	\$208,897,000	\$13,339,000	\$610,094,000	5,466
Non-Federal	483,240,000	116,218,000	45,733,000	9	24,342,000	7,855,000	681,894,000	10,386
Total, Salaries and Expenses	611,875,000	340,255,000	290,136,000	1,337,000	243,144,000	21,194,000	1,310,932,000	15,952
Agricultural Credit Insurance Fund								
Subsidy			210,694,897				210,694,897	
Loan Program Expenses			9,000,000				9,000,000	
State Medication Credits						4,000,000	4,000,000	
Dairy Indemnity Program	100,000						100,000	
Total, Farm Service Agency	614,975,000	340,255,000	508,850,897	1,337,000	243,144,000	25,194,000	1,533,726,897 *	15,952

* Includes \$3,960,000 in credit reform transfers from F.L. 400 and CCC Export Credit.

FARM SERVICE AGENCY

Proposed Language Changes

The estimates include appropriation language for this item as follows (new language underscored):

Agricultural Credit Insurance Fund Program Account
(Including transfers of funds)

For gross obligations for the principal amount of direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, \$1,140,149,000, of which \$1,000,000,000 shall be for guaranteed loans and \$140,149,000 shall be for direct loans; operating loans, \$2,316,249,000, of which \$1,400,000,000 shall be for unsubsidized guaranteed loans, \$266,249,000 shall be for subsidized guaranteed loans and \$650,000,000 shall be for direct loans; Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, \$2,000,000; and for boll weevil eradication program loans as authorized by 7 U.S.C. 1989, \$60,000,000.

For the cost of direct and guaranteed loans, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, \$36,345,000, of which \$5,400,000 shall be for guaranteed loans and \$30,945,000 shall be for direct loans; operating loans, \$174,350,000 of which \$46,620,000 shall be for unsubsidized guaranteed loans, \$34,000,000 shall be for subsidized guaranteed loans and \$93,730,000 shall be for direct loans.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, \$298,136,000, of which \$290,136,000 shall be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

Funds Appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership and operating direct loans and guaranteed loans may be transferred among these programs: Provided, That the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of any transfer.

AGRICULTURAL CREDIT INSURANCE FUND PROGRAMS

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>
President's Budget, 2003.....	\$3,802,000,000	\$212,139,000	\$287,176,000
Budget Estimate, 2004.....	3,518,398,000	210,695,000	298,136,000
Change in Appropriation.....	<u>-283,602,000</u>	<u>-1,444,000</u>	<u>10,960,000</u>

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Loan Levels:			
Farm Ownership.....	\$100,000,000	\$40,149,000	\$140,149,000
Farm Operating.....	600,000,000	50,000,000	650,000,000
Emergency.....	0	0	0
Indian Land.....	2,000,000	0	2,000,000
Boll Weevil.....	100,000,000	-40,000,000	60,000,000
Total Direct Loans.....	802,000,000	50,149,000	852,149,000
Farm Ownership - Unsubsidized.....	1,000,000,000	0	1,000,000,000
Farm Operating - Unsubsidized.....	1,700,000,000	-300,000,000	1,400,000,000
Farm Operating - Subsidized.....	300,000,000	-33,751,000	266,249,000
Total Guaranteed Loans.....	3,000,000,000	-333,751,000	2,666,249,000
Total Loans.....	3,802,000,000	-283,602,000	3,518,398,000
Budget Authority:			
Direct Loan Subsidy.....	115,349,000	9,326,000	124,675,000
Guaranteed Loan Subsidy.....	96,790,000	-10,770,000	86,020,000
Total Subsidy.....	<u>212,139,000</u>	<u>-1,444,000</u>	<u>210,695,000</u>
Administrative Expenses.....	<u>287,176,000</u>	<u>10,960,000</u>	<u>298,136,000</u>
Total Budget Authority.....	\$499,315,000	\$9,516,000	\$508,831,000

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AGRICULTURAL CREDIT INSURANCE FUND PROGRAMS

Project Summary
(On basis of appropriated funds)
(Dollars in Thousands)

Strategic goal number 3: Assist eligible individuals and families in becoming successful farmers and ranchers.

	2002 Actual		2003 Estimated		Increase or Decrease		2004 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Program:								
Direct loan:								
Farm Ownership	\$177,861	\$4,678	\$100,000	\$11,510	\$40,149 (1)(a)	\$19,335	\$140,149	\$30,245
Farm Operating	668,070	59,659	600,000	103,460	50,000 (1)(b)	-9,850	650,000	93,310
Emergency Disaster	72,308	7,748	0	0	0	0	0	0
Indian Land Acquisition	74	4	2,000	179	-40,000 (1)(c)	-179	2,000	0
Boll Weevil Eradication	99,995	0	100,000	0	0	0	60,000	0
Total Direct Loans and Subsidies	908,308	72,089	602,000	115,149	304,149	\$330	824,149	134,025
Guaranteed loan:								
Farm Ownership, Unsubsidized	999,840	4,935	1,000,000	7,500	0	-2,100	1,000,000	5,400
Farm Operating, Unsubsidized	1,031,249	36,969	1,700,000	53,890	-700,000 (1)(d)	-7,270	1,400,000	46,620
Farm Operating, Subsidized	486,408	61,313	300,000	35,400	-33,251 (1)(e)	-1,400	266,249	34,000
Total Guaranteed Loans and Subsidies	2,517,537	103,217	3,000,000	96,790	-233,751	-10,770	2,766,249	86,020
Subtotal, Loans Regular Appropriation	3,517,835	181,326	3,092,000	212,139	-293,602 (1)	-1,444 (2)	3,418,398	210,058
Administrative expenses	0	278,324	0	287,176	0	10,969 (2)	0	298,145
GRAND TOTAL	3,517,835	460,189	3,092,000	499,315	-283,602	9,416	3,418,398	508,203

Performance Goals and Indicators

Farm Loan Programs

	FY 2002	Actual	FY 2003	FY 2004
Target				
Maintain the direct loan delinquency rate below 10%	15.8	12.4	14.9	14.1
Minimize the percentage of guaranteed loans made to direct borrowers (%)	33.0	30.0	33.0	33.0
Maintain a low loss rate on direct loans (%)	5.8	5.5	5.4	5.1
Maintain a low loss rate on guaranteed loans (%)	2.0	0.4	2.0	1.9
Decrease the direct loan average processing times (in days)	42	41	40	40
Decrease the guaranteed loan average processing times (in days)	18	15	17	17
Increase the amount of loans in beginning and socially disadvantaged farmers/ranchers (\$ in millions)	\$1,120	\$904.0	\$1,260.0	\$1,046.0

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AGRICULTURAL CREDIT INSURANCE FUND PROGRAMS

Enriched Rotational
(On farm of various funds)
(Others in Community)

Strategic goal number 3: Assist eligible individuals and families in becoming successful farmers and ranchers

Programs	2007 Actual		2007 Estimated		Increase or Decrease		2004 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct Loans								
Farm Operating	177,861	4,678	102,000	11,419	\$40,149	\$19,315	\$40,149	\$0,915
Farm Operating - Cropover	0	0	0	0	\$0	\$0	0	0
Subtotal	177,861	4,678	102,000	11,419	\$40,149	\$19,315	\$40,149	\$0,915
Farm Operating	664,070	59,659	660,000	102,569	\$19,000	\$39,910	650,000	91,710
Farm Operating - Cropover	0	0	0	0	\$0	\$0	0	0
Subtotal	664,070	59,659	660,000	102,569	\$19,000	\$39,910	650,000	91,710
Emergency Disaster	31,301	2,000	139,014	28,345	\$16,375	\$10,001	132,539	18,344
Emergency Disaster - Cropover	0	0	0	0	\$0	\$0	0	0
Subtotal	31,301	2,000	139,014	28,345	\$16,375	\$10,001	132,539	18,344
Indian Land Acquisition	74	4	2,000	179	\$0	\$179	2,000	0
Indian Land Acquisition - Cropover	0	0	0	0	\$0	\$0	0	0
Subtotal	74	4	2,000	179	\$0	\$179	2,000	0
Total Direct Loans and Subsidies	1,004,679	71,080	944,339	144,394	18,609	-1,575	944,708	142,919
Guaranteed Loans								
Farm Operating, Unsubsidized	999,950	4,499	1,000,000	7,500	\$0	\$2,100	1,000,000	5,400
Farm Operating, Unsubsidized - Cropover	101,333	436	48,400	763	\$29,420	\$295	0	0
Subtotal	1,101,283	4,935	1,048,400	7,863	\$29,420	\$2,403	1,000,000	5,400
Farm Operating, Unsubsidized	1,001,289	36,509	1,700,000	53,800	\$370,000	\$17,290	1,400,000	46,600
Farm Operating, Unsubsidized - Cropover	0	0	0	0	\$0	\$0	0	0
Subtotal	1,001,289	36,509	1,700,000	53,800	\$370,000	\$17,290	1,400,000	46,600
Farm Operating, Subsidized	496,408	67,313	300,000	31,400	\$37,751	\$1,400	294,349	24,800
Farm Operating, Subsidized - Cropover	496,408	67,313	300,000	31,400	\$37,751	\$1,400	294,349	24,800
Subtotal	496,408	67,313	300,000	31,400	\$37,751	\$1,400	294,349	24,800
Total Guaranteed Loans and Subsidies	3,600,860	109,603	3,033,113	98,276	-401,843	-11,235	2,644,349	86,000
Subtotal, Loans Regular Appropriation	3,517,814	176,123	3,002,000	112,139	-278,602	\$1,444	2,518,398	210,495
Subtotal, Cropover	156,046	5,084	311,241	8,470	\$155,195	\$1,236	123,351	18,844
Total, Loans and Subsidies	3,673,860	181,207	3,313,241	120,609	-360,619	-12,001	2,641,749	229,339
Administrative expenses	278,524	0	278,524	0	\$0	\$0	278,524	0
GRAND TOTAL	3,952,384	181,207	3,591,765	120,609	-360,619	-12,001	2,920,273	229,339

Justification of Increases and Decreases

- (1) A decrease of \$283,602,000 for Agricultural Credit Insurance Fund (ACIF) loan program levels (\$3,802,000,000 in 2003 President's Budget) consisting of:

- (a) An increase of \$40,149,000 for direct farm ownership loans to provide additional resources to help reverse the trend of fewer family farms.

The increase is in response to demand that has consistently exceeded available funding in the direct farm ownership loan program. The increase will assist both current and beginning farmers to purchase farms. The recently enacted Farm Bill modified the eligibility criteria for direct farm ownership loans that will likely increase the number of minority and beginning farmers applying for direct farm ownership loans. Annual target participation rates have been established to ensure that beginning farmers and members of socially disadvantaged groups will receive real estate loans and have the opportunity to accrue personal assets through equity in real estate and the establishment of a productive farming operation. Many minority and beginning farmers do not have down payments or other assets to afford long-term commercial credit. The direct farm ownership program is their only means of purchasing farms at affordable rates and terms. The \$140,149,000 in program level requested will provide about 1,199 direct loans in FY 2004.

- (b) An increase of \$50,000,000 for direct farm operating loans to expand usage of this program by beginning and minority farmers.

The demand for this program is exceeding available funding on an annual basis. Efforts are being made to expand usage of the direct operating loan program to benefit minority and beginning farmers. These activities are having positive results; in FY 2002 over 14,000 loans totaling \$668 million were provided to beginning and minority farmers. The requested program level of \$650 million will provide over 14,000 direct loans in FY 2004. This increase will assist current as well as beginning and socially disadvantaged farmers.

- (c) A decrease of \$40,000,000 for boll weevil eradication loans to promote the elimination of boll weevil infestation.

The boll weevil eradication loan program provides cotton growers with the necessary credit to fund efforts to eliminate the presence of the boll weevil in cotton producing areas. The decrease in the FY 2004 loan level is due to the success of this loan program in previous years. The proposed FY 2004 request will assist in boll weevil eradication in locations where treatment has yet to be fully implemented. The \$60,000,000 in program level requested will provide 9 loans in FY 2004. Because these loans are generally made to associations, they are usually large loans.

- (d) A decrease of \$300,000,000 for guaranteed farm operating - unsubsidized loans to facilitate the ability of farmers to obtain credit from commercial lenders in rural communities.

The guaranteed farm operating - unsubsidized loan program assists family farmers in the purchase of crop inputs, livestock, and machinery. In addition, this loan program permits farmers to restructure existing indebtedness with commercial lenders. Guaranteed farm operating - unsubsidized loan funds are used to graduate direct borrowers to commercial lending sources. The proposed loan level of funds in this program in FY 2004 is consistent with historical use of funds. The \$1,400,000,000 in program level requested will provide approximately 9,000 loan guarantees in FY 2004. This change is consistent with a transfer of \$134,700,000 made in FY 2002 to provide additional direct farm ownership and operating loans.

- (e) A decrease of \$33,751,000 for guaranteed farm operating - subsidized loans to enable additional farmers to obtain credit from commercial lenders in rural communities.

The guaranteed farm operating loan program provides a transitional mechanism for direct operating borrowers to graduate to commercial credit. The proposed loan level of funding in this program in FY 2004 is consistent with prior year use.

- (2) A net decrease of \$1,444,000 for Agricultural Credit Insurance Fund (ACIF) loan subsidy amounts (\$212,139,000 in 2003 President's Budget):

The decrease in subsidy reflects the amounts necessary to support the proposed loan levels. FSA continues to refine and review its cash-flow models to display actual data more accurately and completely. The loan subsidy rates generated project total costs (defaults and recoveries, late payments, interest assistance, and related assumptions) using historical averages and updated out-year projections over the life of the loan program. As a result, the current subsidy request is slightly less than the projected amount in the 2003 President's Budget.

- (3) An increase of \$10,960,000 for Agricultural Credit Insurance Fund (ACIF) administrative expenses (\$287,176,000 for 2003 President's Budget.)

This increase is attributable to increases in personnel compensation.

FARM SERVICE AGENCY
AGRICULTURAL CREDIT INSURANCE FUND
SUMMARY OF PROGRAM LEVELS AND NUMBER OF LOANS
FISCAL YEARS 2002 - 2004
(\$000)

	FY 2002 Actual		FY 2003 Estimated		FY 2004 Estimated	
	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount
FARM LOAN PROGRAMS						
Direct Farm Ownership.....	1,321	177,861	853	100,000	1,199	140,149
Direct Farm Ownership - Carryover	0	0	0	0	0	0
Subtotal.....	1,321	177,861	853	100,000	1,199	140,149
Direct Farm Operating.....	14,623	668,070	13,133	600,000	14,227	650,000
Direct Farm Operating - Carryover	0	0	114	5,214	0	0
Subtotal.....	14,623	668,070	13,247	605,214	14,227	650,000
Emergency Disaster.....	368	22,308	0	0	0	0
Emergency Disaster - Carryover	581	35,301	2,288	139,014	2,183	132,639
Subtotal.....	949	57,609	2,288	139,014	2,183	132,639
Indian Land Acquisition.....	3	74	81	2,000	81	2,000
Roll Weevil Eradication.....	15	99,995	15	100,000	9	60,000
Seed Producers	0	0	0	0	0	0
Total Direct.....	17,111	1,003,609	16,486	946,219	17,699	984,788
Guaranteed Farm Ownership.....	3,546	999,860	3,546	1,000,000	3,546	1,000,000
Guaranteed Farm Ownership - Carryover	359	101,333	171	48,400	0	0
Subtotal.....	3,905	1,101,193	3,718	1,048,400	3,546	1,000,000
Guaranteed Farm Operating - Unsubsidized.....	6,773	1,051,259	10,932	1,700,000	9,003	1,400,000
Guaranteed Farm Operating - Unsubsidized - Carryover	0	0	134	20,789	0	0
Subtotal.....	6,773	1,051,259	11,066	1,720,789	9,003	1,400,000
Guaranteed Farm Operating - Subsidized.....	2,729	496,408	1,649	300,000	1,464	266,249
Guaranteed Farm Operating - Subsidized - Carryover.....	0	0	22	3,924	0	0
Subtotal.....	2,729	496,408	1,671	303,924	1,464	266,249
Total Guaranteed.....	13,407	2,650,860	16,454	3,073,112	14,013	2,666,249
TOTAL FARM LOAN PROGRAMS.....	30,518	3,654,469	32,941	4,019,331	31,712	3,651,037

18-19

AGRICULTURAL CREDIT INSURANCE FUND
DIRECT FARM OWNERSHIP PROGRAM
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
2002 Actual and Estimates 2003 and 2004

	2002 Actual	2003 Estimated	2004 Estimated
Alabama	1,756,000	987,288	1,383,674
Alaska	100,000	56,224	78,797
Arizona	908,000	510,511	715,476
Arkansas	3,758,000	2,112,886	2,961,188
California	3,557,000	1,999,876	2,802,807
Colorado	2,129,000	1,197,002	1,677,587
Connecticut	50,000	28,112	39,398
Delaware	0	0	0
Florida	1,047,000	588,662	825,004
Georgia	2,568,000	1,443,824	2,023,505
Hawaii	497,000	279,432	391,621
Idaho	1,992,000	1,119,976	1,569,635
Illinois	7,964,000	4,477,654	6,275,387
Indiana	4,845,000	2,724,037	3,817,711
Iowa	11,762,000	6,613,029	9,268,094
Kansas	8,995,000	5,057,320	7,087,783
Kentucky	5,313,000	2,987,164	4,186,481
Louisiana	881,000	495,331	694,201
Maine	570,000	320,475	449,142
Maryland	350,000	196,783	275,789
Massachusetts	862,000	484,648	679,229
Michigan	4,464,000	2,509,825	3,517,495
Minnesota	11,794,000	6,631,021	9,293,309
Mississippi	1,269,000	713,479	999,933
Missouri	5,769,000	3,243,544	4,545,795
Montana	2,738,000	1,539,404	2,157,460
Nebraska	14,604,000	8,210,906	11,507,503
Nevada	293,000	164,735	230,875
New Hampshire	603,000	339,029	475,145
New Jersey	455,000	255,818	358,526
New Mexico	1,468,000	825,364	1,156,739
New York	4,175,000	2,347,339	3,289,772
North Carolina	1,422,000	799,301	1,120,492
North Dakota	7,535,000	4,236,454	5,937,348
Ohio	2,911,000	1,636,671	2,293,779
Oklahoma	17,604,000	9,897,617	13,871,411
Oregon	1,425,000	801,187	1,122,856
Pennsylvania	3,864,000	2,172,483	3,044,713
Puerto Rico	883,000	496,455	695,777
Rhode Island	510,000	286,741	401,864
South Carolina	969,000	544,807	763,542
South Dakota	6,466,000	3,635,423	5,095,009
Tennessee	4,105,000	2,307,582	3,234,614
Texas	4,923,000	2,767,892	3,879,173
Undistributed	0	0	0
Utah	2,222,000	1,249,290	1,750,868
Vermont	512,000	287,865	403,440
Virgin Islands	0	0	0
Virginia	1,439,000	809,059	1,133,888
W Pacific Terr	0	0	0
Washington	1,821,000	1,023,833	1,434,892
West Virginia	1,979,000	1,112,667	1,559,391
Wisconsin	8,700,000	4,891,460	6,855,333
Wyoming	1,035,000	581,915	815,548
	<u>177,861,000</u>	<u>100,000,000</u>	<u>140,149,400</u>

AGRICULTURAL CREDIT INSURANCE FUND
DIRECT FARM OPERATING LOAN PROGRAM
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

2002 Actual and Estimates 2003 and 2004

	2002 Actual	2003 Estimated	2004 Estimated
Alabama	7,695,000	6,971,009	7,486,865
Alaska	206,000	186,618	200,428
Arizona	2,276,000	2,061,860	2,214,439
Arkansas	34,563,000	31,311,107	33,628,138
California	25,231,000	22,857,117	24,548,550
Colorado	7,188,000	6,511,710	6,993,579
Connecticut	495,000	448,427	481,611
Delaware	0	0	0
Florida	1,017,000	921,315	989,492
Georgia	19,355,000	17,533,966	18,831,485
Hawaii	396,000	358,742	385,289
Idaho	13,985,000	12,669,208	13,606,733
Illinois	12,721,000	11,524,133	12,376,922
Indiana	8,845,000	8,012,810	8,605,760
Iowa	29,418,000	26,650,180	28,622,300
Kansas	18,824,000	17,052,926	18,314,847
Kentucky	20,588,000	18,650,958	20,031,134
Louisiana	25,269,000	22,891,542	24,585,522
Maine	6,712,000	6,080,495	6,530,453
Maryland	733,000	664,035	713,174
Massachusetts	3,228,000	2,924,291	3,140,689
Michigan	15,493,000	14,035,326	15,073,944
Minnesota	31,702,000	28,719,287	30,844,522
Mississippi	15,135,000	13,711,009	14,725,628
Missouri	17,009,000	15,408,692	16,548,939
Montana	6,622,000	5,998,963	6,442,888
Nebraska	33,504,000	30,351,744	32,597,782
Nevada	1,411,000	1,278,245	1,372,835
New Hampshire	1,910,000	1,730,296	1,858,338
New Jersey	1,312,000	1,188,559	1,276,513
New Mexico	8,213,000	7,440,272	7,990,854
New York	16,624,000	15,059,915	16,174,353
North Carolina	12,342,000	11,180,791	12,008,173
North Dakota	27,758,000	25,146,362	27,007,200
Ohio	3,859,000	3,495,922	3,754,622
Oklahoma	27,867,000	25,245,107	27,113,252
Oregon	11,682,000	10,582,888	11,366,025
Pennsylvania	21,046,000	19,065,867	20,476,746
Puerto Rico	398,000	360,554	387,235
Rhode Island	680,000	616,022	661,607
South Carolina	10,403,000	9,424,224	10,121,619
South Dakota	22,602,000	20,475,469	21,990,660
Tennessee	21,127,000	19,139,246	20,555,356
Texas	50,044,000	45,335,563	48,690,407
Undistributed		0	0
Utah	8,340,000	7,555,323	8,114,419
Vermont	3,800,000	3,442,473	3,697,217
Virgin Islands	11,000	9,965	10,702
Virginia	4,784,000	4,333,893	4,654,602
W Pacific Terr	6,000	5,435	5,838
Washington	13,437,000	12,172,767	13,073,555
West Virginia	8,518,000	7,716,576	8,287,605
Wisconsin	29,300,000	26,543,282	28,507,492
Wyoming	2,386,000	2,161,511	2,321,463
	<u>668,070,000</u>	<u>605,214,000</u>	<u>650,000,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
GUARANTEED FARM OWNERSHIP LOAN PROGRAM
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
2002 Actual and Estimates 2003 and 2004

	2002 Actual	2003 Estimated	2004 Estimated
Alabama	26,384,623	25,119,701	23,960,035
Alaska	124,003	118,058	112,608
Arizona	1,898,045	1,807,049	1,723,626
Arkansas	106,441,513	101,338,532	96,660,180
California	35,237,832	33,548,472	31,999,688
Colorado	14,003,331	13,331,988	12,716,309
Connecticut	1,211,029	1,152,970	1,099,742
Delaware	5,539,131	5,273,576	5,030,118
Florida	4,793,113	4,563,323	4,352,655
Georgia	35,186,831	33,499,916	31,953,373
Hawaii	748,018	712,156	679,279
Idaho	14,723,348	14,017,486	13,370,361
Illinois	30,119,711	28,675,723	27,351,891
Indiana	35,189,831	33,502,773	31,956,097
Iowa	42,956,014	40,896,632	39,008,615
Kansas	21,807,515	20,762,027	19,803,536
Kentucky	30,372,717	28,916,599	27,581,647
Louisiana	16,233,383	15,455,128	14,741,633
Maine	1,787,042	1,701,368	1,622,824
Maryland	8,646,204	8,231,691	7,851,670
Massachusetts	2,394,057	2,279,282	2,174,057
Michigan	50,913,202	48,472,340	46,234,586
Minnesota	48,018,134	45,716,066	43,605,557
Mississippi	16,696,394	15,895,942	15,162,096
Missouri	39,737,938	37,832,836	36,086,261
Montana	23,956,566	22,808,049	21,755,102
Nebraska	50,964,203	48,520,896	46,280,900
Nevada	3,210,076	3,056,179	2,915,089
New Hampshire	108,003	102,825	98,078
New Jersey	1,539,036	1,465,252	1,397,608
New Mexico	7,281,172	6,952,101	6,612,076
New York	22,743,537	21,653,174	20,653,543
North Carolina	38,909,919	37,044,513	35,334,332
North Dakota	25,174,594	23,967,683	22,861,201
Ohio	26,040,615	24,792,185	23,647,639
Oklahoma	53,284,258	50,729,723	48,387,756
Oregon	15,056,355	14,334,529	13,672,767
Pennsylvania	24,051,568	22,898,496	21,841,374
Puerto Rico	1,225,029	1,166,299	1,112,456
Rhode Island	93,002	88,544	84,456
South Carolina	30,283,715	28,831,864	27,500,824
South Dakota	20,585,486	19,598,584	18,693,804
Tennessee	15,784,373	15,027,644	14,333,884
Texas	27,001,638	25,707,135	24,520,350
Undistributed	-	-	-
Utah	8,208,194	7,814,680	7,453,910
Vermont	5,580,132	5,312,611	5,067,351
Virgin Islands	-	-	-
Virginia	11,682,276	11,122,208	10,608,745
W Pacific Terr	-	-	-
Washington	15,164,358	14,437,354	13,770,845
West Virginia	5,445,129	5,184,080	4,944,754
Wisconsin	67,290,589	64,064,567	61,106,989
Wyoming	9,366,221	8,917,189	8,505,522
	<u>1,101,193,000</u>	<u>1,048,400,000</u>	<u>1,000,000,000</u>

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AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING SUBSIDIZED LOAN PROGRAM
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 2002 Actual and Estimates 2003 and 2004

	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>2004 Estimated</u>
Alabama	-	-	-
Alaska	-	-	-
Arizona	-	-	-
Arkansas	4,295,000	2,629,603	2,303,633
California	1,068,000	653,880	572,824
Colorado	3,440,000	2,106,132	1,845,052
Connecticut	-	-	-
Delaware	-	-	-
Florida	646,000	395,512	346,484
Georgia	-	-	-
Hawaii	-	-	-
Idaho	863,000	528,370	462,872
Illinois	44,958,000	27,525,428	24,113,323
Indiana	13,969,000	8,552,487	7,492,304
Iowa	49,829,000	30,507,686	26,725,895
Kansas	18,514,000	11,335,152	9,930,025
Kentucky	3,425,000	2,096,948	1,837,006
Louisiana	-	-	-
Maine	-	-	-
Maryland	-	-	-
Massachusetts	-	-	-
Michigan	15,815,000	9,682,696	8,482,410
Minnesota	39,435,000	24,143,985	21,151,050
Mississippi	-	-	-
Missouri	7,711,000	4,721,041	4,135,812
Montana	6,432,000	3,937,977	3,449,818
Nebraska	45,575,000	27,903,185	24,444,253
Nevada	215,000	131,633	115,316
New Hampshire	-	-	-
New Jersey	-	-	-
New Mexico	-	-	-
New York	4,533,000	2,775,318	2,431,285
North Carolina	272,000	166,531	145,888
North Dakota	59,050,000	36,153,221	31,671,599
Ohio	10,154,000	6,216,762	5,446,121
Oklahoma	69,571,000	42,594,679	37,314,561
Oregon	-	-	-
Pennsylvania	7,865,000	4,815,327	4,218,410
Puerto Rico	-	-	-
Rhode Island	-	-	-
South Carolina	-	-	-
South Dakota	14,481,000	8,865,958	7,766,917
Tennessee	6,897,000	4,222,672	3,699,221
Texas	4,399,000	2,693,277	2,359,413
Undistributed	-	-	-
Utah	418,000	255,920	224,195
Vermont	1,577,000	965,514	845,827
Virgin Islands	-	-	-
Virginia	1,732,000	1,059,801	928,426
W Pacific Terr	-	-	-
Washington	-	-	-
West Virginia	2,257,000	1,381,843	1,210,547
Wisconsin	54,936,000	33,634,435	29,465,046
Wyoming	2,076,000	1,271,026	1,113,467
	<u>496,408,000</u>	<u>303,924,000</u>	<u>266,249,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING UNSUBSIDIZED LOAN PROGRAM
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 2002 Actual and Estimates 2003 and 2004

	2002 Actual	2003 Estimated	2004 Estimated
Alabama	1,923,000	3,141,751	2,556,066
Alaska	-	-	-
Arizona	16,801,000	27,449,066	22,332,019
Arkansas	80,761,000	131,945,362	107,348,145
California	71,428,000	116,697,333	94,942,649
Colorado	11,421,000	18,659,353	15,180,881
Connecticut	3,672,000	5,999,225	4,880,851
Delaware	505,000	825,057	671,250
Florida	2,764,000	4,515,756	3,673,930
Georgia	35,633,000	58,216,331	47,363,659
Hawaii	472,000	771,142	627,386
Idaho	20,841,000	34,049,520	27,702,018
Illinois	18,082,000	29,541,933	24,034,734
Indiana	20,960,000	34,243,939	27,860,194
Iowa	50,038,000	81,750,870	66,510,896
Kansas	20,710,000	33,835,496	27,527,892
Kentucky	16,266,000	26,574,996	21,620,893
Louisiana	59,814,000	97,722,662	79,505,231
Maine	2,528,000	4,130,185	3,360,237
Maryland	2,702,000	4,414,462	3,591,519
Massachusetts	1,183,000	1,932,757	1,572,453
Michigan	34,204,000	55,881,665	45,464,221
Minnesota	82,997,000	135,598,485	110,320,254
Mississippi	26,455,000	43,221,537	35,164,190
Missouri	14,649,000	23,933,181	19,471,564
Montana	11,855,000	19,368,411	15,757,758
Nebraska	31,508,000	51,477,006	41,880,677
Nevada	1,628,000	2,659,787	2,163,950
New Hampshire	110,000	179,715	146,213
New Jersey	1,853,000	3,027,396	2,463,022
New Mexico	12,646,000	20,660,728	16,809,161
New York	25,191,000	41,156,445	33,484,072
North Carolina	21,880,000	35,747,013	29,083,065
North Dakota	30,438,000	49,728,866	40,458,425
Ohio	15,544,000	25,395,410	20,661,205
Oklahoma	19,945,000	32,585,657	26,511,048
Oregon	19,049,000	31,121,794	25,320,078
Pennsylvania	9,640,000	15,749,598	12,813,562
Puerto Rico	705,000	1,151,812	937,091
Rhode Island	30,000	49,013	39,876
South Carolina	8,398,000	13,720,449	11,162,686
South Dakota	21,331,000	34,850,070	28,353,330
Tennessee	8,963,000	14,643,532	11,913,689
Texas	108,138,000	176,673,241	143,737,865
Undistributed	-	-	-
Utah	3,966,000	6,479,555	5,271,638
Vermont	5,775,000	9,435,055	7,676,175
Virgin Islands	-	-	-
Virginia	4,091,000	6,683,777	5,437,789
W Pacific Terr	-	-	-
Washington	41,068,000	67,095,902	54,587,903
West Virginia	3,241,000	5,295,067	4,307,962
Wisconsin	44,937,000	73,416,980	59,730,608
Wyoming	4,520,000	7,384,666	6,008,019
	<u>1,053,259,800</u>	<u>1,720,789,000</u>	<u>1,409,000,000</u>

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AGRICULTURAL CREDIT INSURANCE FUND
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
2002 Actual and Estimates 2003 and 2004

BOLL WEEVIL ERADICATION LOAN PROGRAM

	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>2004 Estimated</u>
Alabama	12,602,029	12,602,659	7,561,595
Arkansas	12,602,029	12,602,659	7,561,595
Missouri	-	-	-
New Mexico	1,050,169	1,050,222	630,133
Oklahoma	619,600	619,631	371,778
Tennessee	15,857,553	15,858,346	9,515,008
Texas	57263619.9	57266483.23	34359839.94
Undistributed	-	-	-
	<u>99,995,000</u>	<u>100,000,000</u>	<u>60,000,000</u>

INDIAN LAND ACQUISITION LOAN PROGRAM

	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>2004 Estimated</u>
Oklahoma	74,000	-	-
Undistributed	-	2,000,000	2,000,000
Total	<u>74,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

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AGRICULTURAL CREDIT INSURANCE FUND
EMERGENCY LOAN PROGRAM
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
2002 Actual and Estimates 2003 and 2004

	2002 Actual	2003 Estimated*	2004 Estimated*
Alabama	-		
Alaska	32,000		
Arizona	57,000		
Arkansas	446,000		
California	3,643,000		
Colorado	58,000		
Connecticut	-		
Delaware	-		
Florida	373,000		
Georgia	845,000		
Hawaii	-		
Idaho	620,000		
Illinois	40,000		
Indiana	-		
Iowa	573,000		
Kansas	1,028,000		
Kentucky	175,000		
Louisiana	6,143,000		
Maine	212,000		
Maryland	96,000		
Massachusetts	-		
Michigan	14,860,000		
Minnesota	307,000		
Mississippi	237,000		
Missouri	78,000		
Montana	865,000		
Nebraska	-		
Nevada	84,000		
New Hampshire	132,000		
New Jersey	-		
New Mexico	1,286,000		
New York	3,988,000		
North Carolina	-		
North Dakota	144,000		
Ohio	90,000		
Oklahoma	3,035,000		
Oregon	207,000		
Pennsylvania	1,328,000		
Puerto Rico	26,000		
Rhode Island	-		
South Carolina	1,181,000		
South Dakota	53,000		
Tennessee	172,000		
Texas	9,884,000		
Undistributed	-		
Utah	2,095,000		
Vermont	39,000		
Virgin Islands	-		
Virginia	-		
W Pacific Terr	-		
Washington	787,000		
West Virginia	44,000		
Wisconsin	1,603,000		
Wyoming	741,000		
Undistributed		139,014,000	132,639,000
	<u>57,609,000</u>	<u>139,014,000 *</u>	<u>132,639,000 *</u>

* A geographic breakdown of Emergency Loan obligations is not projected due to the nature of the program

FARM SERVICE AGENCY
COMPARISON OF BORROWER DELINQUENCY RATES --SEPTEMBER 30, 2002
(Dollars in Thousands)

	AS OF SEPTEMBER 30, 2001				AS OF SEPTEMBER 30, 2002			
	Number of Loans	Total Principal and Interest Outstanding	Total Principal and Interest Delinquent	Percent Delinquent	Number of Loans	Total Principal and Interest Outstanding	Total Principal and Interest Delinquent	Percent Delinquent
Individual Loans:								
Direct Farm Ownership	49,289	\$3,822,449	\$344,457	9%	56,331	\$3,585,816	\$138,621	4%
Guaranteed Farm Ownership	22,100	3,871,386	46,328	1%	24,474	4,222,341	50,940	1%
Direct Farm Operating	45,900	3,028,576	955,825	32%	79,525	2,970,193	367,401	12%
Guaranteed Farm Operating	27,908	3,850,533	115,773	3%	21,588	3,581,894	132,151	4%
Recreation	36	2,098	418	20%	40	1,514	22	1%
Emergency Disaster	26,137	2,115,280	831,927	39%	38,470	1,807,478	331,702	18%
Economic Emergency	6,092	561,002	185,920	33%	6,433	464,638	86,766	19%
Guaranteed Economic Emergency	59	5,554	800	14%	35	3,474,311	77	0%
Soil and Water	3,052	64,250	14,306	22%	2,942	54,835	6,438	12%
Association Loans:								
Irrigation and Drainage	55	5,380	3,450	64%	52	5,410	2	0%
Grazing	99	15,327	150	1%	115	11,246	62	1%
Indian Tribe Land Acquisition	27	54,314	512	1%	116	64,906	8	0%
Boll Weevil	29	277,277	0	0%	108	471,900	10	0%
Non-program Loans	1,208	82,837	14,021	17%	1,298	10,686	1,000	9%
Total	181,991	17,756,263	2,513,887	14%	230,527	20,727,168	1,115,200	5%

AGRICULTURAL CREDIT INSURANCE FUND

STATUS OF PROGRAM

Goal 3: Assist eligible individuals and families in becoming successful farmers and ranchers.

Current Activities: FSA's farm loan programs provide loans for the maintenance, purchase, development, and operation of family farms and ranches, as well as emergency assistance in the event of natural disasters. These programs target assistance to beginning and socially disadvantaged farmers and ranchers.

Listed below are data regarding farmers in financial difficulty and FSA's servicing actions to help them.

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
<u>Borrower Activity:</u>			
Number of farm borrowers a/	143,502	135,480	129,617
Number of delinquent farmers	22,289 (16%)	15,483 (11%)	13,959 (11%)
Number delinquent 3 years or more	9,848	2,609	2,073
Deferrals	584	716	819
Reschedulings, consolidations, reamortizations	3,597	3,937	4,135
<u>Farm inventory properties:</u>			
Number of farm properties	468	371	300
Acres	96,747	76,694	49,385
Present market value (\$000)	\$73,098	\$60,433	\$46,951

a/ Approximately 13 percent are socially disadvantaged applicants and approximately 16 percent are beginning farmers.

The following table reflects the number and amount of loans for FY 2002:

FY 2002 Actual Agricultural Credit Insurance Fund Obligations
(Dollars in Thousands)

<u>Farm Loans:</u>	<u>Number</u>	<u>Amount</u>
Direct Farm Ownership	1,521	\$177,861
Guaranteed Farm Ownership	3,550	1,000,000
Guaranteed Farm Ownership - Supplemental	355	101,167
Subtotal	3,905	1,101,167
Direct Farm Operating	14,623	668,070
Guaranteed Farm Operating - Subsidized	2,729	496,407
Guaranteed Farm Operating - Unsubsidized	6,733	1,053,259
Emergency Disaster	400	25,000
Emergency Disaster - Supplemental	549	32,609
Subtotal	949	57,609
Boll Weevil Eradication	15	99,995
Indian Land Acquisition	1	74
TOTAL	30,476	\$3,654,442

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FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

State Mediation Grants

For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended
(7 U.S.C. 5101-5106), \$4,000,000.

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STATE MEDIATION GRANTS

President's Budget, 2003	\$4,000,000
Budget Estimate, 2004	4,000,000
Change	-----

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
State Mediation Grants	\$4,000,000	-----	\$4,000,000

PROJECT STATEMENT

(On basis of appropriation)

Project	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
Goal 6:				
State mediation grants	\$3,493,000	\$4,000,000	---	\$4,000,000
Total Appropriation	3,493,000	4,000,000	---	4,000,000

JUSTIFICATION OF REQUESTED LEVEL

State Mediation Grants are made to States to help support certified programs that provide alternative dispute resolution on a wide variety of agricultural issues.

Mediation of disputes benefits both USDA and its customers by avoiding much of the cost and time associated with administrative appeals and reducing the need for litigation and bankruptcy. The average cost of a mediation case during FY 2002 was \$687, significantly less than a National Appeals Division (NAD) hearing at about \$4,000 per case, not including indirect costs such as travel and salary of personnel involved on behalf of FSA. A typical mediation case takes 1 or 2 days, compared to a NAD case, which can extend for months. Mediation often enables producers, particularly low income and socially disadvantaged farmers, to resolve credit and other disputes and remain on the farm. The National Association of State Departments of Agriculture has repeatedly voiced its support for the program.

Various USDA agencies have requested the services of the State Mediation Grants program to resolve cases in their mission areas, including civil rights and risk management/crop insurance. In FY 2000, Rural Development was authorized by the Secretary of Agriculture to use the State Mediation Grants program to mediate rural housing and rural business disputes. In addition, the Grain Standards and Warehouse Improvement Act of 2000 clarified that USDA-certified States may provide mediation training and consulting services to producers, lenders, and other USDA agencies.

In fiscal year 2002, from the appropriation of \$3,493,000, 27 States received grants pro rated at 88 percent of their initial request. It is estimated that during fiscal year 2003, 28 to 30 State programs will receive grants. In fiscal year 2004, 28 to 32 States are expected to receive grants. In fiscal year 2003, grants to States may range from \$5,000 to \$357,350 and in fiscal year 2004 grants are expected to range from \$5,000 to \$408,000.

The following table shows the geographic breakdown of obligations for fiscal years 2002 through 2004.

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State Mediation Program
Geographic Breakdown of Obligations
2002 Actual and Estimated 2003 and 2004

State	2002 Actual	2003 Estimated	2004 Estimated
Alabama	\$102,636	\$130,415	\$149,046
Arizona	111,804	91,389	104,445
Arkansas	83,541	70,402	80,460
California	67,186	147,091	168,104
Colorado	75,583	74,858	85,552
Florida	44,202	55,027	62,888
Idaho	—	30,606	34,979
Illinois	63,810	92,221	105,395
Indiana	29,817	55,316	63,218
Iowa	309,411	251,437	287,357
Kansas	332,210	357,350	408,400
Louisiana	98,580	237,737	271,699
Maryland	45,307	63,341	72,389
Massachusetts	108,089	102,079	116,662
Michigan	84,093	76,796	87,767
Minnesota	330,606	263,066	300,646
Missouri	—	72,264	82,587
Nebraska	167,448	136,415	155,902
Nevada	29,429	23,915	27,332
New Mexico	61,347	52,554	60,062
New York	178,298	86,925	99,343
North Dakota	331,887	261,390	298,732
Oklahoma	280,804	287,357	328,408
South Dakota	137,866	112,649	128,742
Texas	82,731	85,461	97,670
Utah	22,101	17,960	20,525
Washington	58,788	49,030	56,035
Wisconsin	211,222	179,028	204,604
Wyoming	44,204	35,920	41,051
Undistributed	—	500,001	0
Total, Available or Estimate	3,493,000	4,000,000	4,000,000

STATE MEDIATION GRANTS

STATUS OF PROGRAM

Goal 6: To ensure equal access and treatment in program delivery and employment, provide a diverse workforce free of discrimination, and ensure equal opportunity for minority, women-owned, and small disadvantaged businesses.

Current Activities: During FY 2002:

- Grants were made to 27 States.
- States contributed over \$1.7 million in matching funds.
- Colorado, Louisiana, Massachusetts, and New York were certified for the mediation program. Five additional States are expected to become certified in FY 2003.
- USDA agencies participating during FY 2002 include FSA, Forest Service, Natural Resources Conservation Service, Risk Management Agency and Rural Development. Approval for Agricultural Marketing Service (AMS) participation is pending. Once this approval is granted, certified organic farmers will be able to mediate farm labor disputes through the program.
- In addition to credit disputes, the most frequently mediated issues were Conservation Reserve Program payment eligibility/limitation, highly erodible land/water conservation program requirements, price support payments, and production flexibility contracts.

Program Results Comparison:

	<u>FY 2001</u>	<u>FY 2002</u>
Number of cases mediated	4,528	3,804
Number of cases resolved	3,314	2,746
Percentage of cases resolved*	73.2%	72.2%
Average cost per case	\$659	\$687

*Target was 75 percent.

Example of Recent Success:

Kansas Guaranteed Loan Loss Claim Case: FSA regularly guarantees loans that local banks make to farmers; when a farmer defaults on the loan, FSA reimburses the bank for its loss, assuming the lender has complied with FSA regulations on filing claims and issuing the loan. In a case in Kansas, FSA denied the bank reimbursement for a loan loss claim. The bank's vice president requested mediation because he questioned the refusal and believed that FSA had been unresponsive to his requests for an explanation.

In one session, the mediator facilitated communication and the FSA representative was able to explain that the bank had allowed an inappropriate use of the loan funds and that the required paperwork had been completed incorrectly. The bank vice president then accepted the decision and arranged to meet with the FSA official without the mediator for coaching in the handling of FSA-guaranteed loans. The meeting took place, and this FSA office now has a better working relationship with a key partner in its mission to assist farmers. FSA can now better serve its clients with less time spent doing so. The bank in question holds \$4.8 million in guaranteed FSA loans, and its ability to continue making these loans is crucial to the small farming community in which it is located.

The following table shows allocations and outlays by State for FY 2002.

State Mediation Grants
Allocations and Outlays by State
Fiscal Year 2002

State	Allocations	Outlays ^{a/}
Alabama	\$102,636	\$186,375
Arizona	111,804	108,770
Arkansas	83,541	89,521
California	67,186	11,267
Colorado	75,583	75,580
Florida	44,202	38,193
Idaho	—	4,810
Illinois	63,810	66,546
Indiana	29,817	27,277
Iowa	309,411	309,410
Kansas	332,210	448,153
Louisiana	98,580	—
Maryland	45,307	—
Massachusetts	108,089	108,080
Michigan	84,093	43,771
Minnesota	330,606	304,608
Missouri	—	627
Nebraska	167,448	55,815
Nevada	29,429	27,923
New Mexico	61,347	47,811
New York	178,298	204,570
North Dakota	331,887	273,676
Oklahoma	280,804	224,216
South Dakota	137,866	91,488
Texas	82,731	60,374
Utah	22,101	5,452
Washington	58,788	54,912
Wisconsin	211,222	150,684
Wyoming	44,204	13,494
Total	\$3,493,000	\$3,033,403

^{a/} Includes outlays from prior year obligations.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

Dairy Indemnity Program (Including Transfers of Funds):

For necessary expenses involved in making indemnity payments to dairy farmers and manufacturers of dairy products under a dairy indemnity program, \$100,000, to remain available until expended:

Provided, That such program is carried out by the Secretary in the same manner as the dairy indemnity program described in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106-387; 114 Stat. 1549A-12).

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DAIRY INDEMNITY PROGRAM

President's Budget, 2003	\$100,000
Budget Estimate, 2004	100,000
Change	—

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Indemnity payments to dairy farmers and manufacturers	<u>\$100,000</u>	<u>—</u>	<u>\$100,000</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>Increase or Decrease</u>	<u>2004 Estimated</u>
Goal 1:				
Indemnity payments to dairy farmers and manufacturers	\$100,000	\$100,000	—	\$100,000
Total appropriation	100,000	100,000	—	100,000

PROJECT STATEMENT

(On basis of available funds)

<u>Project</u>	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>Increase or Decrease</u>	<u>2004 Estimated</u>
Goal 1:				
Indemnity payments to dairy farmers and manufacturers	\$124,309	\$100,000	+1,309,255	\$1,409,255
Unobligated balance brought forward from prior years	-1,333,564	-1,309,255	—	-1,309,255
Unobligated balance carried forward to next year	1,309,255	1,309,255	-1,309,255	—
Total appropriation	100,000	100,000	—	100,000

JUSTIFICATION OF REQUESTED LEVEL

The purpose of the Dairy Indemnity Program (DIP) is to indemnify dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because of residues of chemicals that have been approved by the Federal Government and certified as safe for use. The program also reimburses dairy farmers for milk removed from commercial markets because of nuclear radiation, fallout, or certain other toxic substances. No other

program addresses the objectives of the DIP. The Farm Security and Rural Investment Act of 2002 extended this program to 2007.

The amount of claims varies considerably from year to year, depending upon the nature and extent of problems encountered. It is therefore impossible to predict with any degree of accuracy what program needs will be in a given year. The FY 2004 requested level of \$100,000 together with the estimated carryover from FY 2003 would provide sufficient funding for emergency indemnification during a year when no major contamination problems occur, and would provide a substantial operating margin based on the history of the last 5 years, when annual claims averaged \$145,161.

The following table shows geographic breakdown of obligations for fiscal years 2002-2004.

Dairy Indemnity Program
Geographic Breakdown of Obligations
2002 Actual and Estimated 2003 and 2004

State	2002 Actual	2003 Estimated	2004 Estimated
Arkansas	\$10,541	--	--
Florida	2,154	--	--
Illinois	9,014	--	--
Louisiana	47	--	--
New Mexico	15,676	--	--
Oklahoma	15,452	--	--
Texas	71,425	--	--
Undistributed	--	\$100,000	\$1,409,255
Total, Available or Estimate	\$124,309	\$100,000	\$1,409,255

DAIRY INDEMNITY PROGRAM**STATUS OF PROGRAM**

Goal 1: Provide farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.

Current Activities: During fiscal year 2002, 19 dairy farmers in 7 States filed and received payments for claims totaling \$124,309 under the Dairy Indemnity Program. These farmers' claims resulted from losses incurred mostly from aflatoxin contamination discovered in their cattle's milk.

Payments to dairy farmers since the program's inception in FY 1965 total \$18 million.

The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, 20 manufacturers have received indemnity payments totaling \$3.9 million.

The following tables show (a) outlays by State during FY 2002 and (b) payments and number of payees during fiscal years 1965 through 2002.

FY 2002 Outlays by State

State	Payments
Arkansas	\$10,541
Florida	2,154
Illinois	9,014
Louisiana	47
New Mexico	15,676
Oklahoma	15,452
Texas	71,425
Total	\$124,309

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Dairy Indemnity Program
Payments and Number of Payees
Fiscal Years 1965-2002

Fiscal Year	Payments to Dairy Farmers	Payments to ManuL of Dairy Prod.	Total Payments	Number of Payees
1965	\$349,933	--	\$349,933	135
1966	214,459	--	214,459	60
1967	166,466	--	166,466	110
1968	264,128	--	264,128	35
1969	136,571	--	136,571	20
1970	125,520	--	125,520	35
1971	164,474	--	164,474	23
1972	46,082	\$15,500	61,582	4
1973	36,553	94,666	131,219	6
1974	144,477	31,261	175,738	21
1975	193,389	--	193,389	26
1976 a/	159,289	--	159,289	19
1977	40,284	--	40,284	8
1978	66,266	9,210	75,476	12
1979	64,267	--	64,267	13
1980	91,575	--	91,575	9
1981	42,231	--	42,231	15
1982	15,087	--	15,087	5
1983	6,121,374	--	6,121,374	18
1984	2,043,010	398,910	2,441,920	22
1985	50,070	--	50,070	5
1986	15	--	15	10
1987	4,871,724	3,361,892	8,233,616 b/	131
1988	449,543	--	449,543	4
1989	230,101	--	230,101	106
1990	112,405	--	112,405	52
1991	90,702	--	90,702	24
1992	131,651	--	131,651	51
1993	120,129	--	120,129	27
1994	387,358	--	387,358	27
1995	18,565	--	18,565	7
1996	207,867	--	207,867	22
1997	257,311	--	257,311	30
1998	416,622	--	416,622	42
1999	126,353	--	126,353	30
2000	36,407	--	36,407	7
2001	22,112	--	22,112	9
2002	124,309	--	124,309	19
Total	\$18,138,679	\$3,911,439	\$22,050,118	1,199

a/ Includes transition quarter.

b/ Includes payments totaling \$2,264,172 that were issued to producers and manufacturers in fiscal year 1986 but not reported to the National office and Treasury in time to appear as outlays in fiscal year 1986.

EMERGENCY CONSERVATION PROGRAM

President's Budget, 2003	\$48,700,000
Budget Estimate, 2004	—
Change	<u>-48,700,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	2002 Actual	2003 Estimated	Decrease	2004 Estimated
Goal 2:				
Emergency cost-sharing to farmers	—	\$43,830,000	-\$43,830,000	—
Technical assistance	—	4,870,000	-4,870,000	—
Total appropriation	—	48,700,000	-48,700,000(1)	—

PROJECT STATEMENT
(On basis of available funds)

Project	2002 Actual	2003 Estimated	Decrease	2004 Estimated
Goal 2:				
Emergency cost-sharing to farmers	\$30,262,665	\$109,854,974	-\$109,854,974	—
Technical assistance	2,095,651	12,206,108	-12,206,108	—
Total assistance	32,358,316	122,061,082	-122,061,082	—
Unobligated balance brought forward from prior years	-105,719,398	-73,361,082	+73,361,082	—
Unobligated balance carried forward to next year	73,361,082	—	—	—
Total appropriation	—	48,700,000	-48,700,000	—

JUSTIFICATION OF DECREASE

- (1) A decrease of \$48,700,000 for emergency conservation (\$48,700,000 available in 2003).

Since it is not possible to predict natural disasters, funding requirements for this emergency program will be addressed as needs arise.

The following tables show (a) outlays by State for fiscal year 2002 and (b) geographic breakdown of obligations for fiscal years 2002-2004.

Emergency Conservation Program
2002 Outlays by State

STATE	OUTLAYS
Alabama	\$106,004
Arizona	95,993
Arkansas	2,181,850
California	349,483
Colorado	445,516
Connecticut	44,038
Delaware	640
Georgia	158,252
Hawaii	344,717
Idaho	1,466,418
Illinois	63,936
Indiana	66,678
Iowa	415,547
Kansas	14,137
Kentucky	150,163
Maine	261,566
Maryland	230,031
Massachusetts	270,744
Minnesota	570,089
Mississippi	174,568
Missouri	239,111
Montana	4,884,512
Nebraska	16,280
Nevada	191,864
New Hampshire	177,856
New Mexico	6,760
New York	213,924
North Carolina	542,545
North Dakota	98,586
Ohio	220,105
Oklahoma	6,141,177
Oregon	450,344
Pennsylvania	289,318
Puerto Rico	141,154
South Carolina	245,922
South Dakota	1,446,816
Tennessee	570,489
Texas	2,338,208
Utah	160,263
Vermont	644,658
Virginia	1,956,080
Washington	1,032,446
West Virginia	59,291
Wisconsin	126,718
Wyoming	587,498
Undistributed	77,478
FSA, Subtotal	30,269,773
NRCS, Technical Assistance	2,095,651
TOTAL	\$32,365,424

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Emergency Conservation Program
Geographic Breakdown of Obligations
2002 Actual and Estimated 2003 and 2004

STATE	2002 Actual	2003 Estimated	2004 Estimated
Alabama	\$62,605	\$3,561,749	0
Alaska	185,099	185,099	0
Arizona	-134,288	1,484,861	0
Arkansas	224,434	3,445,827	0
California	163,121	2,334,924	0
Colorado	1,165,361	3,433,311	0
Connecticut	60,038	279,164	0
Delaware	--	25,723	0
Florida	--	63,766	0
Georgia	180,105	5,493,290	0
Hawaii	--	237,500	0
Hawaii	-16,959	-159,668	0
Idaho	598,828	159,246	0
Illinois	267,380	1,532,146	0
Indiana	70,907	1,606,684	0
Iowa	421,634	3,244,679	0
Kansas	14,137	160,749	0
Kentucky	111,994	4,730,685	0
Louisiana	--	39,858	0
Maine	297,411	230,481	0
Maryland	878,818	2,120,180	0
Massachusetts	911,970	116,589	0
Minnesota	82,597	2,025,553	0
Mississippi	58,670	2,057,688	0
Missouri	261,721	6,017,605	0
Montana	5,274,173	-207,337	0
Nebraska	292,044	3,161,743	0
Nevada	246,653	1,244,651	0
New Hampshire	198,278	75,247	0
New Mexico	94,171	4,387,804	0
New York	-244,573	277,445	0
North Carolina	1,587,285	6,540,673	0
North Dakota	233,003	2,671,508	0
Ohio	226,872	4,672,701	0
Oklahoma	1,301,695	996,467	0
Oregon	-223,892	-72,510	0
Pennsylvania	452,706	738,433	0
Puerto Rico	233,576	3,721,021	0
Rhode Island	0	66,399	0
South Carolina	1,335,344	2,029,929	0
South Dakota	7,949,789	5,741,863	0
Tennessee	539,363	1,736,081	0
Texas	-246,683	11,032,725	0
Utah	603,375	814,962	0
Vermont	935,410	2,925,807	0
Virginia	5,126,145	7,359,528	0
Virgin Islands	-17,600	-50,486	0
Washington	770,721	665,602	0
West Virginia	22,663	588,087	0
Wisconsin	110,124	305,564	0
Wyoming	1,594,925	1,799,379	0
Undistributed	-3,997,679	2,164,079	0
FSA, Subtotal	30,262,665	109,854,974	0
NRCS, Technical Assistance	2,095,651	12,206,108	0
Total Available or Estimate	32,358,316	122,061,082	0

NOTE: Negative obligations represent deobligations of prior years' obligations

EMERGENCY CONSERVATION PROGRAM**STATUS OF PROGRAM**

Goal 2: Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.

Current Activities: Of the total eligible costs of restoring damaged farmland, the Federal Government will pay up to 64 percent of the first \$62,500, 40 percent of the second \$62,500, and 20 percent of the eligible cost above \$125,000, up to a maximum of \$200,000 per person, per disaster, including pooling agreements.

During FY 2002, 44 States participated in the program, involving \$5,961,218 acres and approximately \$32,363,424 in cost-share and technical assistance outlays.

Selected Examples of Recent Activity: ECP funds totaling \$79,760,844 were allocated for the following activities in FY 2002:

Disaster	Number of States	Allocation
Drought	32	\$60,412,744
Earthquake	1	27,000
Flooding	27	13,354,500
Landslide	1	372,300
Ice Storm	1	2,660,600
Tornado	14	1,281,100
Wildfire	11	1,632,100
Wind	2	20,500
TOTAL		\$79,760,844

The tables that follow show (a) appropriations and outlays for fiscal years 1979 through 2002, (b) FY 2002 allocations by State, and (c) outlays by type of disaster for FY 2002.

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Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1979-2002

Fiscal Year	Appropriation	Outlays
1979	10,000,000	23,384,000
1980	35,000,000	22,196,759
1981	10,000,000	15,700,695
1982	8,800,000	4,400,132
1983	—	9,854,249
1984	19,000,000	15,488,339
1985	—	11,415,369
1986	5,000,000	7,098,964
1987	10,000,000	4,656,594
1988	1,000,000	4,763,344
1989	5,000,000	7,893,738
1990	29,927,000 1/	12,256,527
1991	9,999,870	13,245,469
1992	22,500,000 2/	8,854,177
1993	89,667,000 3/	27,431,669
1994	25,000,000 4/	34,139,167
1995	23,000,000 5/	27,206,940
1996	30,000,000 6/	25,405,741
1997	95,000,000 7/	31,921,356
1998	34,000,000 8/	26,458,921
1999	28,000,000 9/	40,263,070
2000	60,000,000 10/	64,985,108
2001	79,824,000 11/	37,740,788
2002	—	32,365,424
TOTAL	\$630,717,870	\$509,126,560

NOTE: From fiscal years 1957 to 1978, \$205.5 million was provided under the Emergency Conservation Measures, authorized by P.L. 85-88, The Third Supplemental Appropriation Act of 1957. A total of \$173.5 million was outlayed during those years. The Emergency Conservation Program (ECP) was established by Title IV of the Agricultural Credit Act of 1978, P.L. 95-334.

1/ Includes \$10 million through a direct ECP appropriation and \$10 million transferred from the former SCS per the Dire Emergency Supplemental Appropriation Act, P.L. 101-302.

2/ Excludes \$10.5 million in contingency funds provided by P.L. 102-368, which were made available on December 30, 1992.

3/ Includes \$10.5 million in contingency funds provided by P.L. 102-368, which were made available on December 30, 1992; \$31.367 million transferred from CRP under the authority of 7 U.S.C. 2257; \$30 million provided by the FY 1993 Midwest Flood Supplemental; \$14.8 million transferred from the former FmHA; and \$3 million provided by P.L. 102-341.

4/ \$25 million in supplemental funding was provided by P.L. 103-211.

5/ Provided in the FY 1995 Agriculture Appropriations Act by transfer from the NRCS.

6/ \$30 million in supplemental funding was provided by P.L. 104-134.

7/ \$25 million in supplemental funding was provided by P.L. 104-208, and \$70 million in supplemental funding was provided by P.L. 105-18.

8/ \$34 million in supplemental funding was provided by P.L. 105-174, which included \$4 million for taps and tubing for maple producers.

9/ \$28 million in supplemental funding was provided by P.L. 106-31.

10/ \$50 million in supplemental funding was provided by P.L. 106-113, and \$10 million in supplemental funding was provided by P.L. 106-246 for the Los Alamos fire in New Mexico.

11/ \$80 million in supplemental funding was provided by P.L. 106-387, and \$176 thousand was rescinded under P.L. 106-554.

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Emergency Conservation Program
FY 2002 Allocations by State

States	Disasters	Total Allocations
Alabama	High Winds/Tornado	\$135,000
Arizona	Drought/Flood	1,189,300
Arkansas	Drought/Flood	472,000
California	Drought	256,000
Colorado	Drought/Earthquake/Flood/Landslide/Wildfire	4,328,100
Connecticut	Drought	315,000
Georgia	Drought/Flood/Tornado	2,281,300
Hawaii	Flood	68,000
Idaho	Drought/Wildfire	935,100
Illinois	Flood/Tornado	1,132,600
Indiana	Tornado	132,000
Iowa	Drought/Flood	1,478,500
Kansas	Flood	150,000
Kentucky	Flood/Tornado	292,300
Maine	Drought	402,300
Maryland	Drought/Tornado	1,777,500
Massachusetts	Drought	1,134,000
Minnesota	Flood	1,153,400
Mississippi	Flood/Tornado	93,000
Missouri	Drought/Flood/Tornado	1,668,500
Montana	Drought/Flood/Wildfire	6,571,500
Nebraska	Drought/Flood	2,533,300
Nevada	Drought/Flood/Wildfire	494,300
New Hampshire	Drought/Flood	206,000
New Mexico	Drought	2,758,100
New York	Drought/Flood/Tornado	293,300
North Carolina	Drought/Flood	4,047,500
North Dakota	Drought/Wildfire	1,427,700
Ohio	Flood/Tornado	93,500
Oklahoma	Drought/Flood/Ice Storm/Tornado	3,666,400
Oregon	Drought/Wildfire	393,800
Pennsylvania	Drought/Tornado	814,200
Rhode Island	Drought	50,000
South Carolina	Drought	2,576,500
South Dakota	Drought/Tornado	11,271,200
Tennessee	Drought/Flood/Severe Wind	1,144,800
Texas	Drought/Flood/Wildfire	6,955,400
Utah	Drought/Flood/Wildfire	1,365,400
Vermont	Drought/Flood	1,246,800
Virginia	Drought/Flood/Tornado	8,048,200
Washington	Drought/Wildfire	1,288,824
West Virginia	Flood	22,000
Wisconsin	Flood	68,300
Wyoming	Drought/Flood/Wildfire	3,029,920
Total		\$79,760,844

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Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 2002

STATE	Drought	Flood	Hurricane	Maple Tree Damage	Tornado	All Other	Total
Alabama					\$83,504	\$22,500	\$106,004
Arizona		\$95,993					95,993
Arkansas	\$356,929				6,317	1,818,604	2,181,850
California	349,483						349,483
Colorado	143,108	20,099			3,569	278,740	445,516
Connecticut	44,038						44,038
Delaware			640				640
Georgia	130,874	1,773			25,605		158,252
Hawaii	16,710	328,007					344,717
Idaho	1,323,408					143,010	1,466,418
Illinois	63,936						63,936
Indiana	3,553				63,125		66,678
Iowa	155,510	260,037					415,547
Kansas		14,137					14,137
Kentucky	-602	99,061			51,704		150,163
Maine	261,566						261,566
Maryland	203,788		24,283		1,960		230,031
Massachusetts	205,198	65,546					270,744
Minnesota		558,164			11,925		570,089
Mississippi	548	81,359			40,920	51,741	174,568
Missouri	-1,478	226,474			14,115		239,111
Montana	4,753,100	67,380				64,032	4,884,512
Nebraska	11,644	4,636					16,280
Nevada	170,429	16,986				4,449	191,864
New Hampshire	149,610	28,246					177,856
New Mexico	4,196	164				2,400	6,760
New York	91,001	107,144		15,779			213,924
North Carolina	142,710	197,301	202,534				542,545
North Dakota	22,780	81,260				-5,454	98,586
Ohio	162,974	55,851			1,280		220,105
Oklahoma	252,206	60,864			60,427	5,767,680	6,141,177
Oregon	380,581					69,763	450,344
Pennsylvania	231,663	24,172			1,862	31,621	289,318
Puerto Rico			141,154				141,154
South Carolina	245,922						245,922
South Dakota	1,441,638	5,178					1,446,816
Tennessee	18,099	523,434				28,956	570,489
Texas	425,277	188,334				1,724,597	2,338,208
Utah	123,856	34,580				1,827	160,263
Vermont	578,540	66,118					644,658
Virginia	1,799,445	123,109			33,526		1,956,080
Washington	914,920	28,950				88,576	1,032,446
West Virginia		59,291					59,291
Wisconsin		122,426				4,292	126,718
Wyoming	456,439	131,059					587,498
Undistributed							77,478
TOTAL	\$15,633,599	\$3,677,133	\$368,611	\$15,779	\$399,839	\$10,174,812	\$30,269,773 a/

a/ Excludes technical assistance. Total outlays, including \$2,095,651 for technical assistance, are \$32,365,424.

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AGRICULTURAL CONSERVATION PROGRAM

President's Budget, 2003	--
Budget Estimate, 2004	--
Change	--

PROJECT STATEMENT

(On basis of available funds)

Project	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
Unobligated balance brought forward from prior years	-\$4,033,199	-\$1,041,970	--	-\$1,041,970
Prior year adjustment	592			
Recoveries of prior year obligations	-3,172,363	--	--	--
Unobligated balance transferred to other accounts.....	6,163,000			
Unobligated balance carried forward to next year	1,041,970	1,041,970	--	1,041,970
Total available or estimate	--	--	--	--

NOTE: The Federal Agriculture Improvement and Reform Act of 1996, enacted April 4, 1996, repealed the ACP and incorporated its objectives into the Environmental Quality Incentives Program. The remaining funds of \$1,041,970 are available only for valid prior years' obligation adjustments. No additional obligations will be made for the program.

AGRICULTURAL CONSERVATION PROGRAM**STATUS OF PROGRAM**

Current Activities: The Agricultural Conservation Program (ACP) is no longer an active program. Its objectives were incorporated into the Environmental Quality Incentives Program (EQIP) by the Federal Agriculture Improvement and Reform Act of 1996. EQIP is administered by the Natural Resources Conservation Service and funded by the Commodity Credit Corporation.

Farmers, ranchers, and woodland owners participated in the program by carrying out practices that help solve soil and water conservation problems identified in State and county ACP plans. ACP cost-sharing agreements were for up to 10 years and usually required a practice to be applied annually until the agreement expired. Each practice was maintained for another 5 to 10 years according to the contract specifications. ACP cost sharing was authorized in agricultural counties in all 50 States, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

Payments: Historically, unobligated ACP funds are used only for prior year obligation adjustments. However, in FY 2002 a transfer of \$6.2 million in unobligated funds was made to the USDA Working Capital Fund as authorized in Section 704 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002, P.L. 107-76. Outlays to States in 2002 totaled \$899 thousand. At the end of FY 2002, \$6.6 million in unliquidated obligations remained for ACP agreements.

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CONSERVATION RESERVE PROGRAM

President's Budget, 2003	—
Budget Estimate, 2004	—
Change	—

PROJECT STATEMENT
 (On basis of available funds)

Project	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
Goal 2:				
CRP technical assistance		\$1,917,227	-\$1,917,227	
Unobligated balance brought forward from prior years	-\$1,766,691	-1,817,227	1,817,227	—
Recoveries of prior year obligations	-50,536	-100,000	100,000	—
Unobligated balance carried forward to next year	1,817,227	—	—	—
Total available or estimate	—	—	—	—

This program information is associated with the appropriated Conservation Reserve Program and depicts the use of unobligated balances of CRP appropriated funds. Program information for the CCC-financed CRP is shown under the Commodity Credit Corporation elsewhere in these Explanatory Notes.

CONSERVATION RESERVE PROGRAM**STATUS OF PROGRAM**

Current Activities: The Conservation Reserve Program (CRP) is operated by State and local Farm Service Agency committees, with technical assistance provided by appropriate agencies. The Federal Agriculture Improvement and Reform Act of 1996 changed the funding source from direct appropriation to the Commodity Credit Corporation (CCC). FY 2002 program information for the CRP is included in the CCC section of the Explanatory Notes.

In providing technical assistance, the Natural Resources Conservation Service determines eligibility, develops conservation plans, and helps install approved practices. The Forest Service and cooperating State forestry agencies develop plans for tree planting and assist in carrying them out. The Cooperative State Research, Education, and Extension Service provides information and educational assistance to inform landowners and operators about the program. Local soil and water conservation districts approve conservation plans. To ensure maximum program benefits, USDA consults with land grant universities, State soil and water agencies, State fish and wildlife agencies, the U.S. Fish and Wildlife Service, and others.

Payments: In FY 2002, annual rental, cost-share payments, and technical assistance for acres enrolled in the program were paid through the CCC. Approximately \$1.8 million in unobligated appropriated funds were available at the end of FY 2002. These funds are expected to be exhausted in FY 2003.

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TREE ASSISTANCE PROGRAM**STATUS OF PROGRAM**

The Tree Assistance Program (TAP) provided cost-share payments to orchard and vineyard growers who replanted or rehabilitated orchard trees and vineyards lost to damaging weather. The maximum payment was \$25,000 per person.

The program was funded by the FY 1997 supplemental appropriation, P.L. 105-18, and the FY 1998 supplemental appropriation, P.L. 105-174. The FY 1999 Appropriations Act, P.L. 105-277, authorized the use of unobligated FY 1998 TAP funds for losses due to disasters declared between May 1 and August 1, 1998. Eligibility for these funds was also extended to producers whose trees were lost or destroyed by May 31, 1999, as a direct result of fire blight infestation (a destructive bacterial disease) that was caused by a natural disaster.

No outlays were made during FY 2002. The FY 1997 TAP expired at the end of FY 2002 and all unobligated funds were returned to Treasury according to P.L. 105-18. The FY 1998 and FY 1999 TAP will expire at the end of FY 2003 and 2004, respectively.

The 2002 Farm Bill reauthorized TAP, with some modifications, but at this time no funding is available for this program.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

Salaries and Expenses (Including Transfers of Funds)

For necessary expenses for carrying out the administration and implementation of programs administered by the Farm Service Agency, \$1,016,836,000: Provided, That the Secretary is authorized to use the services, facilities, and authorities (but not the funds) of the Commodity Credit Corporation to make program payments for all programs administered by the Agency: Provided further, That other funds made available to the Agency for authorized activities may be advanced to and merged with this account: Provided further, That these funds 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 \$1,000,000 shall be available for employment under 5 U.S.C. 3109.

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FARM SERVICE AGENCY

Lead-Off Tabular StatementSALARIES AND EXPENSES

President's Budget 2003	\$1,317,774,000
Budget Estimate, 2004	<u>1,310,932,000</u>
Decrease in Appropriation	<u>- 6,842,000</u>

FARM SERVICE AGENCY

Summary of Increases and Decreases
 (On basis of appropriation)

<u>Item of Change</u>	<u>2003 Estimate</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2004 President's Budget</u>
Goal 1: Farm Programs	\$644,895,000	\$9,749,000	-	\$39,769,000
Goal 2: Conservation and Environmental Programs	129,914,000	2,883,000	+	7,458,000
Goal 3: Farm Loan Programs	279,176,000	5,659,000	+	5,301,000
Goal 4: Commodity Operations	1,390,000	12,000	-	75,000
Goal 5: Administrative and Information Technology Programs	240,867,000	4,522,000	-	2,245,000
Goal 6: Civil Rights & EEO Programs	21,532,000	286,000	-	623,000
Total Available	<u>\$1,317,774,000</u>	<u>\$23,111,000</u>	<u>-</u>	<u>\$29,253,000</u>
				<u>\$1,310,932,000</u>

FARM SERVICE AGENCY

Account: SALARIES AND EXPENSES

STRATEGIC GOAL 1: Provide farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonable priced supply of food and fiber.

STRATEGIC GOAL 2: Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.

STRATEGIC GOAL 3: Assist eligible individuals and families in becoming successful farmers and ranchers.

STRATEGIC GOAL 4: Improve the effectiveness and efficiency of FSA's commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA).

STRATEGIC GOAL 5: Provide effective administrative services and information technology processes.

STRATEGIC GOAL 6: To ensure equal access and treatment in program delivery and employment, provide a diverse workforce free of discrimination, and ensure equal opportunity for minority, women-owned, and small disadvantaged businesses.

Project Statement
(On basis of appropriation)

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Goal 1: Farm Programs Pay Cost Included	\$596,557,219	560	\$644,895,000	574	- \$30,020,000 (1)	\$614,875,000 (\$9,749,000)	574
Goal 2: Conservation and Environmental Programs Pay Cost Included	97,261,036	115	129,914,000	109	+ 10,341,000 (2)	140,255,000 (2,883,000)	109
Goal 3: Farm Loan Programs Pay Cost Included	272,595,100	3,075	279,176,000	3,083	+ 10,960,000 (3)	290,136,000 (5,659,000)	3,083
Goal 4: Commodity Operations Pay Cost Included	1,330,001	4	1,390,000	5	- 63,000 (4)	1,327,000 (12,000)	5
Goal 5: Administrative and Information Technology Programs Pay Cost Included	226,237,083	1,750	240,867,000	1,731	+ 2,277,000 (5)	243,144,000 (4,522,000)	1,731
Goal 6: Civil Rights & EEO Programs Pay Cost Included	19,080,007	58	21,532,000	64	- 337,000 (6)	21,195,000 (286,000)	64
Salaries and Expenses							
Total Available or Estimate	1,213,060,446	5,562	1,317,774,000	5,566	- 6,842,000	1,310,932,000	5,566
Transfer From Congressional Affairs..	-302,400	0	0	0	0	0	0
Total Available or Estimate..	\$1,212,758,046	5,562	\$1,317,774,000	5,566	- \$6,842,000	\$1,310,932,000	5,566

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FARM SERVICE AGENCY

Account: SALARIES AND EXPENSES (CONTD)

Project Statement
(On basis of appropriation)

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimate
	Amount	Staff Years	Amount	Staff Years		Amount
RECAP:						
Salaries and Expenses	1,212,758,046	5,562	1,317,664,000	5,566	6,842,000	1,310,822,000
Federal Employees Compensation Act	0	0	110,000	0	0	110,000
Total Salaries and Expenses	1,212,758,046	5,562	1,317,774,000	5,566	6,842,000	1,310,932,000

NOTE: The calculation for pay costs: The civilian pay raise for FY 2004 is 2.0 percent x 75% of the year, January 1 through September 30, x the sum of object class of the 2003 budget for Federal and Non-Federal County Offices. The annualization of the prior year pay cost: The civilian pay raise for FY 2003 is 4.6 percent x 25% of the year, October 1 through December 31 x the sum of object class 11 and 12 of the 2002 budget for Federal and Non-Federal County Offices

a/ FY 2001 Military Construction Appropriations (P.L. 106-246) provided \$77,560 million to remain available until expended. \$64,617 million of this amount was obligated in FY 2000. The remaining \$12,943 million unobligated balance was carried forward to FY 2001 for ADP activities. The remaining FY 2002 level of \$2,176 million was carried forward into FY 2003.

Project Statement
(On basis of available funds)

	FY 2002 Actual	FY 2003 Estimated	Increase or Decrease	FY 2004 Estimated
Goal 1: Farm Programs	\$596,557,219	\$644,895,000	+	\$30,020,000
Includes transfers from:				
P.L. 480 Program Account	(972,000)	(1,026,000)	+	1,949,000
CCC Export Guarantee Account	(790,000)	(834,000)	+	151,000
Goal 2: Conservation	97,261,036	129,914,000	+	10,341,000
and Environmental Programs				
Goal 3: Farm Loan Programs	272,595,100	279,176,000		290,136,000
Includes transfers from:				
ACIF Program Account	(272,595,000)	(279,176,000)	+	10,960,000
Goal 4: Commodity Operations	1,330,001	1,390,000	+	63,000
Goal 5: Administrative and Information	231,287,083	243,043,000	+	101,000
Technology Programs				
Goal 6: Civil Rights & EEO Programs	19,080,007	21,532,000	+	337,000
Total Available or Estimate	\$1,218,110,446	\$1,319,950,000	-	\$9,018,000
Advances and Reimbursements (A&R)				
Loan Service Fees Transferred b/	13,505,000	10,850,000	-	1,558,000
Reimb. from CCC - P.L. 107-171 c/	50,000,000	0	0	0
Reimb. from OCIO for Geospatial				
Information Systems Support	0	21,831,000	+	25,218,000
National Food and Agricultural Council	1,827,000	5,895,000	+	1,322,000
All Other Advances and Reimbursements	91,349,000	88,035,000	+	2,506,000
Subtotal, A&R	156,681,000	126,611,000	+	24,844,000
Total net obligations	1,374,791,446	1,446,561,000	+	15,826,000
Oblig. Funds Forwarded From Prior Year d/	29,287,000	54,656,000	-	54,656,000
Oblig. Funds Carried Forward to Next Year e/	-54,656,000	0	0	0
Change in Carryover Funds	25,349,000	54,656,000	-	54,656,000
Total, Available Funds Basis	\$1,400,169,446	\$1,501,217,000	-	\$38,330,000

a/ FY 2001 Military Construction Appropriations (P.L. 106-246) provided \$77,560 million to remain available until expended. An unobligated balance of \$17,226 million was carried forward into FY 2002, of which, \$5,050 million was obligated. The remaining \$12,176 million will be carried forward into FY 2003.

b/ Loan service fees are paid by producers who obtain CCC commodity loans. These fees partially defray the administrative costs of processing the loans and are held in an account for use by the FSA administrative expenses account as needed.

c/ The Farm Security and Rural Investment Act of 2002, P.L. 107-171, provided \$50 million from CCC funding for implementation of Title I of the 2002 Farm Bill.

d/ Section 705 of Title VII - General Provisions of the 2001 and 2002 Appropriations Acts provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

The following tabulation shows totals in this account for administrative expenses for the FSA:

Program by activities	2002 Actual	2003 Estimated	2004 Estimated
The obligations are distributed by activities as follows:			
1. Farm Programs.....	\$594,795,219	\$643,035,000	\$610,915,000
2. Conservation and Environment.....	97,261,036	129,914,000	140,255,000
3. Farm Loans.....	272,595,100	279,176,000	290,136,000
4. Commodity Operations.....	1,330,001	1,390,000	1,327,000
5. Admin. & IT.....	231,287,083	243,043,000	243,144,000
6. EEO	19,080,007	21,532,000	21,195,000
7. Other reimbursable activities	<u>158,443,000</u>	<u>128,471,000</u>	<u>155,415,000</u>
Total obligations.....	\$1,374,791,446	\$1,446,561,000	\$1,462,387,000
Obligations under direct appropriation.....	938,703,446	1,036,738,000	1,016,836,000
Obligations under program loan accounts under credit reform:			
ACIF Program Account	272,595,000	279,176,000	290,136,000
CCC Export Loan Program Account	790,000	834,000	985,000
P.L. 480 Account	972,000	1,026,000	2,975,000
Sub-total.....	274,357,000	281,036,000	294,096,000
	1,213,060,446	1,317,774,000	1,310,932,000
Obligations under funds from other sources and consolidated with this account.....	156,681,000	126,611,000	151,455,000
Subtotal.....	1,369,741,446	1,444,385,000	1,462,387,000
Unobligated balance carried forward	5,050,000	2,176,000	0
Total.....	1,374,791,446	1,446,561,000	1,462,387,000

Justification of Increases and Decreases

- (1) A decrease of \$30,020,000 for performance goal 1, to provide farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber (\$644,895,000 available in FY 2003):

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

- (a) An increase of \$1,294,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for 574 direct Federal staff years. This includes \$439,000 for annualization of prior year pay costs and \$855,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$626,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, promotions, and overtime for 574 direct Federal staff years.

- (c) A decrease of \$7,373,000 for operating expenses.

The decrease represents one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Farm Security and Rural Investment Act of 2002 (Act), P.L. 107-171.

- (d) A net decrease of \$28,468,000 due to a net decrease of 2,807 Non-Federal staff years consisting of a decrease of 150 permanent staff years and a decrease of 2,657 temporary staff years.

In supporting the President's Management Agenda, FSA is completing a number of initiatives and instituting changes that not only comply with e-filing, e-government, and competitive sourcing requirements, but also result in streamlined operations for both the government and the citizens we serve. However, the 2002 Farm Bill contained many programs that have a significant impact on the workload of the agency. While initiatives such as Geospatial Information System (GIS) are expected to provide significant savings, these savings will not be fully realized until it is fully implemented in FY 2005 and beyond.

In addition, staff year costs, which must be funded through direct appropriation in FY 2004, increase due to projected lack of carryover

funding from FY 2003. The project statement (available funds basis) shown on Page 18-41 of the Explanatory Notes reflects the \$27,156,000 in carryover used to fund 491 permanent county office staff years in FY 2003. In order to continue to fund this component of county office staffing in FY 2004 and ensure a level of staffing needed to perform ongoing Farm Bill programs, restoration of this amount from direct appropriation is requested.

These increases are offset by a decrease of \$55,624,000, which reflects current projections that a majority of the Farm Bill implementation activities associated with goal 1 should be completed in FY 2003. The 150 permanent staff years will shift from goal 1 to goal 2, conservation activity, however, there will be a reduction of 2,657 temporary staff years.

- (e) An increase of \$8,455,000 for the proposed 2% pay costs for direct Non-Federal staff years.

The increase of \$8,455,000 reflects the proposed FY 2004 pay costs of 2.0% for 7,105 direct staff years. This includes \$2,864,000 for annualization of prior year pay costs and \$5,591,000 for the anticipated FY 2004 pay raise.

- (f) An increase of \$5,915,000 for other personnel compensation.

The increase of \$5,915,000 reflects other pay related costs for normal within grade increases and promotions for 7,105 direct staff years for Non-Federal County Office employees.

- (g) A decrease of \$10,469,000 for operating expenses.

The decrease of \$10,469,000 reflects operating costs savings attributable to lower county office temporary staff years and the decrease of one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (2) An increase of \$10,341,000 to assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment (\$129,914,000 available in FY 2003):

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

- (a) An increase of \$245,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for 109 direct Federal staff years. This includes \$83,000 for annualization of prior year pay costs and \$162,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$120,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, and promotions for 109 direct Federal staff years.

- (c) A decrease of \$1,805,000 for operating expenses.

The decrease represents one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (d) An increase of \$10,582,000 for an additional 184 Non-Federal permanent staff years.

The increase of \$10,582,000 is required to manage the significant workload increase brought about by Title II (Conservation) of the Act. Without additional resources, FSA's ability to implement and administer Title II, or provide assistance to NRCS, would be severely hampered.

- (e) An increase of \$2,638,000 for the proposed 2.0% pay costs for direct Non-Federal staff years.

The increase of \$2,638,000 reflects the proposed FY 2004 pay costs of 2.0% for 2,216 direct staff years. This includes \$894,000 for annualization of prior year pay costs and \$1,744,000 for the anticipated FY 2004 pay raise.

- (f) An increase of \$1,846,000 for other personnel compensation.

The increase of \$1,846,000 reflects other pay related costs for normal within grade increases and promotions for 2,216 direct staff years for Non-Federal County Office employees.

- (g) A decrease of \$3,285,000 for operating expenses.

The decrease represents one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (3) An increase of \$10,960,000 to assist eligible individuals and families in becoming successful farmers and ranchers (\$279,176,000 available in FY 2003):

To help accomplish performance goal 3, the agency is requesting:

- (a) An increase of \$5,157,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for 3,083 direct Federal staff years. This includes \$1,747,000 for annualization of prior year pay costs and \$3,410,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$4,237,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, and promotions for 3,083 direct Federal staff years.

- (c) An increase of \$502,000 for the proposed 2.0% pay costs for direct Non-Federal staff years.

The increase of \$502,000 reflects the proposed FY 2004 pay costs of 2.0% for 422 direct staff years. This includes \$170,000 annualization of prior year pay costs and \$332,000 for the anticipated FY 2004 pay raise.

- (d) An increase of \$415,000 for other personnel compensation.

The increase of \$415,000 reflects other pay related costs for normal within grade increases and promotions for 422 direct staff years for Non-Federal County Office employees.

- (e) An increase of \$649,000 for operating expenses.

The increase of \$649,000 represents normal inflationary impacts on rent and utilities, relocation, travel, postage and supplies and materials.

- (4) A decrease of \$63,000 for performance goal 4, to improve the effectiveness and efficiency of commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA) (\$1,390,000 available in FY 2003):

To help accomplish performance goal 4, the agency is requesting:

- (a) An increase of \$12,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for five direct Federal staff years. This includes \$4,000 for annualization of prior year pay costs and \$8,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$5,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, and promotions for five direct Federal staff years.

- (c) A decrease of \$80,000 for operating expenses.

The decrease represents one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (5) An increase of \$2,277,000 to provide effective administrative services and information technology processes (\$240,867,000 available in FY 2003):

To help accomplish performance goal 5, the agency is requesting:

- (a) An increase of \$3,900,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for 1,731 direct Federal staff years. This includes \$1,323,000 for annualization of prior year pay costs and \$2,577,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$1,891,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, and promotions for 1,731 direct Federal staff years.

- (c) A net decrease of \$2,846,000 in operating expenses consisting of:

A \$909,000 reduction for the savings associated with centralization and improvement of information technology. Savings are associated with consolidated buys for infrastructure and office automation, and consolidation of enterprise architecture projects within the Department. USDA continues to ensure that information technology investments utilize

enterprise licenses for hardware and software where appropriate and reduce the information technology costs.

The remaining decrease of \$1,937,000 represents one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (d) An increase of \$622,000 for the proposed 2.0% pay costs for direct Non-Federal staff years.

The increase of \$622,000 reflects the proposed FY 2004 pay costs of 2.0% for 523 direct staff years. This includes \$211,000 for annualization of prior year pay costs and \$411,000 for the anticipated FY 2004 pay raise.

- (e) An increase of \$514,000 for other personnel compensation.

The increase of \$514,000 reflects other pay related costs for normal within grade increases and promotions for 523 direct staff years for Non-Federal County Office employees.

- (f) A decrease of \$1,804,000 for operating expenses.

The decrease of \$1,804,000 reflects one-time Farm Bill implementation cost financing in FY 2003 to carry out the legislative mandates of the Act.

- (6) A decrease of \$337,000 for performance goal 6, to ensure equal access and treatment in program delivery and employment, provide a diverse workforce free of discrimination, and ensure equal opportunity for minority, women-owned, and small disadvantaged businesses (\$21,532,000 available in FY 2003):

To help accomplish performance goal 6, the agency is requesting:

- (a) An increase of \$144,000 for the proposed 2.0% pay costs for direct Federal staff years.

The FY 2004 proposed pay costs of 2.0% is for 64 direct Federal staff years. This includes \$49,000 for annualization of prior year pay costs and \$95,000 for the anticipated FY 2004 pay raise.

- (b) An increase of \$70,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades, and promotions for 64 direct Federal staff years.

- (c) A decrease of \$629,000 for operating expenses.

The decrease represents one-time Farm Bill implementation costs, as outlined in the Act. Funds were obligated in FY 2003 to carry out legislative mandates of the Act.

- (d) An increase of \$142,000 for the proposed 2.0% pay costs for direct Non-Federal staff years.

The increase of \$142,000 reflects the proposed FY 2004 pay costs of 2.0% for 120 direct staff years. This includes \$48,000 for annualization of prior year pay costs and \$94,000 for the anticipated FY 2004 pay raise.

- (e) An increase of \$116,000 for other personnel compensation.

The increase of \$116,000 reflects other pay related costs for normal within grade increases and promotions for 120 direct staff years for Non-Federal County Office employees.

- (f) A decrease of \$180,000 for operating expenses.

The decrease represents one-time Farm Bill implementation costs, as outlined in the Act. Funds were obligated in FY 2003 to carry out legislative mandates of the Act.

**FARM SERVICE AGENCY
SALARIES AND EXPENSES, FSA**

**County Office Work-Days and Related Costs
by Program/Function
2002 Estimated and 2003 Estimated and 2004 Projected**

Program/Function	FISCAL YEAR		
	2002	2003	2004
Conservation and Related Programs	226,849	271,107	338,373
Commodity Loan Activity	130,417	159,458	155,387
Compliance	399,324	391,343	364,607
FCIC Program Integrity	32,816	36,910	38,515
Commodity Program Payments (includes LDP's)	424,509	541,480	380,840
Basic Farm Records	503,347	766,088	307,528
Peanut Quotas and Marketings	8,040	0	0
Tobacco Allotments and Marketings	49,808	51,192	51,192
Administration	651,040	638,832	622,275
Committee Elections	15,079	15,045	14,991
Miscellaneous (Largely Disaster)	231,821	249,885	207,599
County Automation Activities	229,021	228,896	227,896
Non Insured Assistance Program	100,944	108,451	59,316
Measurement Services	57,039	55,229	48,767
Subtotal	2,971,054	3,514,916	2,815,088
Farm Loan Activity	553,828	575,284	575,376
Total, County Level Workdays	3,524,882	4,090,200	3,390,462
Less Federal Paid-for Workdays	(586,622)	(635,700)	(586,622)
Total Non-Federal County Workdays	2,938,260	3,454,500	2,803,840
County Staff Year Equivalent of Total Workdays	13,557	15,732	13,040
Federal Staff Years	2,256	2,446	2,256
Non Federal Staff Years	11,301	13,287	10,784
Total Staff Years	13,557	15,732	13,040
Total Obligations for Workload	\$749,719,000	\$773,241,000	\$769,455,000

a/ The workdays reflected include work performed by county office Federal and non-Federal employees for farm loan activities such as loan servicing, loan making, and training.

b/ The workdays reflected are the paid-for workdays for County Office Federal Farm Loan employees. these paid-for workdays are deducted from total county office workload days performed to reflect the equivalent workdays performed by non-Federal county office employees.

FARM SERVICE AGENCY
Salaries and Expenses
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2002 Actual and Estimated 2003 and 2004

State	FY 2002		FY 2003		FY 2004	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$17,180,000	60	\$18,831,000	60	\$18,783,000	60
Alaska	1,012,000	5	1,101,000	5	1,113,000	5
Arizona	4,258,000	21	4,647,000	21	4,677,000	21
Arkansas	23,432,000	120	25,614,000	120	25,686,000	120
California	14,352,000	69	15,693,000	69	15,728,000	69
Caribbean	4,228,000	59	4,350,000	59	4,707,000	59
Colorado	12,998,000	51	14,231,000	51	14,226,000	51
Connecticut	1,849,000	8	2,020,000	8	2,028,000	8
Delaware	1,584,000	10	1,722,000	10	1,747,000	10
District of Columbia	203,939,446	641	209,588,000	643	197,210,000	643
Florida	10,989,000	60	11,989,000	60	12,069,000	60
Georgia	25,346,000	77	27,704,000	77	27,567,000	77
Hawaii	2,469,000	14	2,676,000	14	2,729,000	14
Idaho	12,490,000	65	13,639,000	65	13,705,000	65
Illinois	41,152,000	124	45,148,000	124	44,951,000	124
Indiana	27,922,000	88	30,630,000	89	30,500,000	89
Iowa	49,666,000	175	54,463,000	175	54,275,000	175
Kansas	39,736,000	136	43,575,000	136	43,621,000	136
Kentucky	31,267,000	136	34,241,000	135	34,215,000	135
Louisiana	19,565,000	117	21,359,000	117	21,474,000	117
Maine	5,613,000	34	6,113,000	34	6,174,000	34
Maryland	5,338,000	21	5,845,000	21	5,842,000	21
Massachusetts	3,023,000	19	3,292,000	19	3,326,000	19
Michigan	21,942,000	85	24,021,000	85	24,017,000	85
Minnesota	38,731,000	152	42,428,000	152	42,368,000	152
Mississippi	26,867,000	128	29,387,000	128	29,432,000	128
Missouri	121,845,000	1,146	134,102,000	1,157	137,423,000	1,157
Montana	19,890,000	71	21,784,000	70	21,761,000	70
Nebaska	35,565,000	121	38,983,000	120	38,880,000	120
Nevada	2,096,000	10	2,283,000	10	2,304,000	10
New Hampshire	1,862,000	7	2,032,000	7	2,044,000	7
New Jersey	3,259,000	18	3,550,000	18	3,584,000	18
New Mexico	7,133,000	36	7,785,000	36	7,831,000	36
New York	16,865,000	92	18,426,000	92	18,497,000	92
North Carolina	28,460,000	101	31,205,000	101	31,102,000	101
North Dakota	30,059,000	141	32,884,000	141	32,922,000	141
Ohio	25,710,000	76	28,216,000	76	28,071,000	76
Oklahoma	27,261,000	150	29,787,000	150	29,895,000	150
Oregon	9,599,000	48	10,482,000	48	10,533,000	48
Pennsylvania	16,048,000	67	17,549,000	67	17,584,000	67
Rhode Island	796,000	6	862,000	6	881,000	6
South Carolina	13,316,000	61	14,567,000	61	14,584,000	61
South Dakota	30,696,000	150	33,569,000	150	33,635,000	150
Tennessee	26,812,000	99	29,380,000	99	29,321,000	99
Texas	67,655,000	257	74,159,000	257	73,963,000	257
Utah	11,049,000	88	11,494,000	82	11,663,000	82
Vermont	4,096,000	28	4,452,000	28	4,515,000	28
Virginia	18,220,000	71	19,959,000	71	19,934,000	71
Washington	10,568,000	49	11,540,000	48	11,595,000	48
West Virginia	8,741,000	45	9,550,000	45	9,585,000	45
Wisconsin	27,490,000	121	30,102,000	121	30,082,000	121
Wyoming	6,171,000	28	6,737,000	28	6,773,000	28
Total Available or Estimate	1,278,110,446	5,562	1,319,950,000	5,566	1,310,932,000	5,566

**FARM SERVICE AGENCY
SALARIES AND EXPENSES
STATUS OF PROGRAM**

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354. The Department of Agriculture Reorganization Act of 1994 was amended on April 4, 1996, by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127.

The FSA has jurisdiction over the following strategic goals:

Goal 1: Farm Programs. Provide farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.

Goal 2: Conservation and Environment. Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.

Goal 3: Farm Loans. Assist eligible individuals and families in becoming successful farmers and ranchers.

Goal 4: Commodity Operations. Improve the effectiveness and efficiency of commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA).

Goal 5: Administrative Management. Provide effective administrative services and information technology processes.

Goal 6: Equal Opportunity. To ensure equal access and treatment in program delivery and employment, provide a diverse workforce free of discrimination, and ensure equal opportunity for minority, women-owned, and small disadvantaged businesses.

FSA programs, activities, and workload indicators in FY 2002 are outlined by goal in the following pages:

Goal 1: Farm Programs

Agricultural Market Transition Act (AMTA). Final year activity for AMTA included contract maintenance and issuing payments. Data for FY 2002 includes:

Total number of farms enrolled in production flexibility program	1,807,830
Number of production flexibility and MLA payments made in FY 2002	2,769,427
Dollar value of market loss assistance payments in FY 2002	-\$1,180,000 a/
Dollar value of production flexibility payments in FY 2002	\$3,967,828,000

a/ Negative amount indicates prior year adjustments.

Marketing Assistance Loans and Loan Deficiency Payments. Marketing assistance loans, loan deficiency payments, and other price support program activities in FY 2002 included:

Commodity	Marketing Assistance Loans		Loan Deficiency Payments (LDP's)	
	Number of Loans	Dollar Value (\$000)	Number of LDP's	Dollar Value (\$000)
Corn	69,266	\$2,554,722	917,148	\$1,079,811
Grain Sorghum	1,285	26,915	25,727	7,224
Barley	943	18,868	14,372	8,710
Oats	389	2,250	1,346	954
Wheat	11,555	344,025	51,041	28,397
Rice	9,152	861,559	25,624	279,594
Cotton ^{a/}	30,012	3,630,012	56,473	731,934
Soybeans	41,997	1,627,276	929,694	3,129,093
Minor Oilseeds	637	22,664	30,946	78,951
Sugar	122	726,799		
Honey			4	14
Peanuts & Tobacco ^{a/}	338	315,533		
Total	165,696	\$10,130,623	2,052,375	\$5,344,682

a/ Many of these loans are made through cooperative associations; the number of those loans is not available.

Re-inspections of farm-stored loans 187,131
 Number of farm-stored loans taken over 2,724
 Number of warehouse loans acquired (except cotton) 2,223

Farm Storage Facility Loans (FSFL). FSFL program activities in 2002 included:

Number of loans closed 1,961
 Amount of FSFL funds obligated in FY 2002 \$64,634,000

Tobacco and Peanut Support Production Control Programs. Peanut program activity was limited to a small amount at the beginning of the fiscal year. Tobacco program activities in FY 2002 included:

Current number of tobacco farms with allotments 276,762
 Marketing cards issued 144,759

Non-Insured Crop Disaster Assistance Program (NAP). NAP activity for FY 2002 included:

Number of actual production history records completed for NAP 36,925
 Number of NAP applications for payment 223,911
 Amount of NAP payments issued \$181,308,367

Livestock Indemnity Program (LIP). Signup started in FY 2001 and continued into FY 2002. Payments were issued in FY 2002.

Number of LIP applications	968
Number of LIP payments issued	3,216
Amount of LIP payments	\$3,139,623

Crop Disaster Program (CDP). CDP activity in FY 2002 included:

Number of CDP applications	22,579
Number of CDP payments issued	11,342
Amount of CDP payments issued	\$84,102,652

Quality Loss Program (QLP). Although program implementation began in FY 2001, most apple and potato applications were taken in FY 2002. QLP activity in FY 2002 included:

Number of QLP applications	103,932
Amount of QLP payments issued	\$146,313,145

Lamb Meat Adjustment Assistance Program (LMAAP). Activity for FY 2002 included:

Number of LMAAP payments	33,334
Amount of LMAAP payments	\$28,871,275

Tobacco Loss Assistance Program. FY 2002 activity included:

Number of TLAP payments	37,695
Amount of TLAP payments	\$5,827,946

FCIC Program Integrity. FY 2002 FSA activity to assist RMA included:

Possible violations referred	2,988
Producer claims audited	1,287
Data records reconciled	888,547

2002 Farm Bill

The Farm Security and Rural Investment Act of 2002 (2002 Act), P.L. 107-171, signed on May 13, 2002, added several new programs, modified some programs, and eliminated some programs. Implementation for the 2002 Act, although started in FY 2002, is expected to extend well into FY 2003 and possibly FY 2004. Most programs will continue through or beyond FY 2007. The following new programs had activity in FY 2002:

Direct and Counter Cyclical Payments. The activity in FY 2002 consisted mainly of beginning the process of informing producers of the new program.

Number of letters issued by county offices	9,274,301
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Quota Buyout for Peanuts (OBOP). The 2002 Act eliminated the peanut quotas and price supports and replaced them with direct and counter-cyclical payments and marketing assistance loans and provided a 5-year quota buyout process.

Applications for Quota Buyout	29,074
Amount of Buyout payments issued	\$966,778,108

2002 Cattle Feed Program (CFP). The CFP was implemented in four States: Wyoming, Nebraska, South Dakota and Colorado. No payments were made in FY 2002.

Number of CFP agreements	1,231
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Milk Income Loss Contract (MILC) Program. The MILC was authorized by the 2002 Act and has no set funding level. This program purpose is to financially compensate dairy producers when domestic milk prices fall below a specified level. No payments were made in FY 2002.

Number of contracts	52,588
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Goal 2: Conservation and Environment Programs

Emergency Conservation Program (ECP). FY 2002 activity included:

Number of ECP applications	34,011
Number of ECP payment applications	16,112
Amount of ECP payments issued	\$32,365,424

Environmental Quality Incentives Program (EQIP). Interim (1996) and new (1997 - 2002) EQIP program activities (including carryover ACP activities) performed by FSA in FY 2002 included:

Number of Interim LTA annual agreements applications processed	1,503
Number of payment applications processed	873
Number of new EQIP requests for contracts	84,111
Number of EQIP active contracts	87,550

Hazardous Waste Management Program. Carbon tetrachloride has been detected above the EPA maximum contaminant level in ground water samples taken near 50 former CCC grain storage facilities. In FY 2002, CCC received about \$5.7 million from the USDA Hazardous Waste Management Fund to conduct its own site investigations and for operations and maintenance. CCC also is authorized to use its borrowing authority, not to exceed levels specified in appropriation acts, for ongoing operations, maintenance, remediation, and other expenses.

Conservation Reserve Program (CRP) and Farmable Wetlands Pilot Program (FWPP). Although no annual sign-up was held in FY 2002, producers were still able to sign-up through the continuous applications process and 6 States were able to apply for the FWPP. FY 2002 activity included:

Number of active CRP contracts	541,775
Number of CRP cost-share payments	117,815
Number of CRP rental payments	795,043
Amount of CRP annual rental payments	\$1,641,204,734
Number of CRP acres approved for enrollment in FY 2002 (signup 24 and FWPP)	418,121

Pasture Recovery Program (PRP). FY 2002 activity included:

Number of PRP payments issued	7,638
Amount of FY 2002 PRP payments	\$12,288,561

Goal 3: Farm Loan Programs

Farm Loan Programs. In FY 2002, total number of direct and guaranteed loans made and total dollar amounts under the Agricultural Credit Insurance Fund Program Account were as follows:

Number of direct loans	17,109
Dollar value of direct loans	\$1,003,609,000
Number of guaranteed loans	13,367
Dollar value of guaranteed loans	\$2,650,833,000

Goal 4: Commodity Operations

Commercial Warehouse Activities. During FY 2002, 1,112 USWA licenses were in effect and 57 Federal examiners performed onsite examinations at 1,231 grain, 303 cotton and 37 miscellaneous commodity warehouses. In addition, CCC contract onsite examinations were performed at 637 grain, 109 cotton, and 229 processed commodity warehouses.

End-Use Certificate Program. FSA monitors Canadian wheat imports through the use of North American Free Trade Agreement (NAFTA) mandated end-use certificates. Almost 2.25 million metric tons (82.9 million bushels) of Canadian wheat entered the U.S. in FY 2002.

Upland Cotton Marketing Certificate Program. By the end of FY 2002, CCC made payments of \$56 million to domestic users and \$71 million to exporters.

Extra-Long Staple Cotton Competitiveness Program. By the end of FY 2002, CCC payments of \$1,049,390 to domestic users and \$5,602,410 to exporters were obligated. Actual payments disbursed by CCC were \$6,652,800.

Domestic Nutrition and Feeding Programs. In FY 2002, FSA purchased and distributed over 492 million pounds of commodities valued at approximately \$332 million for various programs, including the National School Lunch Program, Household Programs, and emergency feeding programs.

Foreign Food-Aid Humanitarian and Developmental Assistance Programs. In FY 2002, FSA procured more than 5.3 million metric tons of grains, processed grain products, vegetable oil, pulses (such as dried beans, peas, lentils), and other products valued at approximately \$1.0 billion for food relief programs throughout the world.

Goal 5: Administrative Management

There are no specific programs associated with this goal. Administrative management is reflected in all aspects of program delivery.

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Goal 6: Equal Opportunity

State Mediation Grants. Grants are made to States whose mediation programs have been certified by the Agency. In FY 2002, the total number of grants made and total dollar amounts were as follows:

Number of State Mediation Grants	25
Dollar value of Grants	\$3,493,000
Amount of State Mediation Grant payments issued	\$3,033,403

[Clerk's Note. — The President's budget request for fiscal year 2004 was submitted on February 3, 2003. This preceded final Congressional action of the fiscal year 2003 bill, which was completed in the House of Representatives on February 13, 2003. The President's fiscal year 2004 budget request (including the explanatory notes) compared the submission with the budget request for fiscal year 2003, NOT with the fiscal year 2003 enacted amounts. The following material covers portions of the fiscal year 2004 explanatory notes revised to reflect enactment of the fiscal year 2003 appropriations act.]

COMMODITY CREDIT CORPORATION

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

COMMODITY CREDIT CORPORATION FUND

Reimbursement for Net Realized Losses

- 1 For fiscal year [2003] 2004, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed [pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11)].
- 2

Hazardous Waste Management (Limitation on Expenses)

- 3 For fiscal year [2003] 2004, the Commodity Credit Corporation shall not expend more than \$5,000,000 for site investigation and cleanup expenses, and operations and maintenance expenses to comply with the requirement of section 107(g) of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. 9607(g), and section 6001 of the Resource Conservation and Recovery Act, 42 U.S.C. 6961.

The first change updates the fiscal year designation of the current, indefinite appropriation to reimburse the Corporation for net realized losses sustained.

The second change is proposed to allow CCC to be reimbursed for the current year actual realized losses, in addition to being reimbursed for the most recent actual year realized losses. This would give CCC the flexibility during periods of imminent borrowing authority depletion of receiving reimbursement of actual realized losses incurred to date during the current fiscal year (FY 2004), in addition to the most recent actual fiscal year (FY2003).

The third change updates the fiscal year designation for the ceiling on expenditures in connection with CCC's hazardous waste management costs.

COMMODITY CREDIT CORPORATION

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

COMMODITY CREDIT CORPORATION EXPORT LOANS PROGRAM ACCOUNT
(INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, [~~\$4,058,000~~] \$4,312,000; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which [~~\$3,224,000~~] \$3,327,000 may be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which [~~\$834,000~~] \$985,000 may be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

CCC Loans Program Account

	Administrative Expenses
Appropriations Act, 2003.....	\$4,058,000
Budget Estimate, 2004.....	4,312,000
Increase in Appropriations.....	+254,000
Adjustments in 2003:	
Appropriations Act, 2003.....	\$4,058,000
Rescission under P.L. 108-7 a/	-26,000
Adjusted base for 2003	4,032,000
Budget Estimate, 2004	<u>4,312,000</u>
Increase over adjusted 2003.....	<u>+280,000</u>

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

GUARANTEED EXPORT CREDIT PROGRAMS

SUMMARY OF INCREASES AND DECREASES
(On basis of administrative expenses)

<u>Item of Change</u>	<u>2003 Enacted</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Administrative Expenses			
Transferred to:			
Foreign Agricultural Service.....	3,203,000	+124,000	3,327,000
Farm Service Agency.....	829,000	+156,000	985,000
Total Admin. Expense	<u>\$4,032,000</u>	<u>\$+280,000</u>	<u>\$4,312,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>2002 Actual</u>	<u>2003 Estimated</u>	<u>Increase or Decrease</u>	<u>2004 Estimated</u>
Admin. Expenses				
Transferred to:				
FAS	3,224,000	3,203,000	+124,000	3,327,000
FSA	790,000	829,000	+156,000	985,000
Total, Appropriated, Admin. Expenses	4,014,000	4,032,000	+280,000	4,312,000

The estimates include appropriation language for P.L. 480 as follows (new language underscored; deleted matter enclosed in brackets):

Public Law 480 Title I Ocean Freight Differential Grants
(Including Transfer of Funds)

For ocean freight differential costs for the shipment of agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954 and under the Food for Progress Act of 1985, [~~\$25,159,000~~]\$28,000,000, to remain available until expended: Provided, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress.

Public Law 480 Title I Program Account
(Including Transfers of Funds)

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, of agreements under the Agricultural Trade Development and Assistance Act of 1954, and the Food for Progress Act of 1985, including the cost of modifying credit arrangements under said Acts, [~~\$116,171,000~~], \$103,887,000 to remain available until expended.

In addition, for administrative expenses to carry out the credit program of title I, Public Law 83-480, and the Food for Progress Act of 1985, to the extent funds appropriated for Public Law 83-480 are utilized, [~~\$2,059,000~~]\$4,041,000, of which [~~\$1,033,000~~]\$1,066,000 may be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which [~~\$1,026,000~~]\$2,975,000 may be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

Public Law 480 Title II Grants

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, [~~\$1,200,000,000~~ to remain available until expended,] for commodities supplied in connection with dispositions abroad under title II of said Act, \$1,185,000,000, to remain available until expended.

P.L. 480 TITLE I PROGRAM ACCOUNT

	P.L. 480		Administrative
	Direct Credit	Subsidy	Expenses
Appropriations Act, 2003	\$154,668,000	\$116,171,000	\$2,059,000
Budget Estimate, 2004	131,676,000	103,887,000	4,041,000
Increase or decrease in Appropriation	-22,992,000	-12,284,000	1,982,000
Adjustments in 2003:			
Appropriations Act, 2003	\$154,668,000	\$116,171,000	\$2,059,000
Rescission under P.L. 108-7 a/	-1,005,000	-755,000	-13,000
Adjusted base for 2003	153,663,000	115,416,000	2,046,000
Budget Estimate, 2004	131,676,000	103,887,000	4,041,000
Increase or decrease from adjusted 2003	-21,987,000	-11,529,000	1,995,000

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

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

Item of Change	2003 Estimated	Program Changes	2004 Estimated
P.L. 480 Direct Credit	\$153,663,000	-\$21,987,000	\$131,676,000
Subsidy	115,416,000	-11,529,000	103,887,000
Administrative expenses:			
Foreign Agricultural Service	1,026,000	40,000	1,066,000
Farm Service Agency	1,020,000	1,955,000	2,975,000
Total, Administrative Expenses	2,046,000	1,995,000	4,041,000
Total Available	117,462,000	-9,534,000	107,928,000

PUBLIC LAW 460 TITLE I OCEAN FREIGHT DIFFERENTIAL GRANTS

Appropriations Act, 2003	\$25,155,000
Budget Estimate, 2004	<u>28,000,000</u>
Increase in Appropriation	<u>2,841,000</u>
Adjustments in 2003:	
Appropriations Act, 2003	\$25,155,000
Rescission under P.L. 108-7 a/	<u>-164,000</u>
Adjusted base for 2003	\$24,995,000
Budget Estimate, 2004	<u>28,000,000</u>
Increase over adjusted 2003	<u>3,005,000</u>

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

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

Item of Change	2003 Estimated	Program Changes	2004 Estimated
Title I Ocean Freight Differential Grants	\$24,995,000	\$3,005,000	\$28,000,000
Total Available	24,995,000	3,005,000	28,000,000

PUBLIC LAW 460 TITLE II GRANTS

Appropriations Act, 2003	\$1,200,000,000
Budget Estimate, 2004	<u>1,185,000,000</u>
Decrease in Appropriation	<u>-15,000,000</u>
Adjustments in 2003:	
Appropriations Act, 2003	1,200,000,000
Emergency Relief Activities under P.L. 108-7	250,000,000
Rescission under P.L. 108-7 b/	<u>-9,425,000</u>
Adjusted base for 2003	1,440,575,000
Budget Estimate, 2004	<u>1,185,000,000</u>
Decrease from adjusted 2003	<u>-255,575,000</u>

a/ The supplemental is included in Section 762 of Division A, Title VII of P.L. 108-7.

b/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

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

Item of Change	2003 Estimated	Program Changes	2004 Estimated
Title II Grants	\$1,440,575,000	-\$255,575,000	\$1,185,000,000
Total Available	1,440,575,000	-255,575,000	1,185,000,000

[Clerk's Note. – Following are the explanatory notes submitted as part of the President's fiscal year 2004 budget request prior to enactment of the fiscal year 2003 appropriations act.]

FY 2004 Explanatory Notes

Commodity Credit Corporation

Export Loans Program Account

Farm and Sugar Storage Facility Loan Programs Account

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COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly-owned Government corporation created in 1933 under a Delaware charter and reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714). CCC assists in stabilizing, supporting, and protecting farm income and prices, helps to maintain balanced and adequate supplies of agricultural commodities, helps in the orderly distribution of these commodities, and assists in the conservation of soil and water resources. The goal is to promote economic stability in the farm sector through an approach that retains basic management responsibilities of farmers, supports farm income, provides prices reasonable to consumers and competitive in world markets, and minimizes Federal interference in the agricultural economy.

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the various programs; loan deficiency payment programs for feed grains, wheat, rice, cotton and oilseeds; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480). The Corporation finances FSA conservation programs such as the Conservation Reserve Program and numerous NRCS conservation programs.

The Corporation supports a number of export credit activities. Under section 201 of the Agricultural Trade Act of 1978 (the 1978 Act), CCC may finance short-term export credit sales on terms that do not exceed 3 years and intermediate-term export credit sales on terms of between 3 and 10 years. Under section 202 of the 1978 Act, the Corporation is authorized to provide payment guarantees on the commercial financing of U.S. agricultural exports with both short- and intermediate-term repayment periods. In addition, under the Facility Guarantee Program, authorized by section 1542(b) of the Food, Agriculture, Trade, and Conservation Act of 1990, CCC provides guarantees to facilitate the financing of manufactured goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets.

CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:

Buying	Donating	Transporting	Crop loss protection
Selling	Lending	Making Payments	Other activities
Bartering	Storing	Conservation Operations	

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary, who is appointed by the President of the United States with the advice and consent of the Senate. Officers of the Corporation are designated according to their positions in the Department of Agriculture. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Farm Service Agency (FSA) and the FSA State and county committees. The Foreign Agricultural Service, Natural Resources Conservation Service, and other agencies and offices of the Department, and commercial agents are also used to carry out certain phases of the Corporation's activities.

FSA administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field offices. The FSA State and county offices, under the direction of the State and county committees, carry out certain support and related activities of the Corporation. There are 50 State offices, an insular area office in Puerto Rico, and about 2,090 headquarters county offices.

FINANCING

The Corporation has an authorized capital stock of \$100 million held by the United States, with the authority to have outstanding borrowing of up to \$30 billion at any one time. Its capital structure is replenished each year by appropriations to restore net realized losses on support operations and to reimburse costs of other programs.

Borrowing Authority

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4). Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Commodity Credit Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriations Acts of 1966 made provision for terminating interest after June 30, 1964 on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds that may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

Appropriations

Reimbursement for Net Realized Losses. Under Section 2 of Public Law 87-155, the Act of August 17, 1961 (15 U.S.C. 713a-11), annual appropriations are authorized for each fiscal year, commencing with FY 1961, to reimburse the Corporation for net realized losses. The Omnibus Budget Reconciliation Act of 1987 amended Public Law 87-155 to authorize that the Corporation be reimbursed for its net realized losses by means of a current, indefinite appropriation. However, the Corporation had continued to be reimbursed by annual appropriations for net realized losses sustained, but not previously reimbursed, except under the enactment of the FY 2000 Appropriations Act. The FY 2000 Appropriations Act, P.L. 106-78, authorized a current, indefinite appropriation up to the amount of actual losses reflected on the books of the Corporation as of the close of the immediately preceding fiscal year. The FY 2002 Appropriations Act, P.L. 107-76, authorized the Corporation to be reimbursed for net realized losses sustained, but not previously reimbursed, pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11). The FY 2003 Appropriations Act is not anticipated to depart from this process.

CCC Export Credit Guarantee Liquidating Account. Under the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, a permanent, indefinite appropriation for the Corporation's Export Credit Guarantee Programs (GSM-102 and GSM-103) is authorized to cover the

obligations and commitments of pre-fiscal year 1992 guarantees. Therefore, Export Credit Guarantee Program activity is no longer financed through CCC borrowing authority.

CCC Export Credit Guarantee Program Account. Under the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, a permanent, indefinite appropriation for the Corporation's Export Credit Guarantee Programs (GSM-102, including Supplier Credit and Facilities Financing, and GSM-103) is authorized to cover the subsidy costs of the current year's program. The FY 2004 appropriation estimate represents the present value of CCC's estimated net cash flows over the lifetime of the credit guarantees to be made in FY 2004. A current, definite amount is appropriated by Congress for the administrative costs of carrying out the export guarantee programs, therefore CCC borrowing authority is not used.

Hazardous Waste Management Program. Legislation affecting this program includes the Safe Drinking Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act. CCC conducted a grain storage program from the 1930's to the early 1970's. At its peak during the 1950's, CCC operated grain storage facilities on leased property at approximately 4,500 locations nationwide. During this period, some of the grain was authorized for fumigation using carbon tetrachloride to control destructive insects. In 1985, use of carbon tetrachloride was prohibited and the EPA assigned a maximum allowable contaminant level. Since that time, over 40 former CCC grain bin sites have been found to have carbon tetrachloride ground water contamination levels exceeding the EPA maximum. Since FY 1992, CCC has received annual funding of \$5 million in recent years from the USDA Hazardous Waste Management Fund to conduct its own investigations. CCC also is authorized to use its borrowing authority, not to exceed a certain level, for ongoing operations and maintenance and remediation expenses.

COMMODITY PROGRAMS

CCC provides loans, purchases, and payments along with other programs in order to support farm income and prices and stabilize commodity markets. These actions are authorized under the Commodity Credit Corporation Charter Act, as amended, the Agricultural Act of 1949, as amended, and the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill).

CCC is required to support the prices of tobacco and dairy products. Marketing assistance loans are required to be available for wheat, feed grains, cotton, rice, soybeans, minor oilseeds, pulse crops, honey, wool and mohair at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage, and compliance with conservation use provisions. Income support in the form of direct and counter-cyclical payments is required by law to be available to feed grain, wheat, upland cotton, soybeans, minor oilseeds, peanuts and rice growers.

CCC has little control over the volume of loan business it must handle. The relationship of the market price for each commodity to the loan rate largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. This, in turn, is determined by weather conditions, insect damage, use of fertilizers, existing supplies, domestic and export demand, and all other factors influencing production and affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC commodity loan and related operations. The following paragraphs highlight specific commodity activity:

Dairy program. Dairy qualifies for milk price supports, recourse loans and, dairy market loss payments. The 2002 Act extended the Dairy Price Support Program from January 1, 2002 to May 31, 2002. The 2002 Farm Bill extended the Dairy Price Support Program from June 1, 2002 through December 31, 2007 at a rate of \$9.90 per hundredweight for milk containing 3.67% butterfat. The support program is carried out through the purchase of surplus butter, nonfat

dry milk, and cheese at prices that enable processors to pay dairy farmers, on average, the support price for milk. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures or other objectives, as the Secretary considers appropriate. Cash CCC inventory sales (with some exceptions) shall be at any price that the Secretary determines will maximize CCC returns. The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan Program; however, the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments.

Dairy Options Pilot Program. The 1996 Act authorized the Secretary until December 31, 2002, to conduct a pilot program for one or more commodities to ascertain whether futures and contracts can reasonably protect producers from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of the commodities. The Risk Management Agency (RMA) administers the program using CCC funds. The budget assumes a program will be conducted from FY 2001 through December 31, 2002.

Tobacco program. The FY 2002 Appropriations Act defines "eligible tobacco" as fire-cured tobacco types 22 and 23, dark air-cured tobacco types 35 and 36, and Virginia sun-cured tobacco type 37. It also directed the Secretary to use CCC funds to make payments based on individual tobacco quotas and allotments. These payments will be calculated and the total distributed with one-third going to the person that owns the qualifying acres, one-third to the person that controls the qualifying acres, and one-third to the person that grows, could have grown or can grow on the qualifying acres. The same standards of payments will be used as set forth in the Agricultural Risk Protection Act of 2000. No changes to the program were made under the 2002 Farm Bill.

Peanut price support program. Under the 2002 Farm Bill, peanuts qualify for direct payments, counter-cyclical payments, marketing assistance loans and loan deficiency payments for the 2002 through 2007 crops.

The 2002 Farm Bill terminates the marketing quota programs and repeals price support programs. The prior quota programs will stay in effect for the 2001 crop only, with payments being made during fiscal years 2002 through 2006. The prior price support programs will remain in effect for the 2002 crop only, notwithstanding any other provision of law or crop insurance policy.

The 2002 Farm Bill established marketing assistance loans for the 2002 through 2007 crops, with the loan rate for peanuts of \$355 per ton. The payment rate shall be the amount by which the established loan rate exceeds the rate at which a loan may be repaid. The Farm Bill also requires that for crop years 2002 through 2006 CCC will pay storage, handling, and other associated costs to ensure proper storage of peanuts for which a loan is made. This authority terminates beginning with the 2007 crop.

Sugar program. Sugar qualifies for price support. The 2002 Farm Bill extended the national average sugar loan rates to cover through the 2007 crops at 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. Loans are available to processors of domestically grown sugarcane and sugar beets for a term of nine months that do not begin or extend beyond the end/beginning of a fiscal year. The non-recourse loans are extended through the 2007 crop for processors of domestically produced sugar beets and sugarcane including for in-process sugar. Loans for in-process sugar have a loan rate of 80% of the loan rate for raw cane sugar or refined beet sugar (based on the source material used). If forfeitures occur, the processor shall convert the in-process into final product at no cost to the CCC. Upon transfer, the processor will receive payment based on the loan rate less 80% of raw cane or refined beet sugar rate times the quantity of sugar transferred. Processors who forfeit sugar pledged as collateral for a non-recourse loan will be required to pay a penalty of 1 cent per pound for raw cane sugar and 1.07 cents per pound for refined beet sugar. The loan program is assumed to continue through the 2012 crop. The 2002 Farm Bill did not resume the sugar marketing assessment collections. The 2002 Act provides assistance for Sugar donations in the amount of 10,000 tons to compensate sugar producers who suffer losses incurred beyond existing CCC administered programs.

Non-Insured Assistance Program (NAP). The Federal Crop Insurance Reform Act of 1994, P.L. 103-354, removed the authority in the Agricultural Act of 1949 for disaster payments and expanded crop insurance authorities to provide for catastrophic coverage at 50 percent yield protection at a flat fee for crops currently covered by insurance programs. Farmers are able to pay an additional premium to increase coverage. Where crop insurance coverage is not available through the Risk Management Agency, producers of crops for food and fiber and certain other crops are covered under NAP, which is financed by CCC and operated through the FSA. The program reimburses producers at the same rates and terms as the catastrophic crop insurance program. The 2002 Farm Bill established that the acres a producer elects to use as grazing for livestock in lieu of harvesting are not eligible for indemnity or noninsured crop assistance. The 2002 Farm Bill also directs the Secretary of Agriculture to expand the pilot programs by including eight counties in both California and Pennsylvania. Assistance was continued in FY 2003 at an estimated level of \$244 million.

Payments to Producers:

Direct Payments and Counter-Cyclical Payments. The 2002 Farm Bill rescinded production flexibility contracts and established direct and counter-cyclical payments for May 2002 through 2007. The eligible commodities for both direct payments and counter-cyclical payments are wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, and peanuts.

Counter-cyclical payments are payments to producers for which payment yields and base acres are established for eligible commodities if it is determined that the effective commodity price is less than the target commodity price. Counter-cyclical payments will be made for the crop as soon as practicable after the end of the 12-month marketing year for the eligible commodity. If, before the end of the 12-month marketing year it is determined that counter-cyclical payments will be required for the eligible commodity, producers will be provided the option to receive partial payment of the projected counter-cyclical payment.

Direct payments are payments to producers for which payment yields and base acres are established. The commodity payment amount is calculated as follows: $\text{Payment Amount} = \text{specified rate} \times \text{payment acres} \times \text{payment yield}$. At the option of the producer, the producer can choose to receive advance payments (up to 50%) during the producer's selected month. The month selected may be any month during the period beginning on December 1 of the calendar year before the calendar year in which the crop of the covered commodity is harvested through the month within which the direct payment would otherwise be made.

Marketing Assistance Loans. The 2002 Farm Bill authorized non-recourse marketing assistance loans to producers of each eligible loan commodity for 2002 through 2007. This loan shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made and cannot be extended. The producer shall comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 and applicable wetland protection requirements under subtitle C of title XII of the Act during the term of the loan. Producers of eligible commodities can repay a marketing assistance loan at a rate that is the lesser of (1) the loan rate established for the commodity plus interest; or (2) a rate that the Secretary determines. Special rules apply to upland cotton, rice, and extra long staple cotton. New crops eligible for marketing assistance loans include triticale, peas, lentils, honey, wool, and mohair.

In FY 2002, total payments to producers totaled \$9.7 billion, a decrease of \$3.4 billion from payments issued in FY 2001. The following table shows CCC payments made directly to producers:

COMMODITY CREDIT CORPORATION

Direct, Counter-Cyclical, Production Flexibility, Marketing Loss Assistance, Loan Deficiency,
Oilseed, Emergency Disaster, and Noninsured Assistance Payments

Fiscal Years 2002-2004

(Thousands of Dollars)

	2002 Actual	2003 Estimate	2004 Estimate
Total Production Flexibility Payments			
For all Commodities	\$3,967,828	\$0	\$0
Direct Payments:			
Corn	0	1,139,817	1,984,250
Grain Sorghum	0	87,184	193,518
Barley	0	48,137	89,866
Oats	0	92	4,110
Total Feed	0	1,275,230	2,271,744
Wheat	0	660,263	1,143,676
Soybeans	0	1,091,341	727,560
Peanuts	0	65,000	65,000
Upland Cotton	0	427,600	586,600
Minor Oilseeds	0	49,385	32,922
Rice	0	251,000	400,000
Total	0	3,819,819	5,227,502
Counter-Cyclical Payments:			
Corn	0	0	736,124
Grain Sorghum	0	0	38,011
Barley	0	0	31,330
Oats	0	0	5,116
Total Feed Grains	0	0	810,581
Wheat	0	0	228,367
Peanuts	0	131,000	175,000
Soybeans	0	0	294,472
Upland Cotton	0	1,247,300	1,247,300
Rice	0	331,000	331,000
Total	0	1,709,300	3,086,720
Marketing Loss Assistance Payments:			
Dairy	-377	2,400,000	1,100,000
Other Marketing Loss Asst. Payments	-803	184,128	0
Total	-1,180	2,584,128	1,100,000
Loan Deficiency Payments:			
Corn	1,079,811	267	9,000
Grain Sorghum	7,224	2,277	16,100
Barley	8,710	13,711	24,900
Oats	954	27,120	39,680
Total Feed Grains	1,096,699	43,375	89,680
Wheat	28,397	1,512	80,325
Upland Cotton	731,934	443,300	343,600
Soybeans	3,129,093	16,127	21,443

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	2002 Actual	2003 Estimate	2004 Estimate
Rice	279,594	236,000	200,000
Peanuts	0	85,350	69,750
Lentils	0	3,551	3,839
Dry Edible Peas	0	1,156	2,548
Wool	0	20,656	13,265
Mohair	0	5,516	1,873
Minor Oilseeds	78,951	1,880	2,537
Honey	14	0	0
Total	5,344,682	858,423	828,860
Oilseed Payments:			
Total (includes soybeans)	120	0	0
Noninsured Assistance Payments	165,981	221,885	231,110
Prior Crop Deficiency Payment Adjustments	-1,575	0	0
Crop Disaster Program:			
Crop Disaster Payments	47,355	330	0
Quality Loss Program	146,316	170	0
Quality Loss Payments-Apple and Potato	35,485	150,000	0
Nursery Losses	1,260	0	0
Total Crop Disaster Program	230,416	150,500	0
Emergency Livestock Assistance	-324	0	0
Pasture Recovery Program, 2001	12,235	13,500	0
Flood Compensation Program	54	4	0
American Indian Livestock Feed	2,186	5,502	0
Livestock Indemnity	3,146	50	0
Tobacco Payments	5,808	0	0
Peanut Quota Compensation	0	1,100,000	125,000
Peanut Payments	244	0	0
Wool and Mohair Payments	-97	0	0
Apple Market Loss	11	74,989	0
California Tri-Valley Market Loss	-80	0	0
Onion Producers Market Loss	0	10,000	0
Idaho Oust	0	5,000	0
Total Payments	\$9,729,335	\$10,553,100	\$10,599,192

EXPORT PROGRAMS

Export Credit Guarantees. Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees (for up to 3 years) payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial, as well as, noncommercial risks. Facility payment guarantees operate under the general provisions of the GSM-102 program and provide export financing for capital goods and services to improve handling, marketing, processing, storage, or distribution of imported agricultural products. Supplier credit guarantees represent a variation of GSM-102 and are designed to assist U.S. exporters of agricultural commodities who wish to provide relatively short-term (up to 180 days) credit directly to foreign buyers.

In FY 1986, an intermediate export credit guarantee program was established under which CCC guarantees payments on export credit with repayment terms up to 10 years (GSM-103). To date, no guarantees have been authorized for periods of more than 7 years.

Total sales registrations in FY 2002 were \$3.4 billion for the GSM-102 program, including \$452 million for supplier credit guarantees and none for facility guarantees or GSM-103 program. The program level for FY 2004 is estimated to be \$4.1 billion for the short-term export credit guarantee program (GSM-102), including \$750 million for supplier credit guarantees and \$44 million for facilities guarantees. A program level of \$18 million is estimated for FY 2004 intermediate export credit guarantee program (GSM-103) activity.

The 2004 budget continues to reflect credit reform procedures for Federal credit programs authorized by the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990. These procedures require that for loans made since 1992, budget authority and outlays for these programs represent estimated subsidy costs, such as estimated claims and administrative expenses, rather than claim disbursements and repayments. The appropriation language also specifies the portion of the requested budget authority to be used for administrative expenses. Budget authority for the subsidy represents the present value of CCC's estimated net cash flows over the lifetime of the credit guarantee. Budget authority and outlays for the subsidies are presented in the Budget in "loan program accounts." All claim disbursement and repayment activity related to loans made in FY 1992 or later appear in a "financing account" and are considered "off-budget" for purposes of estimating the deficit. Budget authority and outlays for pre-FY 1992 portfolios of guarantees and claims are reflected in the budget in "liquidating accounts" and are calculated on a cash basis as before, to represent claim disbursements and borrower repayments.

Direct Export Credit. Under the short-term export credit sales program (GSM-5), CCC may provide direct financing on terms not to exceed three years for the commercial sale of agricultural commodities from private stocks. There have been no sales under the direct credit program since FY 1985.

CONSERVATION PROGRAMS

Title II of the Farm Security and Rural Investment Act of 2002, P.L. 107-71, re-authorizes funding for new and existing conservation programs implemented by the Farm Service Agency or the Natural Resources Conservation Service. The bill provides funding through 2007 to help farmers adopt and maintain conservation systems that protect water quality, reduce soil erosion, protect and enhance wildlife habitat and wetlands, conserve water and sequester carbon. The Natural Resources Conservation Service (NRCS) administers many of the programs that are financed through CCC, and detailed descriptions of program operations and performance indicators can be found under NRCS elsewhere in these Explanatory Notes.

Conservation Reserve Program (CRP). CRP is USDA's largest conservation/environmental program. The purpose of CRP, administered by FSA, is to cost-effectively assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive acreage normally devoted to the production of agricultural commodities to a long-term resource-conserving cover. CRP participants enroll acreage for periods from 10 to 15 years in exchange for annual rental payments and cost-share and technical assistance for installing approved conservation practices.

New CRP enrollments are authorized through December 31, 2007, to maintain enrollment of up to 39.2 million acres. Use of conservation, and environmental priority areas to target conservation program funding is encouraged. There are currently four ways farmers and ranchers can participate in the CRP:

- **General sign-up.** Producers with eligible lands compete nationwide for acceptance using an environmental benefits index (EBI) during discrete sign-up periods. Annual payments are based on soil-specific productivity-based rental rates.
- **Continuous sign-up.** Producers enroll specific practices, primarily conservation buffers, at any time during the year, on a non-competitive basis. Selected buffer practices are eligible for additional annual incentives of up to 20 percent of the annual rental payment.
- **Conservation Reserve Enhancement Program (CREP).** Under Federal-State partnerships generally covering up to 100,000 acres per State with 20 percent of funding provided by the State, producers enroll specific practices on a continuous basis. CREP enrollments receive continuous sign-up incentives, and most CREP agreements provide for additional financial incentives.
- **Farmable Wetlands Program (FWP).** The 2001 Appropriations Act authorized the Secretary to enroll 500,000 acres during 2001 and 2002 in 6 pilot States. This authorization was expanded in the 2002 Farm Bill to include 1 million acres and all States. Producers may enroll small non-flood-plain wetlands and adjacent uplands on a continuous basis and are eligible for continuous sign-up incentives. Acreage enrolled is not allowed to reduce the acreage enrolled in continuous sign-up or CREP.

During FY 2002, no general CRP sign-up was held but about 425,000 acres were enrolled under continuous, CREP, and FWP provisions, and one-year contract extensions for contracts scheduled to expire September 30, 2002, were offered, contracts were extended on about 1.6 million acres (90 percent of expiring contracts). In each of fiscal years 2003 and 2004, contracts for 600,000 continuous sign-up and CREP acres are estimated to be enrolled. About 100,000 acres are estimated to be enrolled in the FWP in fiscal years 2003 and 2004. The FY 2004 budget includes general sign-ups in fiscal years 2003 and 2004 to enroll approximately 2.8 million acres and 1.8 million acres, respectively.

Overall, CRP enrollment is assumed to gradually increase from 34 million acres at the end of FY 2002 to 39.2 million acres by FY 2006, while maintaining a reserve sufficient to provide for enrollment of 4.2 million acres in continuous sign-up and CREP. In May 2000, continuous sign-up, CREP, and FWP participants became eligible for additional financial incentives. Designed to boost participation, USDA has allocated \$147 million for up-front one-time incentive payments in each of fiscal years 2003 through 2006. Actual incentives for FY 2002 were approximately \$115 million.

CUMULATIVE CRP ENROLLMENT
FY 2002 through FY 2008
(acres in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Acres Enrolled	33,966	34,343	35,637	38,687	39,167	39,200	39,200

Conservation Security Program (CSP). The 2002 Farm Bill authorized the CSP to provide payments to producers for maintaining or adopting structural and/or land management practices that address a wide range of local and/or national resource concerns. The CSP is administered by NRCS and funded through CCC.

Environmental Quality Incentives Program (EQIP). EQIP was re-authorized in the 2002 Farm Bill. Funding is authorized at \$6.1 billion over 6 years with \$400 million in 2002 and increasing to \$1.3 billion in 2007. The program provides technical, educational, and financial assistance to eligible farmers and ranchers to adopt practices that reduce environmental and resource problems. The EQIP is administered by NRCS (lead agency) and FSA, and funded through CCC.

Ground and Surface Water Conservation Program (GSWC). In FY2003, the 2002 Farm Bill authorizes GSWC funding at \$45 million and for FY 2004 through 2007; the authorization is \$60 million per year.

Klamath Basin Water Conservation Program. The Klamath Basin of Oregon and California has been authorized for \$50 million over the life of the 2002 Farm Bill. The program is designed to promote the installation of water conservation practices on agricultural lands to improve the quantity and quality of water in the Klamath Basin.

Wetlands Reserve Program (WRP). The 2002 Farm Bill re-authorized WRP, providing the Secretary the authority to enroll, to the extent practical, 250,000 acres annually, through 2007. Funding is provided through the Commodity Credit Corporation. The WRP is administered by NRCS.

Farmland Protection Program (FPP). The Farm Security and Rural Investment Act of 2002 authorized \$597 million of Commodity Credit Corporation funds, for FPP. Between 2002 and 2007, it is estimated that these funds will protect an additional 1.2 million acres from conversion to non-agricultural uses. The FPP is administered by NRCS and funded by CCC.

Watershed Protection and Flood Prevention Program. The Farm Security and Rural Investment Act of 2002 authorized the use of \$275 million of CCC funds for implementation of the watershed rehabilitation provisions of the Watershed Protection and Flood Prevention Program (PL-83-566). The authorized annual CCC funding amounts start at \$45 million in FY 2003 and increase \$5 million each year to \$65 million in FY 2007.

Wildlife Habitat Incentive Program (WHIP). The Farm Security and Rural Investment Act of 2002 extended the program through 2007 and authorized an additional \$360 million for WHIP. The WHIP is administered by NRCS and funded by CCC.

Soil and Water Conservation Assistance. The Agricultural Risk Protection Act provided \$40 million in CCC funds to be available in FY 2001 for financial assistance to farmers and ranchers to address threats to natural resources, comply with Federal and State environmental laws, and make beneficial, cost-effective changes to conserve and improve natural resources. Provisions in the FY 2001 Appropriations Act allowed the Secretary to use \$20 million for WHIP and FPP.

Agricultural Management Assistance Program (AMAP). The 2002 Farm Bill authorized the use of CCC funding of \$20 million for each fiscal year 2004 through 2007, and \$10 million for subsequent years. Funding will be used to provide grants to qualified public and private entities for educating agricultural producers about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversion, farm resources risk reduction and other risk management strategies. The 2004 budget proposes to limit the program to \$17.9 million in 2003.

NOTE: Conservation Security Program, Grassland Reserve Program, Environmental Quality Incentives Program, Wetlands Reserve Program, Farmland Protection Program and Wildlife Habitat Incentives Program funds are transferred to NRCS by CCC; therefore, the outlays for these programs are reflected by NRCS.

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CCC-Funded Conservation Programs (\$000)

Project	2002 Actual	2003 Estimated	2004 Estimated
Program Level/Budget Authority:			
Conservation Reserve Program	\$1,784,665	\$1,901,542	\$2,022,145
Environmental Quality Incentives Prog. a/	200,000	b/	b/
Wetlands Reserve Program	b/	b/	b/
Farmland Protection Program	720	b/	b/
Agricultural Management Assistance Program	10,000	17,900	20,000
Total Program Level/Budget Authority	1,995,385	1,919,442	2,042,145
Net Expenditures:			
Financial Assistance:			
Conservation Reserve Program	1,784,915	1,882,592	2,022,145
Environmental Quality Incentives Program	108,517	189,073	147,135
Wetlands Reserve Program	106,277	74,410	47,112
Farmland Protection Program	8,262	5,793	2,966
Agricultural Management Assistance Program	2,988	8,279	6,710
Soil and Water Conservation Assistance	4,572	2,430	2,430
Klamath Basin Water Conservation Program	19,551	0	0
Yakima Basin Water Conservation Program	1,940	0	0
Total Financial Assistance	2,037,022	2,162,577	2,228,498
Technical Assistance:			
Environmental Quality Incentives Program	35,530	0	0
Farmland Protection Program	29	0	0
Agricultural Management Assistance Program	2,115	7,570	7,570
Total Technical Assistance	37,674	7,570	7,570
Educational Assistance:			
Environmental Quality Incentives Program	2,257	2,529	1,968
Miscellaneous Expenditures:			
Conservation Reserve Program	394	0	0
Environmental Quality Incentives Program	-968	0	0
Total Miscellaneous Expenditures	-574	0	0
Total Net Expenditures:			
Conservation Reserve Program	1,785,309	1,901,542	2,022,145
Environmental Quality Incentives Program	145,336	191,602	149,103
Wetlands Reserve Program	106,277	74,410	47,112
Farmland Protection Program	8,291	5,793	2,966
Agricultural Management Assistance Program	5,103	15,849	14,280
Soil and Water Conservation Assistance	4,572	2,430	2,430
Klamath Basin Water Conservation Program	19,551	0	0
Yakima Basin Water Conservation Program	1,940	0	0
Grand Total, Net Expenditures	2,076,379	2,172,676	2,238,036

a/ The FY 2002 Appropriations Act authorized the use of \$13 million for CRP technical assistance

b/ Funding provided by the transfer of funds from CCC to NRCS. Program level and outlays are reflected in NRCS rather than CCC.

19-12

**CCC Emergency and Marketing Loss Assistance Programs
FY 2003**

(Dollars in Thousands)

Programs	FY 2003 Outlays
Dairy Market Loss Assistance	\$2,400
Apple Market Loss Assistance	169,147
American Indian Livestock Feed	5,502
Flood /Pasture Recovery Program	13,504
Other Market Loss Assistance	200
Total	\$190,753

OTHER CCC PROGRAMS

Milk Income Loss Contract. The 1996 Farm Bill had established a Dairy Recourse Loan Program that was never implemented due to repeated legislative extensions of the Dairy Price Support Program. The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan Program but established a new Milk Income Loss Contract Program, under which the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments when milk prices fall below specified levels. The Milk Income Loss Contract Program was apportioned at \$2.5 billion for FY 2003.

Bioenergy Program. The 2004 President's Budget assumes CCC will continue to make incentive payments, under the Bioenergy Program, to ethanol, biodiesel, and other bioenergy producers to expand production of bio-based fuels. Payments shall be made on a portion of the increase in agricultural commodities purchased for expanded bioenergy production, with smaller and cooperatively owned facilities receiving higher payment rates. This program is authorized by the CCC Charter Act. The 2002 Farm Bill extends the program through FY 2006 at the program level of \$150 million per year. The 2004 budget proposes to limit the program to \$100 million in 2004.

Payment Limitations. In general, the 2002 Farm Bill revised the Food Security Act of 1985 (7 U.S.C. 1308) payment limitations. The total amount of direct payments made to a person during any crop year for 1 or more covered commodities may not exceed \$40,000. The total amount of counter-cyclical payments made to a person during any crop year for 1 or more covered commodities may not exceed \$65,000. The total amount of gains payments that a person may receive during any crop year may not exceed \$75,000. Notwithstanding any other provision or law, an individual or entity shall not be eligible to receive any benefit during a crop year if the average adjusted gross income of the individual or entity exceeds \$2,500,000, unless not less than 75 percent of the average adjusted gross income of the individual or entity is derived from farming, ranching, or forestry operations, as determined by the Secretary. This shall apply only during the 2003 through 2007 crop years.

Foreign Market Development Programs. CCC funds are used extensively to expand and enhance foreign food markets and supply. The following programs highlight CCC activity in these areas:

Dairy Export Incentive Program (DEIP). DEIP operates on a bid bonus system, with cash bonus payments to exporters to facilitate commercial sales of U.S. dairy products in overseas markets. Continue to assume cash bonuses through FY 2012. DEIP estimates of the quantity of dairy products to be exported and associated expenditures were formulated within the maximum allowable expenditure and quantity levels specified in conjunction with provisions of the Uruguay Round Agreement. Consequently, current baseline projections assume that DEIP will not exceed \$116.6 million annually during FYs 2002-2012. Actual DEIP subsidies are further limited on a product-by-product basis under the Uruguay Round.

Export Enhancement Program (EEP). Current baseline projections assume an EEP annual funding level for FYs 2003-2013 will be \$28 million. This level of funding will be available for EEP programming should market conditions warrant. The commodity supply and demand estimates will assume use of EEP only when market conditions are appropriate. Actual subsidies for EEP are further limited on a product-by-product basis under the Uruguay Round.

Market Access Program (MAP). The 1996 Act mandated MAP at \$90 million annually for each of FYs 1996-2002. The Act also prohibited direct MAP assistance for brand promotions to foreign companies for foreign-produced products; or to companies that are not recognized as small business concerns under the Small Business Act, except for cooperatives and non-profit trade associations. The 2002 Farm Bill continued the authority for the MAP program and increased the funding as follows: \$100 for FY 2002, \$110 million for FY 2003, \$125 for FY 2004, \$140 million for FY 2004, and \$200 million for FY 2006 and 2007.

Foreign Market Development Cooperator Program (FMDCP). This program is used to promote export and overseas market development activity for U.S. Agricultural products. Funding FMDCP from CCC is consistent with Section 5(f) of the CCC Charter Act. The FY 2002 program level was \$27.5 million; however, the 2002 Farm Bill increased the available funds for this program to \$34.5 million for each of fiscal year through 2007.

Quality Samples Program (QSP). This initiative provides samples of U.S. agricultural products to foreign importers to promote a better understanding and appreciation for the high quality of U.S. products. The program will be funded at an authorized annual level of \$2.5 million.

Transfers of Funds. The 2002 Farm Bill authorizes CCC to transfer funds to various agencies to fulfill authorized programs for fiscal years 2002 through 2007. The following table shows recipient Agencies and amounts of transfers anticipated for fiscal years 2003 and 2004:

CCC Farm Bill Transfers
(dollars in thousands)

Agencies Receiving Transfers:	FY2003	FY2004
Agricultural Marketing Service	492	492
Chief Economist	2,000	2,000
Food & Nutrition Service	15,000	15,000
Natural Resources Conservation Service	1,344,596	1,804,530
Rural Development	986,000	379,000
Total Transfers	2,348,088	2,201,022

In the past, CCC funds have been transferred to the Animal and Plant Health Inspection Service (APHIS) for emergency programs as needed. The 2002 Farm Bill does not extend the authority for CCC transfers to APHIS. It has yet to be determined if APHIS emergency programs will be funded through CCC transfers or separate appropriations.

CCC NET EXPENDITURES

Commodity Credit Corporation net expenditures for FY 2003, including Farm Bill legislation, are estimated at \$16.30 billion, up \$62 million from FY 2002 outlays, including Farm Bill legislation, of \$15.68 billion. FY 2004 expenditures are estimated at \$15.3 billion.

The net decrease in projected FY 2004 CCC expenditures reflects the following decreases: \$422 million in purchases, \$1.4 billion in market loss assistance payments, \$1.2 billion in other payments and expenditures,

and \$20 million disaster and emergency assistance. These decreases are partially offset by an increase of \$2.8 billion in direct and counter-cyclical payments.

In April 1996, a cap of \$275 million for CCC-funded ADP obligations for fiscal years 1997 through 2002 was established by P.L. 104-127, the Federal Agriculture Improvement and Reform Act of 1996. Subsequently, the Agricultural Research, Extension, and the Education Reform Act of 1998 reduced the CCC ADP cap to \$193 million. Finally, the FY 1999 Appropriations Act (P.L. 105-277) again reduced the CCC ADP cap to \$188 million. Funds were nearly exhausted in FY 2002 for contractor support for software maintenance, telecommunications, help desks, and maintenance costs of existing mission critical systems. Only \$89,000 remains available to fund ADP obligations in FY 2003.

The following table shows CCC net expenditures by commodity and program for fiscal years 2002 through 2004.

COMMODITY CREDIT CORPORATION
 FY 2002 ACTUAL, FY 2003 AND FY 2004 ESTIMATED EXPENDITURES
 (Thousands of dollars)

	FY 2002 Actual	FY 2003 Estimated	FY 2004 Estimated
Corn.....	2,959,282	1,126,517	2,694,631
Grain Sorghum.....	207,024	90,664	248,513
Barley.....	96,387	74,219	151,639
Oats.....	7,220	28,178	49,580
Corn and Sorghum Products.....	24,873	-70	239
Feed Grains and Products.....	3,294,786	1,319,508	3,144,602
Wheat and Products.....	1,190,081	846,354	1,577,248
Rice.....	1,084,541	1,336,232	1,347,378
Upland Cotton.....	3,306,612	3,170,719	2,896,896
Tobacco.....	-137,208	-131,521	-100,991
Honey.....	-2,975	11,064	10,815
Dairy.....	614,499	2,902,249	1,407,317
Soybeans and Products.....	3,466,986	1,113,557	1,083,508
Minor Oilseeds.....	88,774	55,238	39,645
Sugar.....	-130,076	-111,330	0
Peanuts.....	129,074	1,478,332	498,999
Wool and Mohair.....	-843	28,269	15,104
Export Guarantee Program, Liquidating.....	-499,105	-478,000	-449,000
Export Guar. Program (Subsidy) Account.....	262,485	851,000	293,000
Short-Term & Intermediate Export Credit.....	-16,979	-21,879	-29,112
Market Access Program.....	96,603	113,534	109,398
Export Enhancement Program.....	1,683	28,000	28,000
Foreign Market Development Cooperator.....	30,766	34,500	34,500
Quality Samples Program.....	446	2,500	2,500
Export Donations - Ocean Transportation.....	302,492	80,875	59,363
Crop Disaster Assistance.....	230,416	500	0
Non-insured Assistance Program.....	165,981	221,885	231,110
Emergency Livestock Assistance.....	-324	0	0
Flood Compensation/Pasture Recovery.....	12,289	13,504	0
American Indian/Livestock Indemnity.....	5,320	5,552	0
Conservation Reserve Program.....	1,785,309	1,901,542	2,022,145
Environmental Quality Incentives Prog.....	145,336	191,602	149,103
Wetlands Reserve Program.....	106,277	74,410	47,112
Farmland Protection Program.....	8,291	5,793	2,966
Soil and Water Cons. Assistance Prog.....	4,572	2,430	2,430
Dairy Options Pilot Program.....	2,172	2,538	475
Farm Storage Facility Loan Program.....	2,263	2,000	1,000
Interest.....	217,616	122,027	213,049
CCC Operating Expenses.....	55,000	5,904	5,904
Change in Working Capital.....	-591,909	250,000	250,000
All Other Commodities.....	448,746	870,906	360,317
Total Net Expenditures, CCC.....	15,679,997	16,299,794	15,254,781

Commodity Credit Corporation
Available Funds
2002 Actual and Estimated 2003 and 2004
(In Thousands of Dollars)

Item	2002 Actual	2003 Estimated	2004 Estimated
Reimbursement for Net Realized Losses	\$22,800,208	\$17,684,128	\$17,275,465
CCC Export Credit Guarantee Program Account (permanent, indefinite).....	265,063	293,927	297,000
CCC Export Loans Program Account (current, definite).....	4,014	4,058	4,312
CCC Storage Facility Program Account (permanent, indefinite).....	3,025	1,882	1,165
Total Commodity Credit Corporation ...	\$23,072,310	\$17,983,995	\$17,577,942

CLASSIFICATION BY OBJECTS
2002 Actual and Estimated 2003 and 2004
(Thousands of Dollars)

	2002	2003	2004
Direct obligations:			
22 Transportation of things.....	\$318,644	\$96,394	\$70,918
25.2 Other services	172,598	487,431	443,361
25.2 Other services: storage and handling	67,297	58,907	53,669
26 Supplies and materials: (cost of commodities sold or donated-CCC)	5,345,147	3,602,860	3,033,417
31 Equipment.....	--	--	--
41 Grants, subsidies, and contributions	11,955,562	12,930,040	13,720,944
43 Interest and dividends	233,868	223,236	402,035
99 Subtotal direct obligations	18,093,116	17,398,868	17,724,344
Reimbursable obligations:			
22 Transportation of things: PL 480 ocean Transportation.....	522,030	650,182	669,938
26 Supplies and materials: (cost of commodities sold or donated - PL 480)	441,437	562,818	543,062
33 Investments and loans.....	10,130,603	8,651,930	8,934,434
99 Subtotal reimbursable obligations	11,094,070	9,864,930	10,147,434
99.9 Total Obligations	29,187,186	27,263,798	27,871,778

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows: (new language underscored):

COMMODITY CREDIT CORPORATION FUNDReimbursement for Net Realized Losses

For fiscal year 2004, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed.

Hazardous Waste Management
(Limitation on Expenses)

For fiscal year 2004, the Commodity Credit Corporation shall not expend more than \$5,000,000 for site investigation and cleanup expenses, and operations and maintenance expenses to comply with the requirement of section 107(g) of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. 9607(g), and section 6001 of the Resource Conservation and Recovery Act, 42 U.S.C. 6961.

Reimbursement for Net Realized Losses

President's Budget, 2003	\$17,684,128,142
Budget Estimate, 2004	17,275,465,000
Decrease	<u>-408,663,142</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item of Change	2003		2004 Estimated
	Estimated	Change	
Reimbursement of losses:			
2001 actual losses *	\$20,906,604	-\$20,906,604	0
2002 actual losses	17,663,221,538	-17,663,221,538	0
2003 estimated losses	0	17,275,465,000	\$17,275,465,000
TOTAL AVAILABLE	\$17,684,128,142	-\$408,663,142	\$17,275,465,000

*An additional \$20,906,604 loss from FY 2001 was reimbursed during the first quarter of FY 2003.

PROJECT STATEMENT

(On basis of appropriation)

Item	2002	2003		2004
	Actual	Estimated	Decrease	Estimated
Reimbursement of losses:				
Appropriation	\$22,800,207,503	\$17,684,128,142	-\$408,663,142	\$17,275,465,000

FY 2002 losses of \$16,000,000,000 and \$1,684,128,142 were reimbursed through FY 2003 continuing resolutions. It is anticipated the FY 2003 Appropriations Act will fully reimburse the balance of 2002 losses. The appropriation estimate for FY 2004 should fully reimburse CCC for all actual FY 2003 losses.

RECONCILIATION TO BUDGET AUTHORITY

The preceding analysis of realized losses explains the actual 2002 losses of the Corporation. The 2001 and 2002 losses have been nearly completely reimbursed. Final losses will be calculated subsequent to the completion of the 2002 financial statements. Regardless of whether appropriations made to CCC are to restore losses or are for other purposes, the Corporation must record losses in its books for numerous required purposes, including the computation of capital impairment.

The following table reconciles budget authority with appropriations:

	(Thousands of dollars)	
	2003	2004
Appropriation (for realized losses)	\$17,684,128	\$17,275,465
Portion applied to CCC debt reduction ...	-17,684,128	-17,275,465
Adjusted Appropriation		
Adjustments:		
Authority to borrow	15,353,000	15,021,000
CCC Export Loans Program Account.....	272,102	302,477
Budget Authority (net).....	\$15,625,102	\$15,323,477

a/ Reimbursed through current, indefinite appropriation as anticipated to be authorized by the FY 2004 Appropriations Act.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 2002 through 2004.

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FY 2002 - Actual (millions of dollars)

ITEM	TOTAL	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain(-) or loss on sales	2,068.8	10.6	-0.4	223.9	1,774.4	20.7	7.5	32.1
Domestic donations	62.5	--	--	--	--	--	59.4	3.1
Export donations	596.4	54.9	238.5	20.5	--	35.4	72.3	174.8
Storage and handling	67.3	2.9	26.6	0.2	1.0	1.0	22.0	13.6
Transportation	16.5	--	.1	--	--	--	15.2	1.2
Production flexibility payments	3,966.5	2,127.4	1,044.3	342.6	451.9	--	--	0.3
Loan deficiency payments	4,474.6	999.6	-4.7	40.2	720.8	2,650.4	--	68.3
Deficiency payments	.5	-0.5	.1	--	.9	--	--	--
Market Loss Assistance payments	-5	-0.2	-0.1	-0.1	.2	--	-0.3	--
Conservation Reserve Program	1,576.1	--	--	--	--	--	--	1,576.1
Environmental Quality Incentives Program	309.9	--	--	--	--	--	--	309.9
Wetlands Reserve Program	379.4	--	--	--	--	--	--	379.4
Other conservation programs b/	479.5	--	--	--	--	--	--	479.5
American Indian Livestock Feed Program	2.2	--	--	--	--	--	--	2.2
Crop Disaster payments	248.8	--	--	--	--	--	--	248.8
Livestock Emergency Assistance	12.3	--	--	--	--	--	--	12.3
Livestock Indemnity	3.2	--	--	--	--	--	--	3.2
Foreign Mkt Development Coop	30.8	--	--	--	--	--	--	30.8
Quality Samples Program	0.4	--	--	--	--	--	--	0.4
Noninsured Assistance Program	181.2	--	--	--	--	--	--	181.2
Dairy export incentive payments	25.3	--	--	--	--	--	25.3	--
Market Access Program	96.6	--	--	--	--	--	--	96.6
Export Enhancement Program	1.7	--	--	--	--	--	--	1.7
Marketing loan write-offs	642.0	99.0	3.5	199.7	54.6	282.7	--	2.5
Marketing assessments	--	--	--	--	--	--	--	--
Other c/	1,568.0	3.7	32.3	0.4	221.9	--	--	1,309.7
Total program costs	16,810.0	3,297.4	1,340.2	827.4	3,225.7	2,990.2	201.4	4,927.7
Nonprogram costs:								
Interest (net):								
Support and related	163.2							
Export Credit Sales	-19.9							
Loss in Interest Income	-15.8							
Operating expenses	55.0							
Total nonprogram costs	182.5							
Total, net realized losses	16,992.5							

a/ Other commodities include tobacco, soybean products, blended food products, vegetable oil products, sugar, and minor oilseeds.

b/ Other conservation programs include the Farmland Protection Program, Soil and Water Conservation Assistance, and the Wildlife Habitat Incentive Program.

c/ Other costs include miscellaneous expenses, ocean transportation for export donations, technical assistance for emerging markets, dairy options pilot program, tobacco payments to States, cottonseed payments, oilseeds payments, peanut payments, and depreciation associated with ADP equipment.

FY 2003- Estimated (millions of dollars)

ITEM	TOTAL	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain(-) or loss on sales	750.2	4.5	-4.6	230.4	484.4	4.9	19.3	11.3
Domestic donations	295.5	--	--	--	--	--	110.5	185.0
Export donations	279.0	6.6	77.5	11.0	--	3.5	120.0	60.4
Storage and handling	58.9	2.6	23.2	0.1	2.0	0.8	24.6	5.6
Transportation	15.5	--	--	0.1	--	--	15.4	--
Direct payments	3,819.8	1,275.2	660.3	251.0	427.6	1,091.3	--	114.4
Counter-cyclical payments	1,709.3	--	--	331.0	1,247.3	--	--	131.0
Production flexibility payments	--	--	--	--	--	--	--	--
Loan deficiency payments	858.4	43.4	1.5	236.0	443.3	16.1	--	118.1
Deficiency payments	--	--	--	--	--	--	--	--
Marketing Loss Assistance	2,398.8	--	-0.7	-0.1	-0.3	--	2,400	-0.1
Conservation Reserve Program	2,307.3	--	--	--	--	--	--	2,307.3
Environ Quality Incentives Prog	889.1	--	--	--	--	--	--	889.1
Wetlands Reserve Program	103.8	--	--	--	--	--	--	103.8
Other conservation programs b/	83.9	--	--	--	--	--	--	83.9
Export Enhancement Program	28.0	--	--	--	--	--	--	28.0
Marketing Loan Writeoffs	298.0	4.1	2.6	203.7	54.4	6.8	--	26.4
Market Access Program	113.5	--	--	--	--	--	--	113.5
Foreign Market Development	34.5	--	--	--	--	--	--	34.5
Cooperative Export	--	--	--	--	--	--	--	--
Quality Samples Program	2.5	--	--	--	--	--	--	2.5
Noninsured Assistance Program	243.8	--	--	--	--	--	--	243.8
Dairy Export Incentive Program	36.4	--	--	--	--	--	36.4	--
Marketing assessments	--	--	--	--	--	--	--	--
Other c/	2,824.2	--	0.2	0.1	280.0	0.1	--	2,543.8
Total program costs	17,150.4	1,336.4	760.0	1,263.3	2,938.7	1,123.5	2,726.2	7,002.3
Nonprogram costs:								
Interest (net):								
Support and related	140.8							
Short-term and intermediate export credit sales	-21.6							
Operating expenses	5.9							
Total nonprogram costs	125.1							
Total, net realized losses	17,275.5							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, sugar, and minor oilseeds.

b/ Other conservation programs include the Farmland Protection Program, Conservation Security Program, Wildlife Habitat Incentives and Soil and Water Conservation Program.

c/ Other costs include miscellaneous expenses, ocean transportation for export donations, dairy options pilot program, technical assistance for emerging markets, and Agricultural Management Assistance Program.

FY 2004 - Estimated (millions of dollars)

ITEM	TOTAL	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain(-) or loss on sales	489.3	1.5	0.1	190.2	272.9	-2.1	24.8	1.9
Domestic donations	119.9	--	--	--	--	--	119.9	--
Export donations	228.2	5.5	50.4	8.2	--	2.1	115.2	46.8
Storage and handling	53.7	1.0	20.2	0.1	1.2	0.7	25.6	4.9
Transportation	11.6	--	--	0.1	--	--	11.4	0.1
Production flexibility payments	--	--	--	--	--	--	--	--
Direct payments	5,227.5	2,271.7	1,143.7	400.0	586.6	727.6	--	97.9
Counter-cyclical payments	3,086.7	810.6	228.3	331.0	1,247.3	294.5	--	175.0
Loan deficiency payments	828.9	89.7	80.3	200.0	343.6	21.4	--	93.9
Deficiency payments	--	--	--	--	--	--	--	--
Market Loss Assistance	1,100.0	--	--	--	--	--	1,100	--
Conservation Reserve Program	2,190.0	--	--	--	--	--	--	2,190.0
Environ. Quality Incentives Prog.	1,050.1	--	--	--	--	--	--	1,050.1
Wetlands Reserve Program	331.9	--	--	--	--	--	--	331.9
Other conservation programs b/	178.8	--	--	--	--	--	--	178.8
Export Enhancement Program	28.0	--	--	--	--	--	--	28.0
Marketing Loan Writeoffs	353.9	2.6	42.6	221.5	30.3	2.8	--	54.1
Market Access Program	109.4	--	--	--	--	--	--	109.4
Foreign Market Development	--	--	--	--	--	--	--	--
Cooperative Export	34.5	--	--	--	--	--	--	34.5
Quality Samples Program	2.5	--	--	--	--	--	--	2.5
Noninsured Assistance Program	231.1	--	--	--	--	--	--	231.1
Dairy Export Incentive Program	57.3	--	--	--	--	--	57.3	--
Marketing assessments	--	--	--	--	--	--	--	--
Other c/	1,629.1	--	--	0.1	555.6	-0.1	0.1	1,073.4
Total program costs	17,342.4	3,182.6	1,565.6	1,351.2	3,037.5	1,046.9	1,454.3	5,704.3
Nonprogram costs:								
Interest (net):								
Support and related	278.9							
Short-term and intermediate export credit sales	-16.0							
Operating expenses	5.9							
Total nonprogram costs	268.8							
Total, net realized losses	17,611.2							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, sugar, and minor oilseeds.

b/ Other conservation programs include the Farmland Protection Program, Conservation Security Program, Wildlife Habitat Incentives, and Soil and Water Conservation Assistance.

c/ Other costs include miscellaneous expenses, ocean transportation for export donations, dairy options pilot program,

technical assistance for emerging markets, and Agricultural Management Assistance Program.

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored):

COMMODITY CREDIT CORPORATION EXPORT LOANS PROGRAM ACCOUNT (INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, \$4,312,000; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which \$3,327,000 may be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which \$985,000 may be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

CCC Loans Program Account

	Guaranteed Loan Levels	Subsidy	Administrative Expenses
President's Budget, 2003	\$4,225,000,000	\$293,927,000	\$4,058,000
Budget Estimate, 2004	4,155,000,000	297,000,000	4,312,000
Increase or Decrease in Amount....	\$ -70,000,000	\$+3,073,000	\$+254,000

SUMMARY OF INCREASES AND DECREASES (On basis of loan levels, subsidies and administrative expenses)

Item of Change	2003 Estimated	Program Changes	2004 Estimated
Guaranteed Export Credit Levels	\$4,225,000,000	\$-70,000,000	\$4,155,000,000
Guaranteed Export Credit Subsidy .	293,927,000	+3,073,000	297,000,000
Administrative Expenses			
Transferred to:			
Foreign Agricultural Service	3,224,000	+103,000	3,327,000
Farm Service Agency.....	834,000	+151,000	985,000
Total Admin. Expense	\$4,058,000	\$+254,000	\$4,312,000

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PROJECT STATEMENT
(On basis of appropriation)

Project	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
Guaranteed Export Credit Levels.....	\$3,388,130,000	\$4,225,000,000	\$-70,000,000	\$4,155,000,000
Guaranteed Export Credit Subsidy.....a/	265,063,000	293,927,000	+3,073,000 (1)	297,000,000
Admin. Expenses Transferred to: FAS.....	3,224,000	3,224,000	+103,000	3,327,000
FSA.....	790,000	834,000	+151,000	985,000
Total, Appropriated, Admin. Expenses.....	4,014,000	4,058,000	+254,000 (2)	4,312,000
Total, Appropriation ...	\$326,482,000	\$297,985,000	\$-102,025,000	\$195,960,000

a/ Permanent indefinite authority: This amount is mandatory under the Federal Credit Reform Act of 1990 and is excluded from the requirement for advance appropriations. For this reason, subsidy has been excluded from appropriation language.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$3,073,000 in the program account subsidy estimate (\$293,927,000 available in 2003).

This is a mandatory account under the Federal Credit Reform Act of 1990 and, therefore, is excluded from the requirement for advance appropriations. For this reason subsidy has been excluded from appropriation language. There was a minimal change in subsidy rates for FY2003 and FY2004. The decrease in subsidy was due to a significant decrease in program levels for countries having high risk. The program levels were adjusted to provide more realistic estimates of future programming needs. This adjustment takes into account total registrations from previous years as well as FY2002 registration to date, causing a decrease in subsidy. The subsidy amount requested for FY2004 is estimated to sufficiently cover the costs associated with the credit guarantees committed in FY2004.

- (2) An increase of \$254,000 in total administrative expenses (\$4,058,000 available in 2003).

Sec. 504(g) of P.L. 101-508 requires expenses associated with administering loan guarantees to be identified with program cost. The requested increase is based on increased pay costs. The estimated increase in administrative expenses transferred to FSA is \$151,000 and to FAS is \$103,000.

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COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

Purpose Statement

The Farm Storage Facility Loan (FSFL) program was established by CCC in 1949 to offer low-cost financing to producers for the construction or upgrade of on-farm storage facilities. The program was discontinued in the early 1980's when studies showed sufficient storage space was available. The FSFL was re-established in FY 2000 due to a severe shortage of sufficient available storage. The program was implemented in 2000 by CCC under Section 504(c) of the Federal Credit Reform Act of 1990. The program provides producers financing with five- to ten-year repayment terms and low interest rates. The program gives producers greater marketing flexibility when farm storage is limited and/or transportation difficulties cause storage problems, allows farmers to benefit from new marketing and technological advances, and maximizes their returns through identity-preserved marketing.

The 2002 Farm Bill directs that the CCC establish a Sugar Storage Facility Loan Program to provide financing for processors of domestically produced sugarcane and sugar beets to construct or upgrade storage and handling facilities for raw sugars and refined sugars. The loan term would be for a minimum of 7 years with the amount and terms being determined as any other commercial loan.

Available Funds
2002 Actual and Estimated 2003 and 2004

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Estimated</u>	<u>2004</u> <u>Estimated</u>
<u>Program Level</u>			
Farm Storage Facility Loan Program (FSFL)	\$142,721,455 a/	\$125,000,000	\$95,476,000
Sugar Storage Facility Loan Program (SSFL)	0	22,420,000	22,420,000
Total, Program Level	<u>142,721,455</u>	<u>147,420,000</u>	<u>117,896,000</u>
<u>Appropriated Funds b/</u>			
FSFL Subsidy	12,596,383 b/	1,600,000	1,164,807
SSFL Subsidy	0	282,492	0
Total, Appropriated Funds	<u>12,596,383</u>	<u>1,882,492</u>	<u>1,164,807</u>

a/ Includes FSFL prior year carry-in of \$17,721,455.

b/ Includes FSFL prior year carry-in of \$9,571,383.

Classification by Objects

2002 Actual and Estimated 2003 and 2004

<u>Other Objects:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
41.0	1,324,039	1,882,492	1,164,807

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

	Program Level	Subsidy
President's Budget, 2003.....	\$147,420,000	\$1,882,492
Estimate, 2004.....	117,896,000	1,164,807
Decrease.....	-29,524,000	-717,685

Farm and Sugar Storage Facility Loan Programs
Summary of Increases and Decreases
(On Basis of Appropriation)

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Program Level:			
FSFL.....	\$125,000,000	-\$29,524,000	\$95,476,000
SSFL.....	22,420,000	0	22,420,000
Total Program Level.....	147,420,000	-29,524,000 (1)	117,896,000
Subsidy Costs:			
FSFL.....	1,600,000	-435,193	1,164,807
SSFL.....	282,492	-282,492	0
Total Available.....	1,882,492	-717,685 (2)	1,164,807

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**COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS**

FSA Strategic Goal 1: Farm Programs - Provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber. This goal is directly related to the Secretary's strategic goals 1.1 and 1.2.

**Project Statement
(On basis of appropriation)**

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>Increase or Decrease</u>	<u>2004 Estimated</u>
Program Level:				
FSFL	\$64,634,000	\$125,000,000	-\$29,524,000 (1)	\$95,476,000
SSFL	0	22,420,000	0	22,420,000
Total Program Level	64,634,000	147,420,000	-29,524,000	117,896,000
Subsidy Costs:				
FSFL	1,324,039	1,600,000	-435,193	1,164,807
SSFL	0	282,492	-282,492	0
Total Subsidy Costs/a/	1,324,039	1,882,492	-717,685 (2)	1,164,807

a/ Permanent indefinite authority: This amount is mandatory under the Federal Credit Reform Act of 1990 and therefore is excluded from the requirement for advance appropriations.

Justification of Increases and Decreases

- (1) A decrease of \$29,524,000 for the Farm Storage Facility Loans program level (\$125,000,000 available in 2003):

This decrease reflects the projected program level required based on actuals for FY 2000 through FY 2003 to date. The expected program level for FY 2004 is \$95,476,000.

- (2) A decrease of \$717,685 for Farm Storage Facility Loans subsidy (\$1,882,492 available in 2003) consisting of:

- (a) A decrease of \$435,193 for Farm Storage Facility Loans subsidy (\$1,600,000 available in 2003).

This decrease reflects the subsidy needed to support the FY 2004 estimated program level of \$95,476,000 due to a decrease in estimated defaults. Default estimates are based on historical data. Estimated FSFL subsidy for FY 2004 is \$1,164,807.

- (b) A decrease of \$282,492 for Sugar Storage Facility Loans subsidy (\$282,492 available in 2003).

The decrease reflects a negative subsidy for FY 2004. Refined estimates of interest rate differentials indicate that, for the 2004 program, inflows will be greater than outflows by \$867,654. Therefore, no budget authority is required.

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COMMODITY CREDIT CORPORATION

STATUS OF PROGRAM

The Commodity Credit Corporation (CCC) carries out operations on a nationwide basis involving many agricultural commodities. The principal activities carried out by the Corporation involve:

Support of farm income and prices
Storage
Acquisition and disposal

Commodity exports
Supply and foreign purchases and donations
Conservation

Support of Farm Income and Prices. CCC income support is achieved through direct payments and support is provided to program participants through non-recourse loans with and without marketing loan provisions. The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) rescinded Production Flexibility Contracts and replaced them with Direct Payments and new Counter-Cyclical Payments. The following chart details commodities that are eligible for each type of price support:

Price/Income Support	Eligible Commodity
Direct Payments	Wheat, Corn, Grain Sorghum, Barley, Oats, Upland Cotton, Rice, Soybeans, Other Oilseeds and Peanuts
Counter-Cyclical Payments	Wheat, Corn, Grain Sorghum, Barley, Oats, Upland Cotton, Rice, Soybeans, Peanuts and Other Oilseeds
Non-Recourse Loans With Marketing Loan Provisions	Wheat, Corn, Grain Sorghum, Barley, Oats, Upland Cotton, Extra Long Staple Cotton, Rice, Soybeans, Other Oilseeds, Graded Wool, Nongraded Wool, Mohair, Honey, Dry Peas, Lentils, Peanuts, Sugar and Small Chickpeas
Non-Recourse Loans Without Marketing Loan Provisions	Upland Cotton, Extra Long Staple Cotton and Rice
Recourse Loans	Corn, Grain Sorghum, Upland Cotton and Extra Long Staple Cotton

Commodity Loans Made and Outstanding
(Dollars in Billions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Loans Made	9.1	6.4	9.2	5.1	5.3	7.2	8.4	9.7	8.3	10.1
Loans Outstanding	2.7	2.7	2.4	1.3	1.4	2.2	2.4	3.1	1.9	1.6

For most commodities, loans are made directly to producers on the unprocessed commodity through FSA county offices. Loans may also be made to producer associations that, in turn, make support available to producers. Loans may also be made through cooperative marketing associations. In order to more effectively recover the cost of money to CCC, a variable interest rate is charged by CCC on commodity and storage facility loans. The interest rate is one percentage point higher than the rate charged CCC by the U.S. Treasury during the month the loan

is disbursed. Average interest rate charged CCC by Treasury was 6.25% in FY 2001 and dropped to 3.5% in FY 2002.

**2002 Commodity Loans
(Dollars in Thousands)**

Commodity	Loans Outstanding SOY	Loans Made	Loan Reductions	Loans Outstanding EOY
Feed Grains	\$310,931	\$2,602,755	\$2,692,168	\$221,518
Wheat	323,465	344,025	493,038	174,452
Rice	195,918	861,559	851,455	206,022
Cotton	192,244	3,630,012	3,507,015	315,241
Tobacco	710,767	110,006	223,234	597,539
Peanuts	20,269	205,527	225,796	0
Soybeans	82,326	1,627,276	1,647,043	62,559
Sugar	52,295	726,799	760,027	19,067
Oilseeds	3,732	22,664	22,747	3,649
Other	4,145	-20	4,119	6
Total	1,896,092	10,130,603	10,426,642	1,600,053

Production Flexibility Contract Payments. The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) replaced deficiency payments with production flexibility payments beginning with the 1996 crop. These payments removed the link between income support payments and farm prices and replaced them with annual fixed but declining payments to participating producers. The 1996 Act specified total annual payments for production flexibility contracts from 1996 through 2002.

Producers on a farm with eligible cropland were able to enroll into these seven-year contracts during a one-time sign-up period. Only producers with acres enrolled in the Conservation Reserve Program (CRP) that either expired or were released early were eligible to enroll at a later date. Eligible producers received contract payments for each commodity equal to 85 percent of the commodity contract acreage multiplied by the program payment yield multiplied by the annual payment rate.

For 2002 payments, producers either chose to receive production flexibility contract payments as two 50 percent payments or one 100 percent payment at any time during the fiscal year. The 2002 Farm Bill rescinded authority to make production flexibility contract payments in the future.

The following table provides actual 2002 Production Flexibility Contract activities:

2002 Production Flexibility Contracts
(Numbers in thousands except contract acres)

Commodity	Number of Contract Acres ^{1/}	Number of Farms	Percentage of Payments	CY 2002 Payments
Corn	81,633,979	1,340	46.24%	\$1,834,565
Sorghum	13,553,321	369	5.09%	202,291
Barley	11,050,502	234	2.17%	86,076
Oats	6,491,538	556	.15%	6,042
Wheat	78,444,102	1,035	26.33%	1,044,564
Upland Cotton	16,216,955	181	11.39%	451,735
Rice	4,138,105	25	8.63%	342,555
Total	211,528,502	3,740	100.00	3,967,828

^{1/} Number of farms does not add because one farm may be included in more than one program commodity.

Loan Deficiency Payments. In FY 2002, total loan deficiency payments increased nearly \$52 million from FY 2001 levels, to \$5,345 million. This amount includes \$84.7 million for 2002 crops and \$5,260.4 million for 2001 crops and adjustments of 0.4 million for prior crop years.

Payments Made Directly to Producers. The following table includes production flexibility payments, deficiency payments, loan deficiency payments, marketing loss assistance payments, and oilseed payments, but excludes direct and counter cyclical payments authorized under the 2002 Farm Bill.

Direct Payments to Producers
(Dollars in Millions) *

Item	1997 Actual	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual
Rice	\$454.3	\$479.2	\$734.5	\$1,560.8	\$1,050.9	\$621.9
Feed Grains	2,920.2	3,174.5	5,648.6	11,084.5	6,837.5	3,224.8
Wheat	1,247.3	1,819.8	3,045.4	4,970.5	2,609.2	1,072.1
Cotton	580.8	642.8	1,257.2	2,466.1	1,163.6	1,183.2
Minor Oilseeds	0.0	5.4	33.9	200.2	234.3	78.9
Honey	0.0	0.0	0.0	0.0	22.6	0.0
Soybeans	0.0	20.6	924.9	2,578.6	3,048.4	3,129.2
Dairy	0.0	0.0	200.0	122.6	672.5	-0.4
Wool and Mohair	0.0	0.2	0.0	0.0	45.8	-0.1
Total Payments	5,202.6	6,142.5	11,844.5	22,983.3	13,111.2	9,309.6

Purchases. Some commodities are purchased directly from processors. Milk prices are supported through purchases of processed dairy products from processors. Purchases of dairy products, purchases of wheat and wheat products, corn, oats, peanuts, and vegetable oils for donations and purchases of grains, soybeans, and oilseeds on which loans are also made totaled \$5,331 million, which is comprised of cash purchases of \$1,581 million and certificate purchases of \$3,749 million. Of this amount, \$562 million was for dairy products.

Noninsured Assistance Program (NAP). NAP payments in FY 2002 totaled \$181.3 million, with offsetting fees collected of \$15.3 million. Of this, \$0.7 million was for 1998 and 1999 crop; \$2 million was for 2000 crop, \$160 million for 2001 crop, and \$1 million for 2002 crop year. Total NAP payments for 2002 crops are estimated to total \$244 million, with the remaining payments to be made in fiscal years 2003, 2004 and 2005.

Dairy Price Support Program. The FY 2002 Appropriations Act extended the Dairy Price Support Program from January 1, 2002 to May 31, 2002. The 2002 Farm Bill extended the Dairy Price Support Program from June 1, 2002 through December 31, 2007 at a rate of \$9.90 per hundredweight for milk containing 3.67% butterfat. The support program is carried out through the purchase of surplus butter, nonfat dry milk, and cheese at prices that enable processors to pay dairy farmers, on average, the support price for milk. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures or other objectives, as the Secretary considers appropriate.

The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan program, and established a new Milk Income Loss Contract Program (MILC). When milk prices fall below specified levels the Secretary may contract with eligible producers up to September 30, 2005 to make monthly MILC payments. The payment amount is calculated as follows: $\text{Payment} = \text{monthly quantity} \times (\$16.94 \text{ per hundredweight} - \text{Class I milk price per hundredweight in Boston}) \times 45\%$.

Sugar Program. The 2002 Farm Bill extends the national average sugar loan rates established for the 1996 through 2002 crops to cover through the 2007 crops at 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. Loans will be available to processors of domestically grown sugarcane and sugar beets for a term of nine months that do not begin or extend beyond the end/beginning of a fiscal year. The non-recourse loans are extended through the 2007 crop for processors of domestically produced sugar beets and sugarcane including for in-process sugar. Loans for in-process sugar have a loan rate of 80% of the loan rate for raw cane sugar or refined beet sugar (based on the source material used). If forfeiture occurs, the processor shall convert the in - process into final product at no cost to the CCC. Upon transfer, the processor will receive payment calculated as follows: $\text{Payment} = (\text{the loan rate} - (80\% \times \text{raw cane or refined beet sugar rate})) \times \text{quantity of sugar transferred}$.

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Emergency Assistance. CCC funding was provided for the following emergency programs during fiscal year 2002.

EMERGENCY ASSISTANCE IN FY 2002
(Dollars in Thousands)

Program	Program Level	Total Program Outlays
American Indian Livestock	\$11,974	\$6,498
Apple Market Loss	174,780	95,080
Apple & Potato Quality Loss	37,916	35,485
California Market Loss	*	-69
Crop Disaster	1,288,132	1,229,188
Emergency Livestock Assistance	429,752	427,122
Klamath & Yakima	*	21,491
Livestock Indemnity	9,978	3,152
Nursery Loss	*	7,325
Pasture Flood/Recovery	24,050	20,414
Quality Loss Program	*	149,393

* Programs were authorized and funded in FY01 and carried over to FY02 to complete assistance.

CCC Transfers. The 2002 Farm Bill authorizes CCC to transfer funds to various agencies to fulfill authorized programs. The following table shows recipient Agencies and amounts of transfers accomplished by CCC in fiscal year 2002.

CCC FARM BILL AUTHORIZED TRANSFERS
(Dollars in Thousands)

Agencies Receiving Transfers	Transfer Amount
Agricultural Marketing Service (AMS)	\$5,040
Chief Economist (OCE)	1,000
Cooperative State Research, Education, & Extension Service (CSREES)	8,000
Department of Interior	200,000
Food & Nutrition Service (FNS)	20,431
Natural Resources Conservation Service (NRCS)	572,250
Rural Development (RD)	600,000
Total Transfers	1,406,721

Prompt Payment Act Interest Payments. Total interest paid on late payments during FY 2002 was \$2,112 million, compared to \$5,972 million in fiscal year 2001. The decrease in interest penalty payments is attributed to software advancements that improved FSA's capability to delivery more timely and accurate payments to the customer.

COMMODITY EXPORT ACTIVITIES

The Corporation is authorized to promote the export of U.S. agricultural commodities and products through sales, payments, direct credit, credit guarantees, and the conduct of other

activities related to the exportation of commodities. During fiscal year 2002, CCC commercial export credit activities consisted of credit guarantees under the Export Credit Guarantee Program and the Intermediate Export Guarantee Program.

Direct Credit. From the beginning of the short-term export credit sales program in 1956 through September 30, 2001, sales of agricultural commodities amounted to approximately \$9,649.2 million, with an additional \$722.9 million in capitalized interest resulting from debt rescheduling. However, there has been no new program activity in fiscal years 1987 through 2002. Amounts outstanding under this program were \$333.6 million as of September 30, 2002, which were rescheduled credits. Principal repayments from inception through September 30, 2002, totaled \$9,289.9 million, including \$16.9 million in fiscal year 2002.

CCC Export Credit Guarantees. There are four CCC export credit guarantee activities: GSM-102, GSM-103, Supplier Credit Guarantees, and Facilities Guarantees. The 2002 Farm Bill continues the mandate of providing a \$5.5 billion annual program level for GSM-102 and GSM-103 and allows flexibility to distribute the \$5.5 billion between the programs. The 2002 Farm Bill extends the authority through 2007.

In FY 2002, sales registrations under the GSM-102 program totaled \$2,936 million.

The Supplier Credit Guarantee Program (SCGP) is a component of the GSM-102 program. In FY 2002, sales registrations of SCGP totaled \$452 million.

The Facilities Guarantee Program (FGP), a subsection of the GSM-102 program, has been developed by CCC under the authority of section 1542 of the FACT Act. In FY 2002, there were no sales registrations under the FGP.

There were no sales registrations under the GSM-103 program.

U.S. Agricultural Technical Expertise Provided to the Emerging Markets. The 1996 Act authorized, for each of the fiscal years 1996 through 2002, a program for promoting agricultural exports to emerging markets through the sharing of U.S. agricultural technical expertise. Program obligations during FY 2002 totaled \$10 million. Actual expenditures totaled \$2.6 million, which included prior year obligations. The 2002 Farm Bill extends the authorization of funding for this program through 2007.

Export Enhancement Program. An export enhancement program was initiated in 1985 under which CCC funds or commodities are made available to exporters as bonuses to make U.S. agricultural products competitive in foreign markets. All sales involving bonus CCC funds or commodities are intended to increase and enhance U.S. agricultural exports above what would have occurred in the absence of the program. The 1996 Act funded Export Enhancement Program at a maximum of \$478 million during fiscal years 2002 and 2003. FY 2002 bonus cash payments, including payments from prior year programs, totaled \$1.7 million. No bonuses were awarded in FY 2002.

Dairy Export Incentive Program (DEIP). The DEIP operates on a bid bonus system similar to EEP, with cash bonus payments. Cash payments in FY 2002, including payments from prior year programs totaled \$25 million. Bonuses awarded in FY 2002 were \$54.6 million.

Market Access Program (MAP). Under MAP, CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional

activities. An annual program level of \$90.0 million was established by statute for fiscal years 1996-2002. Cash payments in FY 2002, including prior year program payments, totaled \$96.6 million. The 2002 Farm Bill continues the authority for the MAP program and increases the funding as follows: \$100 for FY 2002, \$110 million for FY 2003, \$125 million for FY 2004, \$140 million for FY 2005, and \$200 million for FY 2006 and 2007.

Bill Emerson Humanitarian Trust. The Bill Emerson Humanitarian Trust (BEHT) is a commodity reserve that was established to ensure that the United States can meet its international food aid commitments. Commodities authorized for the 4-million ton reserve include wheat, corn, grain sorghum and rice. The Secretary is authorized to release up to 500,000 metric tons annually for urgent humanitarian relief in disasters in the case of unanticipated need and to release an additional 500,000 metric tons of eligible commodities that could have been released but were not released in previous years. The Secretary also is authorized to release eligible commodities from the reserve when supplies are so limited that eligible commodities cannot be made available for programming under P.L. 480. The 2002 Farm Bill extends the authorization to replenish the BEHT through FY 2007. CCC is authorized to hold funds as well as commodities in the reserve.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are: (1) to help producers finance needed storage facilities on their own farms; and (2) to make efficient use of commercial facilities in the storage of CCC-owned commodities.

Commercial Storage. The Corporation has contracts with about 3,300 commercial warehouse operators in 41 States for the storage of Government-owned and loan grain and rice.

The agreements provide for a storage rate covering about 3,500 grain and rice warehouse facilities operating under the agreements. The grain and rice facilities have a total capacity of about 7.8 billion bushels.

Total storage and handling charges in fiscal year 2002 were \$67.3 million. Related transportation costs were \$16.5million.

In accordance with the Grain Standards and Warehouse Improvement Act of 2000, user fees are charged for warehouse examination services of all warehouses licensed under the United States Warehouse Act (USWA). Grain, rice, and cotton warehouses not licensed under the United States Warehouse Act pay contract fees to CCC. However, the collection of an annual contract fee is currently suspended. Net costs to CCC for warehouse inspections were \$4.9 million in FY 2002.

Farm Storage Facility Loan Program (FSFL). CCC resumed the FSFL program in FY 2000. For FY 2002, loan obligations totaled \$64.6 million and subsidy obligations totaled \$1.3 million.

Sugar Storage Facility Loans. The 2002 Farm Bill directs that the CCC establish a sugar storage facility loan program to provide financing for processors of domestically produced sugarcane and sugar beets to construct or upgrade storage and handling facilities for raw sugars and refined sugars. The loan term can be up to 15 years with the amount and terms being determined as any other commercial loan. No loans were made in fiscal year 2002.

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SUPPLY AND FOREIGN PURCHASE ACTIVITIES

The Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities, pursuant to sections 5(b) and (c) of its Charter Act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9).

ACQUISITION AND DISPOSAL ACTIVITIES

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors and collateral acquisitions arising from loan operations. The inventory was substantially reduced in fiscal year 2002 from fiscal year 2001. CCC's acquisition-cost value on September 30, 2002, was \$163.7 million as compared to \$1.1 billion in fiscal year 2001.

COMMODITY INVENTORIES OWNED BY CCC

End of Fiscal Years 1990 - 2002

(\$ in Billions)

	Feed Grains	Cotton	Wheat	Dairy	Soybeans	Other	Total
2002	\$33,895	\$43,530	\$370,042	\$1,280,160	\$14,105	\$737,264	\$2,478,996
2001	45,500	10,400	403,700	866,800	15,700	96,000	1,438,100
2000	71,600	2,300	399,600	562,200	48,400	119,600	1,203,700
1999	42,300	2,600	425,700	206,400	25,100	11,200	713,300
1998	21,358	0	369,967	128,225	11,700	0	531,250
1997	7,300	100	346,334	23,047	0	21	376,802
1996	75,411	61	407,510	2,306	0	0	485,288
1995	116,433	52	528,122	38,587	1	18,328	701,523
1994	122,002	3,317	538,206	211,133	773	65,285	940,716
1993	167,172	3,281	561,708	610,953	1,219	31,145	1,375,478
1992	355,439	778	582,934	787,176	721	7,150	1,734,198
1991	1,139,410	197	639,036	1,009,807	675	6,679	2,795,804
1990	1,102,520	7,200	505,100	521,700	200	12,700	2,149,420

Summary of Dispositions. The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in FY 2002 was \$4,656 million and sales proceeds were \$2,587 million, including certificate sales proceeds \$1,750 million.

The following table shows the value (\$ in thousands) of commodities disposed of during FY 2002:

Type of Disposition	Cost Value	Proceeds
Domestic Sales for Dollars	\$313,620	\$259,495
P.L. 480 (Export) Title I *	43,821	43,821
P.L. 480, Export, Title II*	441,426	441,437
Domestic Certificate Redemption	3,845,007	1,838,258
Domestic Donations	62,544	0
Export Donations	596,441	0
Domestic Transfer to other Government Agencies	1,509	0
Domestic Inventory Adjustments and/or Recoveries	10,398	3,988

Subtotal Domestic Dispositions	4,233,078	2,101,741
Subtotal Export Dispositions	1,081,688	485,258
TOTAL DISPOSITIONS	5,314,766	2,586,999

*Proceeds represent the value of commodities charged to P.L. 480 and recorded as sales.

EXPLANATION OF DISPOSITIONS

Domestic Commercial Sales. For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of nonstorables.

For restricted use - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include new or by-product uses, peanuts, and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss, waste, etc.

Export Commercial Sales. For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

CONSERVATION ACTIVITIES

Program	Agency	Authorized CCC Funding Level	CCC FY 2002 Net Outlays
Conservation Reserve Program	FSA	39.2 million acres (increased in 2002 Farm Bill)/(rolling maximum)	\$1.785 billion (NRCS and FS technical assistance for FY 2002 will be expended in FY 2003.)
Wetlands Reserve Program	NRCS	2,275,000 acres (rolling maximum)/(increased in 2002 Farm Bill)	\$106.277 million (NRCS technical assistance for FY 2002 will be expended in FY 2003.) (CCC transferred \$275million to NRCS in FY 2002 for NRCS outlays.)
Environmental Quality Incentives Program	NRCS	\$200 million from the FY 2002 Appropriations Act. The 2002 Farm Bill provided an additional \$200 million.	\$145.3 million includes NRCS technical assistance of \$35.5 million (CCC transferred \$200 million to NRCS in FY 2002 for NRCS outlays.)
Ground and Surface Water Conservation Program	NRCS	The 2002 Farm Bill provided \$25 million.	0 (\$25 million in CCC funds were transferred to NRCS in FY 2002 for outlays.)
Farmland Protection Program	NRCS	The FY 2002 Appropriations Act authorized \$720,000. The 2002 Farm Bill provided an additional \$50 million.	\$8.291 million (Includes \$29,000 for NRCS technical assistance) (\$50 million of CCC funds were transferred to NRCS in FY 2002 for outlays.)

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Program	Agency	Authorized CCC Funding Level	CCC FY 2002 Net Outlays
Wildlife Habitat Incentives Program	NRCS	The 2002 Farm Bill 2002 provided \$15 million.	0 (\$15 million in CCC funds were transferred to NRCS in FY 2002 for outlays.)
Soil and Water Conservation Program	NRCS	The 2001 Agricultural Risk Protection Act authorized \$20 million.	\$4.6 million in financial assistance in FY 2002.
Klamath Basin Water Conservation Program	FSA	The 2001 Supplemental Appropriations Act authorized \$20 million of CCC funds. The 2002 Farm Bill authorized a \$2.5 million transfer for EQIP funding in FY 2002.	\$19.6 million in FY 2002. (\$2.250 million in CCC funds were transferred to NRCS for outlays.)
Yakima Basin Water Conservation Program	FSA	The 2001 Supplemental Appropriations Act authorized \$2 million of CCC funds.	\$1.9 million in FY 2002

FINANCING

Borrowing Authority. CCC operations are financed through borrowing from the U.S. Treasury. The fiscal year 1988 Appropriations Act, P.L. 100-202, increased the statutory borrowing authority to \$30 billion. As of September 30, 2002, the Corporation had in use \$17.827 billion of the \$30.0 billion authorized.

Reimbursement for Net Realized Losses. During FY 2002, the Corporation received \$22,821.1 million which reimbursed the Corporation for the losses for 2001. As of September 30, 2002, unrecovered realized losses were as follows:

<u>Fiscal Year</u>	<u>(Millions)</u>
2001 Unrestored Losses.....	\$21
2002 Unrestored Losses.....	\$17,663
Total Unrestored Losses.....	\$17,684

These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The FY 2002 Appropriations Act states, "such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed, pursuant to Section 2 of the Act of August 17, 1961." This wording allows the Corporation to be reimbursed \$17,684 for the remaining unrestored 2001 and 2002 losses in fiscal year 2003.

ADP Expenses and Other Section 11 Activities. Section 161 of the 1996 Act significantly limits the use of CCC funds for operating expenses. CCC no longer has authority to purchase personal property, except within authorized limitations. CCC spending for automated data processing (ADP) equipment or services, information technologies, (excluding reimbursable agreements) was limited by the 1996 Act to \$170 million in fiscal year 1996, and \$275 million for the six-year period of fiscal years 1997 through 2002, unless additional amounts for such contracts and agreements are provided in advance in appropriation acts. The fiscal year 1999 Appropriations Act (P.L. 105-277) further reduced funds available from fiscal years 1997 through 2002 to \$188 million and limited fiscal year 1999 spending to \$65 million. The amount actually obligated through fiscal year 2001 was just over \$187 million. The remaining balance of the \$188 million ADP limitation in fiscal year 2002 was \$89,000, which was not used and will carry over into fiscal year 2003. The 1996 Act also requires that CCC submit to Congress on a quarterly basis an itemized report of all expenditures over \$10,000, excluding program payments.

Section 161 of the 1996 Act also amended section 11 of the CCC Charter Act to limit the uses of CCC funds for reimbursable agreements and transfers and allotments of funds to State and Federal agencies. Starting 1997, total CCC funds used under that section in a fiscal year, including agreements for ADP or information technology management activities, shall not exceed the total of such allotments and transfers in fiscal year 1995. The Section 11 cap was increased in fiscal year 2001 from \$36.2 million to \$56.2 million to include Farm Service Agency loan service fees of nearly \$20 million based on 1995 collection computations. Obligations in fiscal year 2002 were \$55.3 million.

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Summary of CCC Activities for Fiscal Year 2000 through 2002

Item	2000 Actual	2001 Actual	2002 Actual
Loan Activity:			
Loans Outstanding, Beginning of Year	\$2,440.5	\$3,070.6	\$1,896.1
Loans Made	9,691.2	8,267.2	10,130.6
Loans Repaid	-6,322.1	-5,078.5	-5,675.1
Loans Repaid - Certificates	-635.2	-2,449.6	-3,749.4
Marketing Loans Repaid	-1,687.9	-720.7	-642.0
Collateral Acquired	-334.4	-1,085.4	-163.7
Write-offs	-41.3	-98.8	-184.4
Transfers to Accounts Receivable	-40.5	-8.6	-12.0
Loans Outstanding, End of Year	3,070.6	1,896.1	1,600.1
Inventory Activity:			
Inventory, Beginning of Year	713.4	1,203.7	2,284.9
Commodity Purchases	1,448.4	1,329.7	1,581.2
Certificates from Loan Redemption	635.2	2,449.6	3,749.4
Collateral Acquired	334.4	1,085.4	164.0
Loan Collateral Settlements	7.0	2.4	6.4
Processing, Packaging, etc.	14.9	33.1	35.2
Storage and Handling	(56.1)	(75.4)	(67.3)
Transportation	(10.3)	(13.2)	(16.5)
Other Transfers (net)	-38.3	12.6	-27.0
Commodity Cost of Sales	-1,515.3	-3,256.1	-4,655.8
Domestic Donations	-44.7	-58.1	-62.5
Export Donations	-351.3	-517.4	-596.4
Inventory, End of Year	1,203.7	2,284.9	2,479.0
Direct Cash Payments:			
Production Flexibility Payments	5,057.0	4,105.1	3,967.8
Deficiency Payments a/	0.7	-0.7	-1.6
Loan Deficiency Payments	6,419.0	5,293.0	5,344.7
Marketing Loss Assistance Payments	11,046.7	5,454.7	-1.2
Noninsured Assistance Payments b/	37.8	63.6	181.3
Conservation Reserve Payments	1,510.8	1,624.7	1,784.9
Other Conservation Payments	263.4	288.5	264.5
Total	24,335.4	16,828.9	11,540.4
Commodity Export Activities:			
CCC Export Credit Guarantee Programs			
(Program Level)	(3,081.6)	(3,226.9)	(3,781.0)
(Net Outlays)	-9.2	-2,191.7	-236.6
Export Enhancement Program			
(Program Level)	(1.6)	(5.5)	(1.7)
(Net Outlays)	1.4	5.5	1.7
Market Access Program			
(Program Level)	(90.0)	(90.0)	(90.0)
(Net Outlays)	96.1	95.7	96.6
Dairy Export Incentive Program			
(Program Level)	(78.5)	(8.5)	(54.6)
(Net Outlays)	113.0	25.0	25.3
Other:			
Realized Loss	29,250.6	23,393.2	16,992.5
Investment in Agricultural Commodities	4,274.3	4,181.0	4,079.0

a/ Reflects Refunds of Overpayments or Accounting Adjustments b/ Does not include fee collections.

Questions Submitted by Mr. Bonilla
Risk Management Agency

PAYMENTS TO COMPANIES VS. PRODUCERS

Mr. Bonilla: How much was provided to insurance companies for delivery expenses, premiums, and other funding during fiscal year 2002? How much did the insurance industry receive in comparison to the farmers?

Response: As reported in the President's Budget, during fiscal year (FY) 2002, reinsured companies received approximately \$984.7 million - - \$642.9 million for delivery expenses and \$341.8 million for underwriting gains. Producers are expected to receive approximately \$2.1 billion in net losses - - \$3.2 billion in gross losses less \$1.1 billion for premium paid.

PROFITS AND LOSSES

Mr. Bonilla: The Standard Reinsurance Agreement allows private companies to share in profits with the federal government when loss ratios are good, and in return asks the companies to share in some loss when years are not so good. For the record, please update the underwriting gain and loss table shown in last year's hearing record with 2001 actual and 2002 data.

Response: I would be pleased to update that information. The following table shows the companies' share of any loss or gain during a reinsurance year.

REINSURANCE <u>YEAR</u>	REINSURED COMPANY SHARE OF <u>NET UNDERWRITING GAIN/(LOSS)</u>
1988	(\$8,031,163)
1989	28,097,977
1990	52,230,709
1991	42,024,597
1992	22,568,572
1993	(82,060,626)
1994	104,150,223
1995	131,281,949
1996	244,868,805
1997	354,463,625
1998	271,181,124
1999	268,442,130
2000	288,396,668
2001	354,871,656
2002 (est.)	51,683,301

Mr. Bonilla: Have the caps in the SRA on losses been activated? And for maximized profits?

Response: Under the SRA, each company may allocate their crop insurance policies to one of 7 funds for each state. Prior to the start of the reinsurance year, each company must submit a plan indicating how they intend to allocate their policies to those funds. In 2002 reinsurance year, 19 companies allocated policies to approximately 7,000 funds. Losses accruing to a company are capped for each fund individually when the loss ratio for that fund reaches 500 percent. For the 2002 reinsurance year, it appears that 12 companies will reach the maximum loss ratio in total of 58 funds.

Effectively, there is no cap on maximized profit. Under SRA, when a company achieves an underwriting gain in excess of 17.5 percent of their retained net book premium, the excess is placed in the Company's Reinsurance Account. The company may access those funds the following year in the event they experience excess losses, and; they have unrestricted access to those funds after 2 years. Therefore, there is no cap on the amount of profits the company may receive, the SRA merely delays the company's access to the excess profits. For the 2002 reinsurance year, two companies are expected to receive underwriting gains in excess of 17.5 percent of their retained net book premium.

STAFFING PLANS

Mr. Bonilla: Please update the table that appeared in last year's hearing record titled RMA Staffing Plan to include 2003 data.

Response: I would be pleased to update that information.

[The information follows:]

Risk Management Agency
Staffing Plan
Fiscal Year 2003.

ORGANIZATION	STAFF YEAR ALLOCATION	ON- BOARD STAFF	VACANT	RECRUITMENTS CURRENTLY PLANNED
Office of the Administrator	91	68	23	1 Chief Information Officer, 1 Human Resources Coordinator 1 National Claims Manager 1 Chief Financial Officer 1 Supervisory Public Affairs Specialist 1 Secretary 1 Chief Agronomist 1 Chief Actuary 1 Chief Underwriter 2 Human Resource Specialists
Research and Development	165	154	11	1 Economist 1 Secretary 1 Risk Management Specialist 2 Intern Economists 1 Intern Accountant
Insurance Services	205	191	14	1 Program Manager 3 Risk Management Specialists
Risk Compliance	107	103	4	1 Compliance Investigator 1 Administrative Assistant
Total	568	516	52	

The vacant slots reflect RMA's continuing efforts to reevaluate its regulatory role and to realign its organizational structure to meet producer needs and to ensure protection of the delivery system.

PROGRAM PARTICIPATION

Mr. Bonilla: The Farm Bill unlinked the requirement to carry crop insurance from participation in the farm programs of USDA. Please provide a table showing participation in the program since the 1994 reforms. Please update the table that appears in last year's hearing record.

Response: I would be pleased to update that information.

[The information follows:]

FEDERAL CROP INSURANCE
PROGRAM PARTICIPATION
(Acres in Thousands)

<u>CROP YEAR</u>	<u>INSURABLE ACRES</u>	<u>NET INSURED ACRES</u>	<u>PERCENT INSURED</u>
1995	255,992	211,595	83%
1996	270,168	184,804	68%
1997	268,674	176,048	66%
1998	266,280	174,487	66%
1999	262,086	185,899	71%
2000	264,114	193,735	73%
2001	256,810	195,571	76%
2002	259,065	195,879	76%

OBJECT CLASS 25

Mr. Bonilla: For the record please provide a breakout of Object Class 25 – Other Services, similar to the table provided in last year's hearing record.

Response: I would be pleased to update that information:

[The information follows:]

RISK MANAGEMENT AGENCY
OBJECT CLASS 25 BREAKOUT
(Dollar in Thousands)

OBJECT CLASS	FY 2002	FY 2003	FY 2004
		ESTIMATED	ESTIMATED
25.0 Other Services	18,379	12,538	18,755
25.1 Contractual Services Performed By Other Federal Agencies	2,197	485	485
25.2 Personnel Related Services	635	568	568
25.3 Repair/Maint. of Facilities	158	150	150
25.5 Agreements/Contracts	4,335	4,560	4,646
25.63 ADP Process/NITC Costs	125	200	200
TOTAL	\$23,829	\$18,501	\$24,804

Mr. Bonilla: Please breakdown the Object Class 25.1 expenses in more detail for fiscal years 2001, 2002, 2003, and 2004.

Response: I would be pleased to provide that information:

[The information follows:]

RISK MANAGEMENT AGENCY
OBJECT CLASS 25.1 BREAKOUT
(Dollar in Thousands)

SUB-OBJECT CLASS	FY 2001	FY 2002	FY 2003	FY 2004
			ESTIMATED	ESTIMATED
25.10 Contractual Services Performed By Other Federal Agencies	\$1,207	\$1,514	\$10	\$10
25.12 NFC Services	198	227	245	245
25.13 WCF Equipment Use	29	30	30	30
25.17 Design Center Services	226	134	100	100
25.18 Video and Film Center Services	390	292	100	100
25.19 Data Banks	4	0	0	0
TOTAL	\$2,054	\$2,197	\$485	\$485

This budget category includes contract services performed by other government agencies such as Departmental units that provide payroll personnel functions, printing and reproduction, teleconferencing and copier service.

LEGISLATIVE PROPOSAL

Mr. Bonilla: Please provide for the record, the outline of any legislative proposal you anticipate submitting this year.

Response: The FY 2004 President's Budget reflects a proposal to reduce the administrative expense reimbursement to the insured companies.

- The Administration believes that improvements should be made in the risk-sharing arrangements between the government and the private insurance companies. To achieve this, the budget proposes to reduce the reimbursement that companies receive for their administrative and operating expenses to 20 percent of the premium.
- The proposal's aim is to continue to provide incentives to the insurance companies to participate in the crop insurance program, but with some constraints on reimbursements which increased more than 53 percent between 1998 and 2002.
- These savings are achievable principally because there has been a substantial growth in premium dollars and reimbursements have increased proportionally, in essence, insuring the same number of acres at higher levels of coverage.

INFORMATION TECHNOLOGY COSTS

Mr. Bonilla: Please provide a table showing all costs related to computer and software spending for fiscal years 2002, 2003, and 2004.

Response: I would be pleased to provide that information.

[The information follows:]

RISK MANAGEMENT AGENCY
INFORMATION TECHNOLOGY INVESTMENTS
(Dollars in Thousands)

	Fiscal Year <u>2002</u>	Fiscal Year <u>2003</u>	Fiscal Year <u>2004</u>
<u>Information Technology Investments</u>			
Financial Management System	\$1,272	\$ 829	\$1,341
Corporate Insurance Information System	4,090	3,094	5,807
Infrastructure Modernization	7,940	6,194	9,323*
Infrastructure Assurance (security)	276	268	1,299*
Compliance Support & Pattern Recognition System	6,100	0	725
Emerging Information Technology Architecture	0	0	4,400
Standard Reinsurance Agreement Analysis	300	0	1,550
Other Costs	<u>1,967</u>	<u>1,270</u>	<u>1,384</u>
Total	\$21,945	\$11,655	\$25,829

1/*The FY 2004 costs for Infrastructure Modernization, Infrastructure Assurance, and other miscellaneous costs are included in the Common Computing Environment budget request under Office of the Chief Information Officer.

PROGRAM DELIVERY

Mr. Bonilla: Please provide a list of counties by name and by state that did not have active agent delivery in the last year.

Response: I would be pleased to provide that information.

[The information follows:]

**COUNTIES WITH CROP PROGRAMS BUT NO PARTICIPATION
Crop Year 2002**

ALABAMA	Coosa Jefferson Walker Winston	COLORADO	Archuleta Chaffee Clear Custer Eagle Fremont Garfield Gilpin Grand Gunnison Hinsdale Huerfano Jackson Lake Mineral Ouray Park Pitkin San Juan Summit Teller
ALASKA	Anchorage Kena: Peninsula Valdez-Cordova		
ARIZONA	Apache Coconino Gila Navajo Santa Cruz		
ARKANSAS	Baxter Boone Calhoun Carroll Cleveland Fulton Garland Grant Izard Marion Newton Ouachita Polk Saline Scott Searcy Union Van Buren	FLORIDA	Bay Franklin Gulf
		GEORGIA	Barrow Camden Chattahoochee Clayton DeKalb Glynn Harris Heard Jones Lincoln McIntosh Muscogee Paulding Putnam Rockdale Stephens Taliaferro Towns Troup
CALIFORNIA	Alpine Del Norte Inyo Mariposa Plumas San Francisco Sierra Trinity Tuolumne		

**COUNTIES WITH CROP PROGRAMS BUT NO PARTICIPATION
Crop Year 2002**

IDAHO	Boise Bonner Lemhi Shoshone	MISSOURI	Carter Howell Iron Oregon Ozark Reynolds Shannon St. Louis City Stone Taney Texas Washington
KENTUCKY	Bell Floyd Knott Letcher Martin Pike		
LOUISIANA	Bienville Jackson Jefferson Livingston Orleans Plaquemines Sabine St. Bernard St. Helena Union Vernon	MONTANA	Lincoln
		NEBRASKA	Grant Hooker
		NEVADA	Carson City Douglas Esmeralda Eureka Lincoln Mineral Storey
MARYLAND	Baltimore City		
MASSACHUSETTS	Dukes Nantucket Suffolk	NEW JERSEY	Bergen Essex Hudson Passaic
MICHIGAN	Crawford Gogebic Keweenaw Roscommon	NEW MEXICO	Bernalillo Catron Cibola DeBaca Grant Lincoln Los Alamos McKinley Sandoval Sierra Socorro
MINNESOTA	Cook Lake		

COUNTIES WITH CROP PROGRAMS BUT NO PARTICIPATION
Crop Year 2002

NEW YORK	Bronx	TEXAS	Sabine
	Hamilton		San Augustine
	Kings		Shelby
	Nassau		Terrell
	New York		Trinity
	Putnam		Winkler
	Queens		
	Richmond	UTAH	Carbon
	Rockland		Daggett
	Westchester		Kane
			Plute
OKLAHOMA	Adair		Sevier
	Latimer		Summit
	Pushmataha		Uintah
			Wasatch
OREGON	Clatsop		Washington
	Lincoln		
	Tillamook	VIRGINIA	Arlington
	Wheeler		Colonial Heights
			Fairfax
PENNSYLVANIA	Philadelphia		Franklin City
			Hampton
SOUTH CAROLINA	McCormick		Hopewell
			Norfolk
TEXAS	Angelina		Petersburg
	Blanco		Poquoson
	Brewster		Portsmouth
	Crane		Richmond City
	Edwards		Williamsburg
	Gregg		
	Harrison	WASHINGTON	Clallam
	Jeff Davis		Cowlitz
	Kenedy		Jefferson
	Loving		Kitsap
	Madison		Mason
	Marion		Pend Oreille
	Nacogdoches		San Juan
	Newton		Wahkiakum
	Panola		
	Polk		
	Presidio		
	Real		

COUNTIES WITH CROP PROGRAMS BUT NO PARTICIPATION
Crop Year 2002

WEST VIRGINIA	Boone		
	Braxton		
	Calhoun		
	Clay		
	Doddridge		
	Gilmer		
	Hancock		
	Harrison		
	Logan	Total Count =	242
	Marion		
	Mingo		
	Monongalia		
	Pleasants		
	Tyler		
	Webster		
WYOMING	Wetzel		
	Wyoming		
	Albany		
	Sublette		

**COUNTIES WITH NO ACTIVE RESIDENT AGENT
Crop Year 2002**

ALABAMA	Coosa Jefferson Walker Winston	COLORADO	Archuleta Chaffee Clear Custer Eagle Fremont Gilpin Grand Gunnison Hinsdale Huerfano Jackson Lake Mineral Ouray Park Pitkin San Juan Summit Teller
ALASKA	Anchorage Fairbanks North Star Kenai Peninsula Southeast Fairbanks Valdez-Cordova		
ARIZONA	Coconino Gila Navajo Yavapai		
ARKANSAS	Baxter Boone Calhoun Carroll Fulton Garland Izard Marion Newton Ouachita Polk Saline Scott Searcy Stone Union	FLORIDA	Bay Franklin Gulf
		GEORGIA	Baldwin Barrow Camden Chattahoochee Clayton Columbia DeKalb Fayette Franklin Glynn Hancock Haralson Harris Heard Jackson Jones Lincoln
CALIFORNIA	Alpine Del Norte Inyo Mariposa Mono Plumas San Francisco Sierra Trinity Tuolumne		

COUNTIES WITH NO ACTIVE RESIDENT AGENT
Crop Year 2002

GEORGIA	McIntosh	MICHIGAN	Oscoda
	Muscogee		Roscommon
	Newton		Schoolcraft
	Paulding		
	Putnam	MINNESOTA	Cook
	Rockdale		Lake
	Talbot		
	Taliaferro	MISSISSIPPI	Forrest
	Towns		Jasper
	Troup		Smith
IDAHO	Boise	MISSOURI	Carter
	Bonner		Douglas
	Lemhi		Howell
	Shoshone		Madison
KENTUCKY	Martin		McDonald
			Ozark
LOUISIANA			Shannon
	Bienville		St. Louis City
	Jackson		Stone
	Jefferson		Taney
	Livingston		Texas
	Orleans		Washington
	Plaquemines	NEBRASKA	Grant
	Sabine		Hooker
	St. Bernard	NEVADA	Carson City
MARYLAND	St. Helena		Douglas
	Union		Elko
	Vernon		Esmeralda
	Baltimore City		Eureka
MASSACHUSETTS	Dukes		Lincoln
	Nantucket		Lyon
	Suffolk		Mineral
MICHIGAN	Baraga	NEW JERSEY	Storey
	Gogebic		Bergen
	Houghton		Essex
	Iron		Hudson
	Keweenaw		Passaic
	Ontonagon		

**COUNTIES WITH NO ACTIVE RESIDENT AGENT
Crop Year 2002**

NEW MEXICO	Catron Cibola Lincoln Los Alamos McKinley San Miguel Sandoval Sierra Socorro Valencia	TEXAS	Angelina Brewster Crane Ector Edwards Freestone Gregg Harrison Jeff Davis Kenedy Loving Madison Marion Morris Nacogdoches Newton Panola Polk Presidio Real Sabine San Augustine Shelby Terrell Trinity Winkler
NEW YORK	Bronx Hamilton Kings Nassau New York Putnam Queens Richmond Rockland Westchester		
NORTH CAROLINA	Dare		
OKLAHOMA	Latimer Pushmataha		
OREGON	Clatsop Lincoln Tillamook Wheeler	UTAH	Carbon Daggett Duchesne Garfield Grand Kane Morgan Piute Rich Sevier Summit Tooele Uintah Wasatch Washington
PENNSYLVANIA	Cameron Philadelphia		
RHODE ISLAND	Kent		
SOUTH CAROLINA	Fairfield McCormick		

COUNTIES WITH NO ACTIVE RESIDENT AGENT
Crop Year 2002

VIRGINIA	Arlington	WEST VIRGINIA	Nicholas
	Clarke		Pendleton
	Colonial Heights		Pleasants
	Fairfax		Taylor
	Franklin City		Tucker
	Hampton		Tyler
	Hopewell		Webster
	Newport News		Wetzel
	Norfolk		Wyoming
	Petersburg		
	Poquoson	WYOMING	Hot Springs
	Portsmouth		Sublette
	Prince William		
	Richmond City		
	Williamsburg		
WASHINGTON	Clallam		
	Cowlitz		
	Jefferson		
	Kitsap		
	Mason		
	Pend Oreille		
	San Juan		
	Wahkiakum		
WEST VIRGINIA	Boone		
	Braxton		
	Brooke		
	Calhoun		
	Clay	Total Count =	274
	Doddridge		
	Gilmer		
	Hampshire		
	Hancock		
	Harrison		
	Kanawha		
	Lewis		
	Logan		
	Marion		
	McDowell		
	Mingo		
	Monongalia		

Mr. Bonilla: Please update the Committee on the actions you have taken in the past year to assure that private companies will deliver adequately to these areas?

Response: Insurance providers entering into the Standard Reinsurance Agreement (SRA) with the Federal Crop Insurance Corporation are required to offer all eligible plans of insurance. A crop insurance agent licensed in a State is available to service any county within that State. RMA believes that while there may not be a resident agent in every county, there are an adequate number of resident agents available within each State to service the business. The SRA Agricultural Risk Protection Act of 2000 allows the involvement of cooperatives and associations in the sales and service of crop insurance. In 2001, Great American Insurance Company and ACE Property and Casualty Insurance Company revised their Plan of Operations (Plan) to reflect cooperative selling and marketing activity. During 2002, Fireman's Fund Insurance Company revised their Plan to include agreements with eleven Cooperatives and Associations.

RMA believes that by allowing cooperatives and associations to enter the crop insurance market, the availability of crop insurance coverage in all areas will be enhanced.

In addition, the Freedom to E-File Act requires insurance providers to have crop insurance forms available for producers to execute and submit electronically via the crop insurance providers' web site. All insurance providers are compliant with the Freedom to E-File Act and producers may purchase crop insurance electronically via the Internet. The implementation of this e-commerce initiative further enhances the availability of crop insurance coverage in all areas.

DAIRY OPTIONS PILOT PROGRAM

Mr. Bonilla: Please update the Committee on the progress of the Dairy Options Pilot Program that is funded through the Commodity Credit Corporation. How much did this program cost in 2002 and what costs do you anticipate for 2003 and 2004?

Response: The legislative authority to operate the Dairy Options Pilot Program (DOPP) expired on December 31, 2002. The fiscal year 2003 expenditures represent a wrap-up of Round IV operations which were begun in fiscal year 2002. While in operation, DOPP generated substantial interest in the pilot areas and the concept was popular across the dairy industry. Support from milk cooperatives, processors, dairy extensions, and other industry partners was significant. The following outlines the major changes of DOPP – by round:

Round I operated in 38 counties in 7 states.
 Round II operated in 61 counties in 32 states.
 Round III operated in 275 counties in 39 states.
 Round IV operated in 300 counties in 40 states.

	Fiscal Year 2002	Fiscal Year 2003 (est.)	Fiscal Year 2004 (est.)
USDA Subsidy	\$ 697,500	\$ 750,000	\$0
Administrative Expenses	610,000	250,000	0
TOTAL	\$1,307,500	\$1,000,000	\$0

Mr. Bonilla: How many producers participated in the Dairy Options Program in fiscal year 2002 and how many are anticipated for fiscal year 2003?

Response: I would be pleased to provide that information:

[The information follows:]

DOPP PARTICIPATION FOR FY 2002

Number of Producers Attending DOPP Training	Number of Producers Purchasing Milk Put Options	Number of Milk Put Options Purchased
624	457	1,878

DOPP PARTICIPATION FOR FY 2003

Number of Producers Attending DOPP Training	Number of Producers Purchasing Milk Put Options	Number of Milk Put Options Purchased
0 – Training completed by 08/30/02	253 – Includes some producers from FY 2002	869

Mr. Bonilla: Please provide a listing of the states offering the Dairy Options Pilot Program.

Response: The DOPP will be offered in the following states during Round IV: Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and Wisconsin.

GROUP RISK PLAN

Mr. Bonilla: Provide a list of all counties and states where the Group Risk Plan (GRP) is in effect for 2003. What are your plans for fiscal year 2004?

Response: RMA has received and is still reviewing approximately 30 requests for county expansion of existing GRP crop programs. At this time, there are no plans to add additional GRP crops.

[The information follows:]

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
01 AL	005 Barbour							X	
01 AL	031 Coffee							X	
01 AL	033 Colbert		X						
01 AL	039 Cowington							X	
01 AL	045 Dale							X	
01 AL	049 De Kalb								X
01 AL	061 Geneva							X	
01 AL	067 Henry							X	
01 AL	069 Houston							X	
01 AL	071 Jackson								X
01 AL	077 Lauderdale		X						
01 AL	079 Lawrence		X						
01 AL	083 Limestone		X						X
01 AL	089 Madison		X						X
01 AL	095 Marshall								X
01 AL	109 Pike							X	
05 AR	001 Arkansas	X							X
05 AR	003 Ashley		X						X
05 AR	017 Chicot	X							
05 AR	021 Clay	X							X
05 AR	031 Craighead	X	X						X
05 AR	035 Crittenden	X	X						
05 AR	037 Cross	X							X
05 AR	041 Desha	X							X
05 AR	043 Drew								X
05 AR	065 Greene	X							X
05 AR	063 Independence	X							X
05 AR	067 Jackson	X							X
05 AR	069 Jefferson	X							
05 AR	075 Lawrence	X							X
05 AR	077 Lee	X							X
05 AR	079 Lincoln	X							X
05 AR	085 Lonoke	X							X
05 AR	093 Mississippi	X	X						X
05 AR	095 Monroe	X							X
05 AR	107 Phillips	X							X
05 AR	111 Polk	X	X						X
05 AR	117 Prairie	X							X
05 AR	119 Pulaski	X							X
05 AR	121 Randolph								X
05 AR	123 St. Francis	X							X
05 AR	145 White	X							
05 AR	147 Woodruff	X							X
06 CA	011 Colusa	X							
06 CA	019 Fresno	X							
06 CA	021 Glenn	X							
06 CA	020 Kern	X							
06 CA	031 Kings	X							
06 CA	039 Madera	X							
06 CA	065 Riverside	X							
06 CA	067 Sacramento	X							
06 CA	077 San Joaquin	X							
06 CA	095 Solano	X							
06 CA	101 Sutter	X							
06 CA	107 Tulare	X							
06 CA	113 Yolo	X							
08 CO	001 Adams	X							
08 CO	005 Arapahoe	X							
08 CO	009 Baca	X							
08 CO	017 Cheyenne	X							
08 CO	033 Dolores	X							
08 CO	036 Elbert	X							
08 CO	061 Kiowa	X							
08 CO	063 Kit Carson	X							
08 CO	073 Lincoln	X							
08 CO	075 Logan	X							
08 CO	081 Moffat	X							
08 CO	087 Morgan	X							
08 CO	095 Phillips	X							
08 CO	099 Prowers	X							
08 CO	115 Sedgwick	X							
08 CO	121 Washington	X							
08 CO	123 Weld	X							
08 CO	125 Yuma	X							
10 DE	001 Kent	X			X				X
10 DE	003 New Castle								X
10 DE	005 Sussex	X			X				X
13 GA	007 Baker							X	
13 GA	017 Ben Hill							X	
13 GA	019 Berrien							X	
13 GA	031 Bulloch								X
13 GA	033 Burke	X							X
13 GA	037 Calhoun							X	
13 GA	069 Coffee							X	
13 GA	071 Colquitt							X	
13 GA	075 Cook							X	
13 GA	081 Crisp							X	
13 GA	087 Decatur							X	
13 GA	093 Dooley							X	
13 GA	099 Early							X	
13 GA	107 Emanuel								X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
13 GA	131 Grady							X	
13 GA	156 Irwin							X	
13 GA	163 Jefferson	X							X
13 GA	165 Jenkins								X
13 GA	177 Lee							X	
13 GA	201 Miller							X	
13 GA	205 Mitchell							X	
13 GA	235 Pulaski							X	
13 GA	243 Randolph							X	
13 GA	251 Screven								X
13 GA	253 Seminole							X	
13 GA	261 Sumter	X						X	
13 GA	273 Terrell	X						X	
13 GA	277 Tilt							X	
13 GA	287 Turner							X	
13 GA	303 Washington								X
13 GA	307 Webster							X	
13 GA	315 Wilcox							X	
13 GA	321 Worth							X	
17 IL	001 Adams	X			X				X
17 IL	003 Alexander								X
17 IL	005 Bond	X			X				X
17 IL	007 Boone				X				X
17 IL	009 Brown				X				X
17 IL	011 Bureau				X				X
17 IL	013 Calhoun				X				X
17 IL	015 Carroll				X				X
17 IL	017 Cass				X				X
17 IL	019 Champaign				X				X
17 IL	021 Chnsban				X				X
17 IL	023 Clark				X				X
17 IL	025 Clay	X			X				X
17 IL	027 Clinton	X			X				X
17 IL	029 Coles				X				X
17 IL	033 Crawford	X			X				X
17 IL	035 Cumberland				X				X
17 IL	037 De Kalb				X				X
17 IL	039 De Witt				X				X
17 IL	041 Douglas				X				X
17 IL	045 Edgar				X				X
17 IL	047 Edwards	X			X				X
17 IL	049 Effingham	X			X				X
17 IL	051 Fayette	X			X				X
17 IL	053 Ford				X				X
17 IL	055 Franklin	X			X				X
17 IL	057 Fulton				X				X
17 IL	059 Gallatin	X			X				X
17 IL	061 Greene	X			X				X
17 IL	063 Grundy				X				X
17 IL	065 Hamilton	X			X				X
17 IL	067 Hancock	X			X				X
17 IL	071 Henderson				X				X
17 IL	073 Henry				X				X
17 IL	075 Iroquois				X				X
17 IL	077 Jackson	X			X				X
17 IL	079 Jasper	X			X				X
17 IL	081 Jefferson	X			X				X
17 IL	083 Jersey	X			X				X
17 IL	085 Jo Davless			X	X				X
17 IL	087 Johnson								X
17 IL	089 Kane				X				X
17 IL	091 Kankakee				X				X
17 IL	093 Kendall				X				X
17 IL	095 Knox				X				X
17 IL	097 Lake				X				X
17 IL	099 La Salle				X				X
17 IL	101 Lawrence	X			X				X
17 IL	103 Lee				X				X
17 IL	105 Livingston				X				X
17 IL	107 Logan				X				X
17 IL	109 McDonough				X				X
17 IL	111 Mc Henry				X				X
17 IL	113 McLean				X				X
17 IL	115 Macon				X				X
17 IL	117 Macoupin	X			X				X
17 IL	119 Madison	X			X				X
17 IL	121 Marion	X			X				X
17 IL	123 Marshall				X				X
17 IL	125 Mason	X			X				X
17 IL	127 Massac				X				X
17 IL	129 Menard				X				X
17 IL	131 Mercer				X				X
17 IL	133 Monroe	X			X				X
17 IL	135 Montgomery	X			X				X
17 IL	137 Morgan				X				X
17 IL	139 Moultrie				X				X
17 IL	141 Ogle				X				X
17 IL	143 Peoria				X				X
17 IL	145 Perry	X			X				X
17 IL	147 Pratt				X				X
17 IL	149 Pike	X			X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
17 IL	153 Pulaski								X
17 IL	155 Putnam				X				X
17 IL	157 Randolph	X			X				X
17 IL	159 Richland	X			X				X
17 IL	161 Rock Island				X				X
17 IL	163 St. Clair	X			X				X
17 IL	165 Saline				X				X
17 IL	167 Sangamon				X				X
17 IL	169 Schuyler	X			X				X
17 IL	171 Scott				X				X
17 IL	173 Shelby	X			X				X
17 IL	175 Stark				X				X
17 IL	177 Stephenson			X	X				X
17 IL	179 Tazewell				X				X
17 IL	181 Union								X
17 IL	183 Vermilion				X				X
17 IL	185 Wabash				X				X
17 IL	187 Warren				X				X
17 IL	189 Washington	X			X				X
17 IL	191 Wayne	X			X				X
17 IL	193 White				X				X
17 IL	195 Whiteside				X				X
17 IL	197 Will				X				X
17 IL	199 Wilkerson				X				X
17 IL	201 Winnebago				X				X
17 IL	203 Woodford				X				X
18 IN	001 Adams	X			X				X
18 IN	003 Allen	X			X				X
18 IN	005 Bartholomew				X				X
18 IN	007 Benton				X				X
18 IN	009 Blackford				X				X
18 IN	011 Boone				X				X
18 IN	015 Carroll				X				X
18 IN	017 Cass				X				X
18 IN	019 Clark				X				X
18 IN	021 Clay				X				X
18 IN	023 Clinton				X				X
18 IN	027 Daviess				X				X
18 IN	031 Decatur				X				X
18 IN	033 De Kalb				X				X
18 IN	035 Delaware				X				X
18 IN	037 Dubois				X				X
18 IN	039 Elkhart				X				X
18 IN	041 Fayette				X				X
18 IN	045 Fountain				X				X
18 IN	047 Franklin				X				X
18 IN	049 Fulton				X				X
18 IN	051 Gibson	X			X				X
18 IN	053 Grant				X				X
18 IN	055 Greene				X				X
18 IN	057 Hamilton				X				X
18 IN	059 Hancock				X				X
18 IN	061 Harrison				X				X
18 IN	063 Hendricks				X				X
18 IN	065 Henry				X				X
18 IN	067 Howard				X				X
18 IN	069 Huntington				X				X
18 IN	071 Jackson				X				X
18 IN	073 Jasper				X				X
18 IN	075 Jay				X				X
18 IN	077 Jefferson				X				X
18 IN	079 Jennings				X				X
18 IN	081 Johnson				X				X
18 IN	083 Knox	X			X				X
18 IN	085 Kosciusko				X				X
18 IN	087 Lagrange				X				X
18 IN	089 Lake				X				X
18 IN	091 La Porte				X				X
18 IN	093 Lawrence				X				X
18 IN	095 Madison				X				X
18 IN	097 Marion				X				X
18 IN	099 Marshall				X				X
18 IN	101 Martin				X				X
18 IN	103 Miami				X				X
18 IN	107 Montgomery				X				X
18 IN	109 Morgan				X				X
18 IN	111 Newton				X				X
18 IN	113 Noble				X				X
18 IN	117 Orange				X				X
18 IN	119 Owen				X				X
18 IN	121 Parke				X				X
18 IN	125 Pike				X				X
18 IN	127 Porter				X				X
18 IN	129 Posey	X			X				X
18 IN	131 Pulaski				X				X
18 IN	133 Putnam				X				X
18 IN	135 Randolph				X				X
18 IN	137 Ripley				X				X
18 IN	139 Rush				X				X
18 IN	141 St. Joseph				X				X
18 IN	143 Scott				X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
18 IN	145 Shelby				X				X
18 IN	147 Spencer				X				X
18 IN	149 Starke				X				X
18 IN	151 Steuben				X				X
18 IN	153 Sullivan				X				X
18 IN	157 Tippecanoe				X				X
18 IN	159 Tipton				X				X
18 IN	161 Union				X				X
18 IN	163 Vanderburgh				X				X
18 IN	165 Vermillion				X				X
18 IN	167 Vigo				X				X
18 IN	169 Wabash				X				X
18 IN	171 Warren				X				X
18 IN	173 Warrick				X				X
18 IN	175 Washington				X				X
18 IN	177 Wayne				X				X
18 IN	179 Wells				X				X
18 IN	181 White				X				X
18 IN	183 Whitley				X				X
19 IA	001 Adair				X				X
19 IA	003 Adams				X				X
19 IA	005 Allamakee				X				X
19 IA	007 Appanoose				X				X
19 IA	009 Audubon				X				X
19 IA	011 Benton				X				X
19 IA	013 Black Hawk				X				X
19 IA	015 Boone				X				X
19 IA	017 Bremer				X				X
19 IA	019 Buchanan				X				X
19 IA	021 Buena Vista				X				X
19 IA	023 Butler				X				X
19 IA	025 Calhoun				X				X
19 IA	027 Carroll				X				X
19 IA	029 Cass				X				X
19 IA	031 Cedar				X				X
19 IA	033 Cerro Gordo				X				X
19 IA	035 Cherokee				X				X
19 IA	037 Chickasaw				X				X
19 IA	039 Clarke				X				X
19 IA	041 Clay				X				X
19 IA	043 Clayton				X				X
19 IA	045 Clinton				X				X
19 IA	047 Crawford				X				X
19 IA	049 Dallas				X				X
19 IA	051 Davis				X				X
19 IA	053 Decatur				X				X
19 IA	055 Delaware				X				X
19 IA	057 Des Moines				X				X
19 IA	059 Dickinson				X				X
19 IA	061 Dubuque				X				X
19 IA	063 Emmet				X				X
19 IA	065 Fayette				X				X
19 IA	067 Floyd				X				X
19 IA	069 Franklin				X				X
19 IA	071 Fremont				X				X
19 IA	073 Greene				X				X
19 IA	075 Grundy				X				X
19 IA	077 Guthrie				X				X
19 IA	079 Hamilton				X				X
19 IA	081 Hancock				X				X
19 IA	083 Hardin				X				X
19 IA	085 Hamson				X				X
19 IA	087 Henry				X				X
19 IA	089 Howard				X				X
19 IA	091 Humboldt				X				X
19 IA	093 Ida				X				X
19 IA	095 Iowa				X				X
19 IA	097 Jackson				X				X
19 IA	099 Jasper				X				X
19 IA	101 Jefferson				X				X
19 IA	103 Johnson				X				X
19 IA	105 Jones				X				X
19 IA	107 Keokuk				X				X
19 IA	109 Kossuth				X				X
19 IA	111 Lee				X				X
19 IA	113 Linn				X				X
19 IA	115 Louisa				X				X
19 IA	117 Lucas				X				X
19 IA	119 Lyon				X				X
19 IA	121 Madison				X				X
19 IA	123 Mahaska				X				X
19 IA	125 Marion				X				X
19 IA	127 Marshall				X				X
19 IA	129 Mills				X				X
19 IA	131 Mitchell				X				X
19 IA	133 Monona				X				X
19 IA	135 Monroe				X				X
19 IA	137 Montgomery				X				X
19 IA	139 Muscatine				X				X
19 IA	141 O'Brien				X				X
19 IA	143 Oscota				X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
19 IA	145 Page				X				X
19 IA	147 Palo Alto				X				X
19 IA	149 Plymouth				X				X
19 IA	151 Pocahontas				X				X
19 IA	153 Polk				X				X
19 IA	155 Pottawattamie East				X				X
19 IA	156 Pottawattamie West				X				X
19 IA	157 Poweshiek				X				X
19 IA	159 Ringgold				X				X
19 IA	161 Sac				X				X
19 IA	163 Scott				X				X
19 IA	165 Shelby				X				X
19 IA	167 Sioux				X				X
19 IA	169 Story				X				X
19 IA	171 Tama				X				X
19 IA	173 Taylor				X				X
19 IA	175 Union				X				X
19 IA	177 Van Buren				X				X
19 IA	179 Wapello				X				X
19 IA	181 Warren				X				X
19 IA	183 Washington				X				X
19 IA	185 Wayne				X				X
19 IA	187 Webster				X				X
19 IA	189 Winnebago				X				X
19 IA	191 Winneshiek				X				X
19 IA	193 Woodbury				X				X
19 IA	195 Worth				X				X
19 IA	197 Wright				X				X
20 KS	001 Allen	X					X		X
20 KS	003 Anderson	X					X		X
20 KS	005 Atchison	X					X		X
20 KS	007 Barber	X							X
20 KS	009 Barton	X					X		
20 KS	011 Bourbon	X							X
20 KS	013 Brown	X			X		X		X
20 KS	015 Butler	X					X		
20 KS	017 Chase	X							
20 KS	021 Cherokee	X					X		X
20 KS	023 Cheyenne	X							
20 KS	025 Clark	X							
20 KS	027 Clay	X					X		
20 KS	029 Cloud	X					X		
20 KS	031 Coffey	X					X		X
20 KS	033 Comanche	X							
20 KS	035 Cowley	X					X		
20 KS	037 Crawford	X					X		X
20 KS	039 Decatur	X					X		
20 KS	041 Dickinson	X					X		
20 KS	043 Doniphan	X			X				X
20 KS	045 Douglas	X							X
20 KS	047 Edwards	X					X		
20 KS	051 Ellis	X					X		
20 KS	053 Ellsworth	X					X		
20 KS	055 Finney	X					X		
20 KS	057 Ford	X					X		
20 KS	059 Franklin	X					X		X
20 KS	061 Geary	X							
20 KS	063 Gove	X					X		
20 KS	065 Graham	X					X		
20 KS	067 Grant	X					X		
20 KS	069 Gray	X					X		
20 KS	071 Greeley	X					X		
20 KS	075 Hamilton	X					X		
20 KS	077 Harper	X							
20 KS	079 Harvey	X					X		
20 KS	081 Haskell	X					X		
20 KS	083 Hodgeman	X					X		
20 KS	085 Jackson	X					X		X
20 KS	087 Jefferson	X							X
20 KS	089 Jewell	X					X		
20 KS	091 Johnson	X							X
20 KS	093 Kearny	X					X		
20 KS	095 Kingman	X					X		
20 KS	097 Kiowa	X					X		
20 KS	099 Labette	X					X		X
20 KS	101 Lane	X					X		
20 KS	103 Leavenworth								X
20 KS	105 Lincoln	X					X		
20 KS	107 Linn	X					X		X
20 KS	109 Logan	X					X		
20 KS	111 Lyon	X					X		X
20 KS	113 McPherson	X					X		
20 KS	115 Marion	X					X		
20 KS	117 Marshall	X					X		X
20 KS	119 Meade	X					X		
20 KS	121 Miami						X		X
20 KS	123 Mitchell	X					X		
20 KS	125 Montgomery	X					X		X
20 KS	127 Morris	X					X		
20 KS	129 Morton	X					X		
20 KS	131 Nemaha	X					X		X

2001 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
20	KS 133 Neosho	X					X		X
20	KS 135 Ness	X					X		
20	KS 137 Norton	X					X		
20	KS 139 Osage	X					X		X
20	KS 141 Osborne	X					X		
20	KS 143 Ottawa	X					X		
20	KS 145 Pawnee	X					X		
20	KS 147 Phillips	X					X		
20	KS 149 Pottawatomie	X					X		X
20	KS 151 Pratt	X					X		
20	KS 153 Rawlins	X					X		
20	KS 155 Reno	X					X		
20	KS 157 Republic	X					X		
20	KS 159 Rice	X					X		
20	KS 161 Riley	X					X		
20	KS 163 Rooks	X					X		
20	KS 165 Rush	X					X		
20	KS 167 Russell	X					X		
20	KS 169 Saline	X					X		
20	KS 171 Scott	X					X		
20	KS 173 Segwick	X					X		
20	KS 175 Seward	X					X		
20	KS 177 Shawnee	X					X		X
20	KS 179 Sheridan	X					X		
20	KS 181 Sherman	X					X		
20	KS 183 Smith	X					X		
20	KS 185 Stafford	X					X		
20	KS 187 Stanton	X					X		
20	KS 189 Stevens	X					X		
20	KS 191 Sumner	X					X		
20	KS 193 Thomas	X					X		
20	KS 195 Trego	X					X		
20	KS 197 Wabaunsee	X					X		
20	KS 199 Wallace	X					X		
20	KS 201 Washington	X					X		
20	KS 203 Wichita	X					X		
20	KS 205 Wilson	X					X		X
20	KS 207 Woodson	X					X		X
21	KY 007 Ballard				X				X
21	KY 027 Breckinridge				X				X
21	KY 031 Butler				X				X
21	KY 033 Caldwell				X				X
21	KY 035 Calloway	X			X				X
21	KY 039 Carlisle				X				X
21	KY 047 Christian	X			X				X
21	KY 059 Davless				X				X
21	KY 075 Fulton	X			X				X
21	KY 083 Graves	X			X				X
21	KY 085 Grayson				X				X
21	KY 093 Hardin				X				X
21	KY 101 Henderson				X				X
21	KY 105 Hickman	X			X				X
21	KY 107 Hopkins				X				X
21	KY 123 Lane				X				X
21	KY 141 Logan	X			X				X
21	KY 145 McCracken				X				X
21	KY 149 McLean				X				X
21	KY 157 Marshall				X				X
21	KY 177 Muhlenberg				X				X
21	KY 183 Ohio				X				X
21	KY 213 Simpson	X			X				X
21	KY 219 Todd	X			X				X
21	KY 221 Trigg				X				X
21	KY 225 Union				X				X
21	KY 227 Warren	X			X				X
21	KY 233 Webster				X				X
22	KY 001 Acacia								X
22	KY 009 Avoyelles								X
22	KY 025 Catahoula		X						X
22	KY 029 Concordia		X						X
22	KY 035 East Carroll		X						X
22	KY 039 Evangeline								X
22	KY 041 Franklin		X						X
22	KY 053 Jefferson Davis								X
22	KY 055 Lafayette								X
22	KY 065 Madison		X						X
22	KY 067 Morehouse		X						X
22	KY 073 Ouachita		X						X
22	KY 077 Pointe Coupee								X
22	KY 079 Rapides								X
22	KY 083 Richland		X						X
22	KY 097 St Landry								X
22	KY 107 Tensas		X						X
22	KY 113 Vermillion								X
22	KY 123 West Carroll								X
24	MD 011 Caroline	X			X				X
24	MD 019 Dorchester	X			X				X
24	MD 029 Kent				X				X
24	MD 035 Queen Annes	X			X				X
24	MD 039 Somerset				X				X
24	MD 041 Talbot	X			X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
24	MO 045 Wicomico								X
24	MO 047 Worcester								X
26	MI 005 Allegan				X				X
26	MI 016 Barry				X				X
26	MI 017 Bay				X				X
26	MI 021 Berrien				X				X
26	MI 023 Branch				X				X
26	MI 025 Calhoun	X			X				X
26	MI 027 Cass				X				X
26	MI 037 Clinton	X			X				X
26	MI 045 Eaton	X			X				X
26	MI 049 Genesee				X				X
26	MI 057 Gratiot	X			X				X
26	MI 059 Hillsdale				X				X
26	MI 063 Huron	X			X				X
26	MI 065 Ingham	X			X				X
26	MI 067 Ionia	X			X				X
26	MI 073 Isabella				X				X
26	MI 075 Jackson				X				X
26	MI 077 Kalamazoo				X				X
26	MI 081 Kent				X				X
26	MI 087 Lapeer				X				X
26	MI 091 Lenawee	X			X				X
26	MI 093 Livingston				X				X
26	MI 099 Macomb								X
26	MI 111 Midland				X				X
26	MI 115 Monroe	X			X				X
26	MI 117 Montcalm	X			X				X
26	MI 121 Muskegon				X				X
26	MI 123 Newaygo				X				X
26	MI 139 Ottawa				X				X
26	MI 145 Saginaw	X			X				X
26	MI 147 St Clair	X			X				X
26	MI 149 St Joseph				X				X
26	MI 151 Sanilac	X			X				X
26	MI 155 Shiawassee	X			X				X
26	MI 157 Tuscola	X			X				X
26	MI 159 Van Buren				X				X
26	MI 161 Washtenaw	X			X				X
27	MN 001 Aitkin			X					X
27	MN 005 Becker	X		X					X
27	MN 007 Beltrami			X					X
27	MN 009 Benton			X	X				X
27	MN 011 Big Stone	X			X				X
27	MN 013 Blue Earth				X				X
27	MN 015 Brown				X				X
27	MN 017 Carlton			X	X				X
27	MN 019 Carver			X	X				X
27	MN 021 Cass			X					X
27	MN 023 Chippewa				X				X
27	MN 025 Chisago				X				X
27	MN 027 Clay	X							X
27	MN 029 Clearwater			X					X
27	MN 033 Cottonwood				X				X
27	MN 035 Crow Wing			X					X
27	MN 037 Dakota				X				X
27	MN 039 Dodge				X				X
27	MN 041 Douglas	X		X	X				X
27	MN 043 Fairbault			X	X				X
27	MN 045 Fillmore			X	X				X
27	MN 047 Freeborn			X	X				X
27	MN 049 Goodhue			X	X				X
27	MN 051 Grant	X			X				X
27	MN 053 Hennepin				X				X
27	MN 055 Houston			X	X				X
27	MN 059 Isanti				X				X
27	MN 061 Itasca			X					X
27	MN 063 Jackson				X				X
27	MN 065 Kanabec				X				X
27	MN 067 Kandiyohi			X	X				X
27	MN 069 Kittson	X		X					X
27	MN 073 Lac qui Parle	X			X				X
27	MN 077 Lake of the Woods	X							X
27	MN 079 Le Sueur				X				X
27	MN 081 Lincoln			X	X				X
27	MN 083 Lyon				X				X
27	MN 085 McLeod			X	X				X
27	MN 087 Mahanomen	X			X				X
27	MN 089 Marshall	X		X					X
27	MN 091 Martin				X				X
27	MN 093 Meeker			X	X				X
27	MN 095 Mille Lacs			X	X				X
27	MN 097 Morrison			X	X				X
27	MN 099 Mower				X				X
27	MN 101 Murray				X				X
27	MN 103 Nicollet				X				X
27	MN 105 Nobles				X				X
27	MN 107 Norman	X			X				X
27	MN 109 Olmsted	X		X	X				X
27	MN 111 Otter Tail	X		X	X				X
27	MN 112 Otter Tail	X		X	X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
27 MN	113 Pennington	X		X					
27 MN	115 Pine			X					
27 MN	117 Pipestone				X				X
27 MN	119 Polk	X		X					
27 MN	120 Polk	X		X					
27 MN	121 Pope	X		X					X
27 MN	125 Red Lake	X							
27 MN	127 Redwood				X				X
27 MN	129 Renville				X				X
27 MN	131 Rice				X				X
27 MN	133 Rock				X				X
27 MN	135 Roseau	X		X					
27 MN	137 St Louis			X					
27 MN	139 Scott				X				X
27 MN	141 Sherburne				X				
27 MN	143 Sibley				X				X
27 MN	145 Siscams			X	X				X
27 MN	147 Steele				X				X
27 MN	149 Stevens	X			X				X
27 MN	151 Swift	X			X				X
27 MN	153 Todd			X	X				
27 MN	155 Traverse	X							X
27 MN	157 Wabasha			X	X				
27 MN	159 Wadena			X	X				
27 MN	161 Waseca				X				X
27 MN	163 Washington				X				
27 MN	165 Watonwan				X				X
27 MN	167 Wilkin	X							X
27 MN	169 Winona			X	X				
27 MN	171 Wright			X	X				X
27 MN	173 Yellow Medicine				X				X
28 MS	011 Bolivar	X							X
28 MS	013 Calhoun								X
28 MS	017 Chickasaw								X
28 MS	025 Clay								X
28 MS	027 Coahoma	X	X						X
28 MS	033 De Soto								X
28 MS	049 Hinds								X
28 MS	051 Holmes		X						X
28 MS	053 Humphreys		X						X
28 MS	055 Issaquena		X						X
28 MS	081 Lee								X
28 MS	083 Leflore		X						X
28 MS	087 Lowndes								X
28 MS	089 Madison		X						
28 MS	095 Monroe								X
28 MS	103 Noxubee								X
28 MS	107 Panola		X						X
28 MS	116 Pontotoc								X
28 MS	117 Prentiss								X
28 MS	119 Quitman	X							X
28 MS	126 Sharkey		X						X
28 MS	133 Sunflower	X	X						X
28 MS	135 Tallahatchie		X						X
28 MS	137 Tate								X
28 MS	143 Tunica	X							X
28 MS	145 Union								X
28 MS	149 Warren								X
28 MS	151 Washington	X							X
28 MS	163 Yazoo		X						X
29 MO	001 Adair								X
29 MO	003 Andrew				X				X
29 MO	005 Atchison				X				X
29 MO	007 Audrain	X							X
29 MO	011 Barton	X							X
29 MO	013 Bates	X							X
29 MO	015 Benton								X
29 MO	017 Bollinger								X
29 MO	019 Boone	X							X
29 MO	021 Buchanan				X				X
29 MO	023 Butler	X							X
29 MO	025 Caldwell								X
29 MO	027 Callaway	X							X
29 MO	031 Cape Girardeau	X			X				X
29 MO	033 Carroll	X			X				X
29 MO	037 Cass								X
29 MO	041 Chautau	X			X				X
29 MO	045 Clark				X				X
29 MO	047 Clay								X
29 MO	049 Clinton				X				X
29 MO	053 Cooper	X							X
29 MO	057 Dade	X							X
29 MO	061 Davies								X
29 MO	063 De Kalb				X				X
29 MO	069 Dunklin	X	X						X
29 MO	071 Franklin								X
29 MO	075 Gentry				X				X
29 MO	079 Grundy								X
29 MO	081 Harrison				X				X
29 MO	083 Henry	X							X
29 MO	087 Holt				X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Com	Range Land	Grain Sorghum	Peanuts	Soybeans
29 MO	089 Howard								X
29 MO	095 Jackson								X
29 MO	097 Jasper	X							X
29 MO	101 Johnson								X
29 MO	103 Knox	X			X				X
29 MO	107 Lafayette	X			X				X
29 MO	111 Lewis	X			X				X
29 MO	113 Lincoln	X			X				X
29 MO	115 Linn								X
29 MO	117 Livingston	X							X
29 MO	121 Macon								X
29 MO	127 Marion	X			X				X
29 MO	129 Mercer								X
29 MO	133 Mississippi	X			X				X
29 MO	135 Monticau								X
29 MO	137 Monroe	X							X
29 MO	139 Montgomery	X			X				X
29 MO	143 New Madrid	X	X		X				X
29 MO	147 Nodaway				X				X
29 MO	151 Osage								X
29 MO	155 Pemiscot	X	X						X
29 MO	157 Perry	X			X				X
29 MO	159 Potosi	X							X
29 MO	163 Pike	X			X				X
29 MO	165 Platte				X				X
29 MO	171 Putnam								X
29 MO	173 Rails	X			X				X
29 MO	175 Randolph								X
29 MO	177 Ray	X							X
29 MO	181 Ripley								X
29 MO	183 St. Charles	X			X				X
29 MO	185 St. Clair	X							X
29 MO	188 St. Louis								X
29 MO	185 Saine	X			X				X
29 MO	197 Schuyler								X
29 MO	199 Scotland				X				X
29 MO	201 Scott	X			X				X
29 MO	205 Shelby	X			X				X
29 MO	207 Stoddard	X			X				X
29 MO	211 Sullivan								X
29 MO	217 Vernon	X							X
29 MO	219 Warren				X				X
29 MO	227 Worth								X
30 MT	003 Big Horn	X				X			
30 MT	005 Blaine	X				X			
30 MT	007 Broadwater	X							
30 MT	011 Carter	X				X			
30 MT	013 Cascade	X							
30 MT	015 Chouteau	X							
30 MT	017 Custer					X			
30 MT	019 Daniels	X							
30 MT	021 Dawson	X							
30 MT	026 Fallon	X				X			
30 MT	027 Fergus	X							
30 MT	031 Gallatin	X							
30 MT	033 Garfield	X							
30 MT	035 Glacier	X				X			
30 MT	037 Golden Valley	X							
30 MT	041 Hill	X							
30 MT	045 Judith Basin	X							
30 MT	051 Liberty	X							
30 MT	055 McCone	X							
30 MT	055 Musselshell	X							
30 MT	071 Phillips	X				X			
30 MT	073 Pondera	X							
30 MT	075 Powder River	X				X			
30 MT	079 Prairie	X							
30 MT	083 Richland	X							
30 MT	085 Roosevelt	X				X			
30 MT	087 Rosebud	X				X			
30 MT	091 Shoshone	X				X			
30 MT	095 Stillwater	X							
30 MT	099 Teton	X							
30 MT	101 Toole	X							
30 MT	105 Valley	X				X			
30 MT	107 Wheatland	X							
30 MT	109 Wibaux	X							
30 MT	111 Yellowstone	X							
31 NE	001 Adams	X			X				
31 NE	003 Antelope				X				X
31 NE	007 Banner	X							
31 NE	011 Boone				X				
31 NE	013 Box Butte	X							
31 NE	015 Boyd				X				
31 NE	017 Brown				X				
31 NE	019 Buffalo				X				
31 NE	021 Burt								X
31 NE	023 Butler				X		X		X
31 NE	025 Cass				X				X
31 NE	027 Cedar								X
31 NE	029 Chase	X			X				

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
31 NE	033 Cheyenne	X							
31 NE	035 Clay				X				X
31 NE	037 Collax				X				X
31 NE	039 Cuming								X
31 NE	041 Custer	X			X				
31 NE	043 Dakota				X				X
31 NE	045 Dawes	X							
31 NE	047 Dawson				X				
31 NE	049 Deuel	X							
31 NE	051 Dixon				X				X
31 NE	053 Dodge				X				X
31 NE	055 Douglas				X				X
31 NE	057 Dundy	X			X				
31 NE	059 Fillmore	X			X		X		X
31 NE	061 Franklin	X			X		X		
31 NE	063 Frontier	X			X				
31 NE	065 Fumas	X			X		X		
31 NE	067 Gage	X					X		X
31 NE	069 Garden	X							
31 NE	073 Gosper	X			X		X		
31 NE	077 Greeley				X				
31 NE	079 Hall				X				
31 NE	081 Hamilton				X				
31 NE	083 Harlan				X				
31 NE	085 Hayes	X					X		
31 NE	087 Hitchcock	X							
31 NE	089 Holt				X				
31 NE	093 Howard				X				
31 NE	095 Jefferson	X			X		X		X
31 NE	097 Johnson						X		X
31 NE	099 Kearney	X			X				
31 NE	101 Keith	X			X				
31 NE	105 Kimball	X							
31 NE	109 Lancaster	X					X		X
31 NE	111 Lincoln	X			X				
31 NE	119 Madison				X				X
31 NE	121 Merrick				X				
31 NE	123 Morrill	X							
31 NE	125 Nance				X				
31 NE	127 Nemaha				X				X
31 NE	129 Nuckolls	X			X		X		
31 NE	131 Otoe				X		X		X
31 NE	133 Pawnee						X		X
31 NE	135 Perkins	X			X				
31 NE	137 Phelps				X				
31 NE	139 Pierce				X				X
31 NE	141 Platte				X				X
31 NE	143 Polk				X		X		X
31 NE	145 Red Willow	X			X		X		
31 NE	147 Richardson				X				X
31 NE	149 Rock				X				
31 NE	151 Saline	X					X		X
31 NE	153 Sarpy				X				X
31 NE	155 Saunders								X
31 NE	159 Seward				X		X		X
31 NE	161 Sheridan	X							
31 NE	163 Sherman				X				
31 NE	167 Stanton								X
31 NE	169 Thayer	X			X		X		X
31 NE	173 Thurston				X				X
31 NE	175 Valley				X				X
31 NE	177 Washington				X				X
31 NE	179 Wayne								
31 NE	181 Webster	X			X		X		
31 NE	183 Wheeler				X				
31 NE	185 York				X		X		X
35 NM	009 Curry	X							
35 NM	037 Quay	X							
35 NM	041 Roosevelt	X							
37 NC	013 Beaufort	X			X				X
37 NC	015 Bertie				X			X	
37 NC	017 Bladen				X				X
37 NC	029 Camden								X
37 NC	031 Carteret				X				X
37 NC	047 Columbus				X				X
37 NC	049 Craven				X				X
37 NC	051 Cumberland								X
37 NC	053 Currituck								X
37 NC	061 Duplin				X				X
37 NC	065 Edgecombe				X			X	X
37 NC	069 Franklin								X
37 NC	073 Gates				X				
37 NC	079 Greene				X				X
37 NC	083 Halifax							X	
37 NC	085 Harnett								X
37 NC	091 Hertford							X	
37 NC	093 Hoke								X
37 NC	095 Hyde	X			X				X
37 NC	101 Johnston	X							X
37 NC	103 Jones				X				
37 NC	107 Lenoir				X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
37 NC	117 Martin				X			X	X
37 NC	127 Nash								X
37 NC	131 Northampton								X
37 NC	133 Onslow								X
37 NC	137 Pamlico								X
37 NC	139 Pasquotank	X			X				X
37 NC	141 Pender								X
37 NC	143 Perquimans				X				X
37 NC	147 Pitt	X			X				X
37 NC	155 Robeson	X			X				X
37 NC	153 Sampson	X			X				X
37 NC	165 Scotland								X
37 NC	177 Tyrrell				X				X
37 NC	179 Union	X							
37 NC	183 Wake								X
37 NC	187 Washington	X			X				X
37 NC	191 Wayne	X			X				X
37 NC	195 Wilson				X				X
38 ND	001 Adams	X							
38 ND	003 Barnes	X							
38 ND	005 Benson	X							
38 ND	007 Billings	X							
38 ND	009 Bottineau	X							
38 ND	011 Bowman	X							
38 ND	013 Burke	X							
38 ND	015 Burleigh	X							
38 ND	017 Cass	X							X
38 ND	019 Cavalier	X							
38 ND	021 Dickey	X							
38 ND	023 Divide	X							
38 ND	025 Dunn	X							
38 ND	027 Eddy	X							
38 ND	029 Emmons	X							
38 ND	031 Foster	X							
38 ND	033 Golden Valley	X							
38 ND	035 Grand Forks	X							
38 ND	037 Grants	X							
38 ND	039 Griggs	X							
38 ND	041 Hettinger	X							
38 ND	043 Kidder	X							
38 ND	045 La Moure	X							
38 ND	047 Logan	X							
38 ND	049 McHenry	X							
38 ND	051 McIntosh	X							
38 ND	053 McKenzie	X							
38 ND	055 McLean	X							
38 ND	057 Mercer	X							
38 ND	059 Morton	X							
38 ND	061 Mountrail	X							
38 ND	063 Nelson	X							
38 ND	065 Oliver	X							
38 ND	067 Pembina	X							
38 ND	069 Pierce	X							
38 ND	071 Ramsey	X							
38 ND	073 Ransom	X							
38 ND	075 Renville	X							
38 ND	077 Richland	X							X
38 ND	079 Rolette	X							
38 ND	081 Sargent	X							
38 ND	083 Sheridan	X							
38 ND	085 Sioux	X							
38 ND	087 Slope	X							
38 ND	089 Stark	X							
38 ND	091 Steele	X							
38 ND	093 Stutsman	X							
38 ND	095 Towner	X							
38 ND	097 Trail	X							
38 ND	099 Walsh	X							
38 ND	101 Ward	X							
38 ND	103 Wells	X							
38 ND	105 Williams	X							
39 OH	001 Adams				X				
39 OH	003 Allen	X			X				X
39 OH	005 Ashland				X				X
39 OH	011 Auglaize	X			X				X
39 OH	015 Brown				X				X
39 OH	017 Butler				X				X
39 OH	021 Champaign				X				X
39 OH	023 Clark				X				X
39 OH	025 Clermont								X
39 OH	027 Clinton				X				X
39 OH	029 Columbiana				X				
39 OH	031 Coshocton				X				
39 OH	033 Crawford	X			X				X
39 OH	037 Darke	X			X				X
39 OH	039 Defiance	X			X				X
39 OH	041 Delaware	X			X				X
39 OH	043 Erie				X				X
39 OH	045 Fairfield				X				X
39 OH	047 Fayette	X			X				X
39 OH	049 Franklin				X				X

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
39 OH	051 Fulton				X				X
39 OH	057 Greene				X				X
39 OH	063 Hancock	X			X				X
39 OH	065 Hardin	X			X				X
39 OH	059 Henry	X			X				X
39 OH	071 Highland	X			X				X
39 OH	075 Holmes				X				
39 OH	077 Huron	X			X				X
39 OH	083 Kneex				X				X
39 OH	089 Licking				X				X
39 OH	091 Logan	X			X				X
39 OH	093 Lorain				X				X
39 OH	095 Lucas				X				X
39 OH	097 Madison	X			X				X
39 OH	059 Mahoning				X				
39 OH	101 Mason	X			X				X
39 OH	103 Medina								X
39 OH	107 Mercer	X			X				X
39 OH	109 Miami	X			X				X
39 OH	113 Montgomery				X				X
39 OH	117 Morrow				X				X
39 OH	119 Muskingum				X				
39 OH	123 Ottawa	X			X				X
39 OH	125 Paulding	X			X				X
39 OH	127 Perry				X				
39 OH	129 Pickaway	X			X				X
39 OH	133 Portage				X				
39 OH	135 Preble				X				X
39 OH	137 Putnam	X			X				X
39 OH	139 Richland				X				X
39 OH	141 Ross	X			X				X
39 OH	143 Sandusky	X			X				X
39 OH	147 Seneca	X			X				X
39 OH	149 Shelby	X			X				X
39 OH	151 Stark				X				
39 OH	157 Tuscarawas				X				
39 OH	159 Union	X			X				X
39 OH	161 Van Wert	X			X				X
39 OH	165 Warren				X				X
39 OH	169 Wayne				X				
39 OH	171 Williams	X			X				X
39 OH	173 Wood	X			X				X
39 OH	175 Wyandot	X			X				X
40 OK	003 Alfalfa	X							
40 OK	007 Beaver	X							
40 OK	009 Beckham	X							
40 OK	011 Blaine	X							
40 OK	015 Caddo	X							
40 OK	017 Canadian	X							
40 OK	025 Cimarron	X							
40 OK	031 Comanche	X							
40 OK	033 Cotton	X							
40 OK	036 Craig	X							
40 OK	039 Custer	X							
40 OK	043 Dewey	X							
40 OK	045 Ellis	X							
40 OK	047 Garfield	X							
40 OK	051 Grady	X							
40 OK	053 Grant	X							
40 OK	055 Greer	X							
40 OK	057 Harmon	X							
40 OK	059 Harper	X							
40 OK	065 Jackson	X							
40 OK	067 Jefferson	X							
40 OK	071 Kay	X							
40 OK	073 Kingfisher	X							
40 OK	075 Kiowa	X							
40 OK	083 Logan	X							
40 OK	093 Major	X							
40 OK	103 Noble	X							
40 OK	109 Oklahoma	X							
40 OK	113 Osage	X							
40 OK	115 Ottawa	X							
40 OK	117 Pawnee	X							
40 OK	119 Payne	X							
40 OK	129 Roger Mills	X							
40 OK	137 Stephens	X							
40 OK	139 Texas	X							
40 OK	141 Tillman	X							
40 OK	145 Wagoner	X							
40 OK	149 Washita	X							
40 OK	151 Woods	X							
40 OK	153 Woodward	X							
42 PA	001 Adams			X	X				
42 PA	005 Armstrong			X					
42 PA	008 Bedford			X					
42 PA	011 Berks			X	X				
42 PA	015 Bradford			X					
42 PA	019 Butler			X					
42 PA	027 Centre			X					
42 PA	029 Chester			X	X				

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
42 PA	031 Clarion			X					
42 PA	037 Columbia			X	X				
42 PA	039 Crawford			X					
42 PA	041 Cumberland			X	X				
42 PA	043 Dauphin				X				
42 PA	049 Erie			X					
42 PA	051 Fayette			X					
42 PA	055 Franklin			X	X				
42 PA	059 Greene			X					
42 PA	061 Huntingdon			X					
42 PA	063 Indiana			X					
42 PA	065 Jefferson			X					
42 PA	071 Lancaster			X	X				
42 PA	077 Lehigh				X				
42 PA	081 Lycoming			X					
42 PA	085 Mercer			X					
42 PA	095 Northampton				X				
42 PA	097 Northumberland				X				
42 PA	099 Perry			X					
42 PA	107 Schuylkill				X				
42 PA	111 Somerset			X					
42 PA	115 Susquehanna			X					
42 PA	117 Tioga			X					
42 PA	125 Washington			X					
42 PA	127 Wayne			X					
42 PA	129 Westmoreland			X					
42 PA	133 York			X	X				
45 SC	005 Attendale								X
45 SC	009 Bamberg								X
45 SC	011 Barnwell								X
45 SC	017 Calhoun								X
45 SC	027 Clarendon								X
45 SC	020 Colleton								X
45 SC	031 Darlington								X
45 SC	033 Dillon								X
45 SC	035 Dorchester								X
45 SC	041 Florence								X
45 SC	049 Hampton								X
45 SC	051 Horry								X
45 SC	061 Lee								X
45 SC	063 Lexington								X
45 SC	067 Marion								X
45 SC	069 Marlboro								X
45 SC	075 Orangeburg								X
45 SC	085 Sumter								X
45 SC	089 Williamsburg								X
46 SD	003 Aurora	X							
46 SD	005 Beadle	X							
46 SD	007 Bennett	X							
46 SD	009 Bon Homme				X			X	
46 SD	011 Brookings				X			X	
46 SD	013 Brown	X							
46 SD	015 Brule	X							
46 SD	021 Cambell	X							
46 SD	023 Charles Mix	X			X				
46 SD	025 Clark	X			X				
46 SD	027 Clay				X			X	
46 SD	029 Coddington	X			X			X	
46 SD	031 Corson	X							
46 SD	035 Davison	X			X			X	
46 SD	039 Deuel				X			X	
46 SD	041 Dewey	X							
46 SD	043 Douglas	X			X			X	
46 SD	045 Edmunds	X							
46 SD	049 Faulk	X							
46 SD	051 Grant	X			X			X	
46 SD	055 Haakon	X							
46 SD	057 Hamlin	X			X			X	
46 SD	059 Hand	X							
46 SD	061 Hanson				X			X	
46 SD	063 Harding	X							
46 SD	065 Hughes	X							
46 SD	067 Hutchinsonson				X			X	
46 SD	069 Hyde	X							
46 SD	071 Jackson	X							
46 SD	075 Jones	X							
46 SD	077 Kingsbury	X			X			X	
46 SD	079 Lake				X			X	
46 SD	083 Lincoln				X			X	
46 SD	085 Lyman	X					X		
46 SD	087 McCook				X			X	
46 SD	089 McPherson	X							
46 SD	091 Marshall	X			X				
46 SD	093 Meade	X							
46 SD	095 Mallette	X							
46 SD	097 Miner				X				
46 SD	099 Minnehaha				X			X	
46 SD	101 Moody				X			X	
46 SD	103 Pennington	X							
46 SD	105 Perkins	X							
46 SD	107 Potter	X							

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
46 SD	109 Roberts	X			X				X
46 SD	111 Sanborn				X				
46 SD	113 Shannon	X							
46 SD	115 Splink	X							
46 SD	117 Stanley	X							
46 SD	119 Sully	X							
46 SD	123 Tripp	X					X		
46 SD	125 Turner				X				X
46 SD	127 Union				X				X
46 SD	129 Watworth	X							
46 SD	135 Yankton				X				X
46 SD	137 Zieback	X							
47 TN	017 Carroll		X						X
47 TN	033 Crockett		X						X
47 TN	045 Dyer	X	X						X
47 TN	047 Fayette		X						X
47 TN	053 Gibson	X	X						X
47 TN	069 Hardeman		X						X
47 TN	071 Hardin								X
47 TN	075 Haywood		X						X
47 TN	079 Henry	X							X
47 TN	095 Lake	X							X
47 TN	097 Lauderdale	X	X						X
47 TN	109 McNairy								X
47 TN	113 Madison		X						X
47 TN	125 Montgomery								X
47 TN	131 Obion	X							X
47 TN	147 Robertson	X							X
47 TN	157 Shelby		X						X
47 TN	167 Tipton		X						X
47 TN	183 Weakley	X							X
48 TX	003 Andrews		X						
48 TX	009 Archer	X							
48 TX	011 Armstrong	X							
48 TX	017 Bailey	X	X		X		X		
48 TX	023 Baylor	X							
48 TX	025 Bee				X		X		
48 TX	027 Bell	X			X				
48 TX	029 Bexar				X				
48 TX	033 Borden		X						
48 TX	045 Briscoe	X	X						
48 TX	049 Brown	X							
48 TX	057 Calhoun				X		X		
48 TX	059 Callahan	X							
48 TX	061 Cameron		X		X		X		
48 TX	065 Carson	X			X				
48 TX	069 Castro	X	X		X				
48 TX	076 Childress	X	X						
48 TX	077 Clay	X							
48 TX	079 Cochran		X				X		
48 TX	083 Coleman	X							
48 TX	085 Collin	X							
48 TX	087 Collingsworth	X	X						
48 TX	095 Concho	X	X						
48 TX	097 Cooke	X							
48 TX	099 Coryell	X							
48 TX	101 Cottle		X						
48 TX	107 Crosby		X						
48 TX	111 Dallam	X			X		X		
48 TX	115 Dawson		X						
48 TX	117 Deaf Smith	X			X		X		
48 TX	121 Denton	X							
48 TX	125 Dickens		X						
48 TX	129 Donley		X						
48 TX	139 Ellis	X	X		X				
48 TX	145 Falls		X		X				
48 TX	147 Fannin	X							
48 TX	151 Fisher		X						
48 TX	153 Floyd	X	X		X		X		
48 TX	155 Foard	X	X						
48 TX	157 Fort Bend		X		X		X		
48 TX	165 Galnes		X				X		
48 TX	169 Garza		X						
48 TX	173 Glasscock		X						
48 TX	179 Gray	X							
48 TX	181 Grayson	X							
48 TX	187 Guadalupe				X				
48 TX	189 Hales	X	X		X		X		
48 TX	191 Hall		X						
48 TX	195 Hansford	X			X				
48 TX	197 Hardeman	X							
48 TX	205 Hartley	X			X				
48 TX	207 Haskell	X	X						
48 TX	215 Hidalgo		X		X		X		
48 TX	217 Hill	X	X		X		X		
48 TX	219 Hockley		X				X		
48 TX	227 Howard		X						
48 TX	231 Hunt	X							
48 TX	233 Hutchinson	X							
48 TX	239 Jackson		X		X		X		
48 TX	249 Jim Wells		X		X				

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
48 TX	251 Johnson	X							
48 TX	253 Jones	X	X						
48 TX	255 Karnes				X				
48 TX	273 Kolberg		X				X		
48 TX	275 Knox	X	X						
48 TX	277 Lamar	X							
48 TX	279 Lamb	X	X		X		X		
48 TX	295 Lipscomb	X							
48 TX	297 Live Oak				X				
48 TX	303 Lubbock		X						
48 TX	305 Lynn		X						
48 TX	307 McCulloch	X							
48 TX	309 McLennan	X			X		X		
48 TX	317 Martin		X						
48 TX	321 Matagorda		X				X		
48 TX	325 Medina				X				
48 TX	329 Midland		X						
48 TX	331 Mitam		X		X				
48 TX	335 Mitchell		X						
48 TX	341 Moore	X			X		X		
48 TX	345 Motley		X						
48 TX	349 Navarro		X						
48 TX	353 Nolan		X						
48 TX	355 Nueces		X		X		X		
48 TX	357 Ochiltree	X							
48 TX	359 Oldham	X							
48 TX	369 Palmer	X	X		X		X		
48 TX	381 Randall	X					X		
48 TX	391 Refugio		X		X		X		
48 TX	393 Roberts	X							
48 TX	395 Robertson		X						
48 TX	399 Runnels	X	X						
48 TX	409 San Patricio		X		X		X		
48 TX	416 Scurry		X						
48 TX	421 Sherman	X			X		X		
48 TX	427 Starr						X		
48 TX	433 Stonewall	X							
48 TX	437 Swisher	X	X		X		X		
48 TX	441 Taylor	X	X						
48 TX	445 Terry		X				X		
48 TX	447 Throckmorton	X							
48 TX	451 Tom Green		X						
48 TX	463 Uvalde				X				
48 TX	469 Victoria				X		X		
48 TX	481 Wharton		X		X		X		
48 TX	483 Wheeler	X							
48 TX	485 Wichita	X							
48 TX	487 Wilbarger	X	X						
48 TX	489 Wilkcy		X				X		
48 TX	491 Williamson		X		X				
48 TX	501 Yoakum		X				X		
48 TX	503 Young	X							
49 UT	003 Box Elder	X							
49 UT	025 Cache	X							
49 UT	037 San Juan	X							
51 VA	093 Isle of Wight				X			X	X
51 VA	175 Southampton				X			X	X
51 VA	183 Sussex							X	X
51 VA	550 Chesapeake City							X	X
51 VA	800 Suffolk City				X			X	X
51 VA	810 Virginia Beach								X
55 WI	001 Adams			X	X				
55 WI	003 Ashland			X					
55 WI	005 Barron			X	X				
55 WI	007 Bayfield			X					
55 WI	009 Brown			X	X				
55 WI	011 Buffalo			X	X				
55 WI	013 Burnett			X					
55 WI	015 Calumet			X	X				
55 WI	017 Chippewa			X	X				
55 WI	019 Clark			X	X				
55 WI	021 Columbia			X	X				
55 WI	023 Crawford			X	X				
55 WI	025 Dane			X	X				
55 WI	027 Dodge			X	X				
55 WI	029 Door			X					
55 WI	031 Douglas			X					
55 WI	033 Dunn			X	X				
55 WI	035 Eau Claire			X	X				
55 WI	039 Fond du Lac			X	X				
55 WI	043 Grant			X	X				
55 WI	045 Green			X	X				
55 WI	047 Green Lake			X	X				
55 WI	049 Iowa			X	X				
55 WI	053 Jackson			X	X				
55 WI	055 Jefferson			X	X				
55 WI	057 Juneau			X	X				
55 WI	059 Kenosha			X	X				X
55 WI	061 Kewaunee			X	X				
55 WI	063 La Crosse			X	X				
55 WI	065 Lafayette			X	X				

2003 GRP AVAILABILITY

State	County	Wheat	Cotton	Forage Production	Corn	Range Land	Grain Sorghum	Peanuts	Soybeans
55 WI	067 Langlade			X					
55 WI	069 Lincoln			X					
55 WI	071 Manitowoc			X	X				
55 WI	073 Marathon			X	X				
55 WI	075 Marinette			X	X				
55 WI	077 Marquette			X	X				
55 WI	081 Monroe			X	X				
55 WI	083 Oconto			X	X				
55 WI	087 Outagamie			X	X				
55 WI	089 Ozaukee			X	X				
55 WI	091 Pepin			X	X				
55 WI	093 Pierce			X	X				
55 WI	095 Polk			X	X				
55 WI	097 Portage			X	X				
55 WI	099 Price			X					
55 WI	101 Racine				X				X
55 WI	103 Richland			X	X				
55 WI	105 Rock			X	X				X
55 WI	107 Rusk			X					
55 WI	109 St Croix			X	X				
55 WI	111 Sauk			X	X				
55 WI	115 Shawano			X	X				
55 WI	117 Sheboygan			X	X				
55 WI	119 Taylor			X					
55 WI	121 Trempealeau			X	X				
55 WI	123 Vernon			X	X				
55 WI	127 Walworth			X	X				X
55 WI	129 Washburn			X					
55 WI	131 Washington			X	X				
55 WI	133 Waukesha			X	X				
55 WI	135 Waupesa			X	X				
55 WI	137 Waushara			X	X				
55 WI	139 Winnebago			X	X				
55 WI	141 Wood			X	X				
56 WY	015 Goshen	X							
56 WY	021 Laramie	X							
56 WY	031 Platte	X							
	Total	611	107	131	715	12	141	43	771

Mr. Bonilla: What has been the loss ratio in GRP areas versus other crop insurance programs for the 2001 crop year? How does this compare with previous years?

Response: I would be pleased to provide that information.

[The information follows:]

Group Risk Plan (GRP) Areas*
GRP Loss Ratios VS Other Plans Loss Ratios

<u>Crop Name</u>	<u>1997</u>		<u>1998</u>		<u>1999</u>		<u>2000</u>		<u>2001</u>	
	<u>GRP</u>	<u>Other</u>	<u>GRP</u>	<u>Other</u>	<u>GRP</u>	<u>Other</u>	<u>GRP</u>	<u>Other</u>	<u>GRP</u>	<u>Other</u>
WHEAT	N/A	0.78	N/A	0.56	0.27	1.51	1.05	1.27	0.47	1.46
COTTON	N/A	0.64	N/A	1.53	0.66	1.06	4.15	1.58	2.93	1.62
FORAGE PRODUCTION	N/A	0.44	N/A	0.52	0.36	0.62	4.40	1.90	0.18	1.36
CORN	0.40	0.28	0.14	0.45	0.53	0.48	0.01	0.44	0.31	0.56
GRAIN SORGHUM	N/A	0.30	N/A	0.62	N/A	0.44	0.45	1.40	7.48	1.14
PEANUTS	N/A	1.42	N/A	0.89	N/A	1.11	N/A	2.26	N/A	0.66
SOYBEANS	0.04	0.27	0.29	0.54	3.06	0.69	1.40	0.77	1.67	0.53

* Loss ratios were calculated based on counties where GRP was sold and at least one other plan was available.
 N/A denotes instances where no GRP was sold.

REVENUE ASSURANCE

Mr. Bonilla: What has been the loss ratio in revenue assurance products versus standard product loss areas?

Response: I would be pleased to provide that information.

[The information follows:]

NATIONWIDE LOSS RATIOS

Year	Insurance Plan	Net Assets	Liabilities	Total Premium	Subsidy	Premium Discount	Indemnity	Loss Ratio
1986	Actual Production History	186,178,306	20,673,469,441	1,523,415,724	655,367,263	0	1,281,330,534	0.84
1986	Crop Revenue Coverage	11,337,572	2,619,031,431	141,842,326	36,714,662	0	53,491,953	0.36
1986	Income Protection	316,473	63,114,432	4,268,885	2,014,815	0	1,171,554	0.27
1986	All Other	5,030,484	3,422,197,552	159,012,251	85,954,540	0	156,618,592	0.88
1986	Grand Total:	204,853,837	26,675,612,856	1,838,593,185	985,052,170	0	1,497,652,773	0.81
1987	Actual Production History	152,135,794	17,871,303,973	1,321,474,721	733,234,555	0	746,680,837	0.56
1987	Crop Revenue Coverage	23,741,477	3,995,643,947	280,728,522	80,230,182	0	103,330,160	0.39
1987	Income Protection	384,312	75,679,931	2,877,081	1,143,369	0	2,484,225	0.63
1987	Revenue Assurance	1,262,235	225,430,136	8,653,475	2,968,340	0	976,277	0.11
1987	All Other	4,244,125	3,593,239,223	161,862,653	82,427,653	0	138,673,653	0.53
1987	Grand Total:	182,185,943	25,466,851,214	1,775,367,833	902,754,419	0	951,550,545	0.56
1988	Actual Production History	149,618,589	19,214,422,751	1,373,130,209	764,870,371	0	1,253,190,548	0.91
1988	Average Revenue Coverage	7,536	10,470,276	2,664,815	2,040,223	0	144,176	0.07
1988	Crop Revenue Coverage	25,246,459	4,435,203,855	322,827,791	90,257,025	0	210,052,546	0.65
1988	Income Protection	449,524	86,720,532	2,579,323	1,210,628	0	7,557,319	2.54
1988	Pecan Revenue Assurance	39,641	19,610,340	1,432,677	1,059,645	0	525,594	0.37
1988	Revenue Assurance	1,459,890	300,483,105	10,373,401	3,433,025	0	10,605,249	1.02
1988	All Other	5,039,973	3,517,884,705	163,024,086	83,376,023	0	159,473,912	1.20
1988	Grand Total:	181,831,947	27,220,594,594	1,875,859,261	946,257,420	0	1,677,539,144	0.89
1989	Adjusted Gross Revenue	0	12,617,939	624,840	312,310	63,704	851,497	1.36
1989	Actual Production History	136,155,886	16,819,694,983	1,357,622,374	691,934,164	215,210,231	1,357,862,061	1.00
1989	Average Revenue Coverage	8,028	10,593,926	2,644,599	1,853,024	0	104,639	0.05
1989	Crop Revenue Coverage	49,560,507	7,877,416,554	727,637,343	167,788,130	186,784,900	796,888,207	1.10
1989	Group Risk Income Protection	261,348	108,102,835	5,138,626	698,265	1,341,750	8,108,167	1.55
1989	Induced Income Protection	44,095	7,339,811	516,242	126,270	117,010	3,016,516	5.84
1989	Income Protection	1,161,512	227,150,976	6,917,617	1,671,197	1,599,439	5,583,504	0.81
1989	Pecan Revenue Assurance	44,925	20,750,126	1,539,794	1,119,534	1,225,980	189,875	0.13
1989	Revenue Assurance	2,767,000	3,422,000,000	11,365,455	3,395,955	0	10,969,500	0.73
1989	All Other	7,437,959	5,447,245,077	189,038,186	83,763,588	27,592,656	252,021,242	1.33
1989	Grand Total:	198,864,919	30,925,012,752	2,368,572,077	954,394,128	436,804,841	2,431,228,098	1.05
2000	Adjusted Gross Revenue	0	9,330,632	387,620	193,996	48,491	398,356	1.03
2000	Actual Production History	131,542,050	16,526,016,367	1,305,541,323	635,038,038	173,459,426	1,425,938,973	1.08
2000	Average Revenue Coverage	8,452	11,640,960	2,360,290	2,088,557	76,101	522,143	0.22
2000	Crop Revenue Coverage	60,019,972	10,363,252,315	993,322,220	186,272,921	186,034,766	804,641,438	0.89
2000	Group Risk Income Protection	277,635	125,107,737	655,445	660,136	1,674,304	4,916,276	0.67
2000	Induced Income Protection	84,727	11,419,854	695,391	158,659	102,179	1,864,487	3.08
2000	Income Protection	1,470,788	282,629,516	10,031,110	2,405,120	1,369,538	10,813,320	1.06
2000	Pecan Revenue Assurance	18,767	1,167,173	1,167,173	1,167,173	1,167,173	1,167,173	1.00
2000	Revenue Assurance	3,814,446	697,206,642	45,037,751	10,257,432	8,102,011	18,794,165	0.42
2000	All Other	9,163,052	6,385,797,137	238,763,457	110,037,112	35,042,103	303,628,098	1.30
2000	Grand Total:	206,419,574	34,437,265,793	2,540,695,056	951,169,189	396,786,493	2,361,941,317	1.02

Year	Insurance Plan	Net Acres	Liabilities	Total Premium	Subsidy	Premium Discount	Indemnity	Loss Ratio
2007	Adjusted Gross Revenue	0	195,042,672	7,043,614	3,919,002	0	11,819,093	1.58
2001	Actual Production History	112,083,387	16,332,425,153	1,350,053,483	852,402,499	1,539,872	1,419,131,766	1.06
2001	Average Revenue Coverage	0	41,215,268	1,400,696	4,587,471	0	2,218,156	1.58
2001	Crop Revenue Coverage	25,622	32,976,801	4,697,427	668,471	79,746	2,271,159	1.59
2001	Fixed Dollar Amount of Insurance	75,642,073	11,831,492,831	1,228,335,472	67,078,495	0	1,157,793,265	0.94
2001	Group Risk Income Protection	1,134,352	3,427,172,479	89,407,023	68,498,807	701,276	64,441,527	0.72
2001	Indirect Income Protection	67,664	112,636,926	7,599,729	4,834,362	4,842	9,655,192	1.28
2001	Personal Revenue Assurance	724,209	285,072,081	13,603,017	7,592,904	0	2,534,844	0.19
2001	Tobacco Guaranteed Production	6,093,338	813,926,528	25,403,739	14,665,980	0	42,711,696	1.68
2001	Tobacco Quota	89,958	13,171,749	716,730	427,613	0	347,060	0.48
2001	Yield Based Dollar Amount of Insurance	2,110,720	341,774,403	17,234,832	9,581,519	0	40,917,698	2.37
2001	Yield Based Dollar Amount of Insurance	10,859,046	1,483,516,816	1,592,876	8,225,715	0	743,204	0.44
2001	Yield Based Dollar Amount of Insurance	1,483,516,816	1,483,516,816	1,483,516,816	1,483,516,816	0	1,483,516,816	0.94
2001	Yield Based Dollar Amount of Insurance	225,074	631,432,889	19,332,466	13,920,445	0	9,356,739	0.94
2001	Yield Based Dollar Amount of Insurance	96,364	183,969,923	24,246,952	13,234,860	0	22,836,652	0.94
2001	Yield Based Dollar Amount of Insurance	453,313	12,910,041	14,927,122	8,969,089	0	16,680,157	1.26
2001	Yield Based Dollar Amount of Insurance	453,313	12,910,041	12,891,044	7,744,789	0	3,765,030	0.29
2001 Grand Total:		211,745,013	36,719,001,658	2,569,562,720	1,770,853,830	2,315,735	2,946,059,138	1.00
2007*	Adjusted Gross Revenue	0	195,042,672	7,043,614	3,919,002	0	11,819,093	1.58
2001*	Actual Production History	112,083,387	16,332,425,153	1,350,053,483	852,402,499	1,539,872	1,419,131,766	1.06
2001*	Average Revenue Coverage	0	41,215,268	1,400,696	4,587,471	0	2,218,156	1.58
2001*	Crop Revenue Coverage	25,622	32,976,801	4,697,427	668,471	79,746	2,271,159	1.59
2002*	Fixed Dollar Amount of Insurance	75,642,073	11,831,492,831	1,228,335,472	67,078,495	0	1,157,793,265	0.94
2002*	Group Risk Income Protection	1,134,352	3,427,172,479	89,407,023	68,498,807	701,276	64,441,527	0.72
2002*	Indirect Income Protection	67,664	112,636,926	7,599,729	4,834,362	4,842	9,655,192	1.28
2002*	Personal Revenue Assurance	724,209	285,072,081	13,603,017	7,592,904	0	2,534,844	0.19
2002*	Tobacco Guaranteed Production	6,093,338	813,926,528	25,403,739	14,665,980	0	42,711,696	1.68
2002*	Tobacco Quota	89,958	13,171,749	716,730	427,613	0	347,060	0.48
2002*	Yield Based Dollar Amount of Insurance	2,110,720	341,774,403	17,234,832	9,581,519	0	40,917,698	2.37
2002*	Yield Based Dollar Amount of Insurance	10,859,046	1,483,516,816	1,592,876	8,225,715	0	743,204	0.44
2002*	Yield Based Dollar Amount of Insurance	1,483,516,816	1,483,516,816	1,483,516,816	1,483,516,816	0	1,483,516,816	0.94
2002*	Yield Based Dollar Amount of Insurance	225,074	631,432,889	19,332,466	13,920,445	0	9,356,739	0.94
2002*	Yield Based Dollar Amount of Insurance	96,364	183,969,923	24,246,952	13,234,860	0	22,836,652	0.94
2002*	Yield Based Dollar Amount of Insurance	453,313	12,910,041	14,927,122	8,969,089	0	16,680,157	1.26
2002* Grand Total:		211,745,013	36,719,001,658	2,569,562,720	1,770,853,830	2,315,735	2,946,059,138	1.00

* Preliminary totals as of 03/10/2003

PROFITS AND LOSSES

Mr. Bonilla: Please provide a table displaying how profits and losses were distributed between RMA and reinsurance companies for the past ten years.

Response: I would be pleased to provide that information.

[The information follows:]

DISTRIBUTION OF PROFITS AND LOSSES
FROM REINSURED OPERATIONS
As of 2/8/2003

REINSURANCE YEAR	GROSS PREMIUMS	GROSS LOSSES	GROSS GAIN/LOSS	FCIC GAIN/LOSS	*COMPANY GAIN/LOSS
1988	371,515,594	906,467,484	-532,951,890	-524,920,727	-8,031,163
1989	724,067,360	1,097,218,284	-373,150,924	-401,248,901	28,097,977
1990	746,788,024	850,710,892	-103,922,828	-156,153,537	52,230,709
1991	657,375,804	845,860,701	-188,484,897	-230,509,494	42,024,597
1992	695,907,852	845,427,317	-149,520,065	-172,088,637	22,568,572
1993	704,612,450	1,557,855,700	-853,843,250	-771,782,624	-82,060,626
1994	921,236,503	547,698,135	373,538,368	269,388,145	104,150,223
1995	1,271,758,025	1,410,937,923	-139,179,898	-270,461,847	131,281,949
1996	1,657,091,410	1,420,137,448	196,953,962	-47,914,823	244,868,805
1997	1,692,369,058	975,459,877	716,909,181	362,445,556	354,463,625
1998	1,880,395,411	1,784,320,456	96,074,955	-175,106,169	271,181,124
1999	2,317,507,884	2,404,593,119	-87,085,235	-355,527,365	268,442,130
2000	2,543,087,622	2,581,316,716	-38,229,094	-336,625,762	288,396,668
2001	2,985,464,609	2,956,408,921	28,855,688	-326,015,968	354,871,656
2002	2,919,456,169	3,628,694,626	-709,238,457	-760,921,758	51,693,301
2003	2,825,600,000	3,037,520,000	-211,920,000	-582,268,000	370,348,000
2004	2,965,700,000	3,188,128,000	-222,428,000	-611,139,000	388,711,000
TOTAL	13,605,151,116	14,532,831,681	-927,680,565	-2,369,564,011	1,441,883,645

*Based on crop year estimates on an accrual basis
(SOURCE: 1988-2002: Reinsured Company Financial Performance Report)
(SOURCE: 2003 & 2004 Estimates)

Note: The 2002 Reinsurance Year Data can change as losses process.

COMMERCIAL AND ASSIGNED RISK FUNDS

Mr. Bonilla: For the 2001 and 2002 crop insurance portfolio, please compare and contrast the insurance sold under the "Commercial Fund" versus "Assigned Risk Fund."

Response: I would be pleased to provide that information.

[The information follows:]

COMPARISON OF PREMIUM, LOSS, & LOSS RATIO
ASSIGNED RISK FUND vs. COMMERCIAL FUND

2001							
Agreement	Assigned Risk Fund				Commercial Fund		
	Premium	Loss	Loss Ratio		Premium	Loss	Loss Ratio
SRA	\$648,236,162	\$992,774,387	153.15%		\$1,813,088,570	\$1,349,196,427	74.41%
ARA	980,014	2,141,816	218.55%		28,413	5,130	18.06%
Combined	649,216,176	994,916,203	153.25%		1,813,116,983	1,349,201,557	74.41%
2002							
Agreement	Assigned Risk Fund				Commercial Fund		
	Premium	Loss	Loss Ratio		Premium	Loss	Loss Ratio
SRA	\$670,394,951	\$1,079,038,200	160.96%		\$1,794,036,843	\$1,887,785,809	105.23%
ARA	1,791,494	2,960,524	165.25%		362,017	134,917	37.27%
Combined	672,186,445	1,081,998,724	160.97%		1,794,398,860	1,887,920,726	105.21%

Note: Standard Reinsurance Agreement (SRA)
Aquaculture Reinsurance Agreement (ARA)

REINSURED COMPANIES

Mr. Bonilla: Please provide us with a list of the currently active reinsurance company agreements, and indicate which ones had gains and losses under the gain-loss provisions and how much of either was assigned to each company.

Response: I would be pleased to provide you with information on each company's gain or loss status, however, I will not be able to provide you with the actual amount assigned to each company. This data is proprietary information and should not be provided for public record. If you would like more information on this issue, I would be glad to meet with you.

[The information follows:]

COMPANIES UNDERWRITING GAIN/LOSS POSITION
2002 REINSURANCE YEAR

<u>COMPANY</u>	<u>UNDERWRITING GAIN OR LOSS</u>
Farmers Alliance Mutual Insurance Company	Loss
Country Mutual Insurance Company	Gain
Fireman's Fund Insurance Company	Gain
Rural Community Insurance Company	Loss
American Agricultural Insurance Company	Loss
Farmers Mutual Hail Insurance Company of Iowa	Gain
Farm Bureau Mutual Insurance Company	Gain
Farm Bureau Insurance Company of Nebraska	Loss
Great American Insurance Company	Gain
Greenwich Insurance Company	Loss
Hartford Fire Insurance Company	Gain
NAU Country Insurance Company	Gain
Alliance Insurance Company	Gain
Producers Lloyds Insurance Company	Gain
ACE Property and Casualty Insurance Company	Loss
Acceptance Insurance Company	Gain
Western National Mutual Insurance Company	Gain
ZC Insurance Company	Loss
Total	Gain

TOTAL ADMINISTRATIVE AND OPERATING COSTS

Mr. Bonilla: Please provide a table showing, from 1981 through fiscal year 2002, the reimbursements to reinsured companies and the total RMA operating and administrative costs (including the costs paid from the fund).

Response: I would be pleased to provide that information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
ADMINISTRATIVE AND OPERATING EXPENSE OBLIGATIONS
SPECIFIC ACTIVITIES OF THE ADMINISTRATIVE AND OPERATING FUND
FISCAL YEARS 1981 THROUGH 2002
(dollars in thousands)

FISCAL YEAR	FCIC ADMIN. EXPENSES	NUMBER OF SALES AND SERVICE CONTRACTS	SALES AND SERVICE CONTRACT EXPENSES	LOSS ADJUSTMENT EXPENSES	NUMBER OF REINSURED AGREEMENTS	REINSURED EXPENSES	TOTAL ADMINISTRATIVE & OPERATING EXPENSE OBLIG.
1981	\$21,921	UNAVAIL.	\$27,658	\$236	17	\$6,318	55,897
1982	55,946	51	46,978	4,632	35	9,463	112,387
1983	13,596	55	55,766	7,558	46	62,111	131,473
1984	20,086	61	49,535	12,141	48	107,983	177,804
1985	46,844	66	49,527	10,317	50	103,237	199,608
1986	56,510	43	36,173	5,978	48	98,809	193,492
1987	57,963	32	10,388	3,724	44	106,990	175,341
1988	61,789	30	13,618	9,867	38	140,269	215,675
1989	55,714	23	18,632	0	29	131,608	205,954
1990	61,274	20	4,850	0	30	255,761	321,885
1991	64,815	18	17,035	4,027	24	245,157	327,007
1992	66,179	14	10,464	0	26	245,995	322,638
1993	89,100	14	2,700	0	26	217,518	309,318
1994	71,726	13	1,568	0	22	245,430	318,724
1995	67,352	0	0	0	0	0	67,352
1996	0	0	0	0	17	0	0
1997	69,365	0	0	0	17	0	69,365
1998	72,382	0	0	0	18	186,571	260,953
1999	69,713	0	0	0	18	0	69,713
2000	82,766	0	0	0	18	0	82,766
2001	73,281	0	0	0	20	0	73,281
2002	96,557	0	0	0	19	0	96,557

Note: The 1987 through 2002 fiscal years' activity has been updated to match financial statement information.

In FY 1996, FCIC's Administrative and Operating Expense Account was merged with the Salaries and Expense Account of the Farm Service Agency.

The 1995 fiscal year administrative expenses include an increase in undelivered orders which will be expensed in subsequent periods.

ADMINISTRATIVE AND OPERATING OBLIGATIONS AND FCIC FUND ACTIVITIES

Mr. Bonilla: Please provide an update of the table that describes the administrative and operating expenses obligations and RMA revolving fund activities.

Response: I would be pleased to provide that information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
TOTAL ADMINISTRATIVE AND OPERATING COSTS
FISCAL YEARS 1981 THROUGH 2002

(dollars in thousands)

FISCAL YEAR	FCIC ADMINISTRATIVE EXPENSES	SALES AND SERVICE CONTRACT (SSC) EXPENSES	REINSURED COMPANY REIMBURSEMENT	ADMINISTRATIVE EXPENSES PAID BY FCIC FUND	TOTAL ADMINISTRATIVE COSTS
1981	\$21,921	\$27,658	\$6,318	\$34,212	\$90,109
1982	55,946	46,978	9,463	24,883	137,270
1983	13,396	55,766	62,111	0	131,473
1984	20,086	49,535	107,983	0	177,604
1985	46,844	49,527	103,237	0	199,608
1986	58,510	36,173	98,809	0	193,492
1987	56,760	10,388	106,990	6,170	180,308
1988	55,259	13,618	140,269	23,498	232,644
1989	60,867	18,632	131,608	142,863	353,970
1990	61,601	4,850	255,761	36,550	358,762
1991	61,989	17,035	245,157	4,904	329,085
1992	69,654	10,464	245,995	8,234	334,347
1993	89,287	2,700	217,518	45,044	354,549
1994	72,512	1,568	245,430	50,250	369,760
1995	67,444	0	0	410,241	477,685
1996	0	0	0	496,416	496,416
1997	69,365	0	0	454,557	523,922
1998	72,382	0	188,571	247,624	508,577
1999	69,713	0	0	499,417	569,130
2000	82,766	0	0	543,284	626,050
2001	73,281	0	0	656,989	730,270
2002	90,557	0	0	642,897	770,372

Note The 1987 through 2002 fiscal years' activity has been updated to match financial statement information of the Farm Service Agency

The Federal Crop Insurance Act of 1994 authorized the Payment of Program delivery expenses, such as Reinsurance Company expenses, from the Insurance Program fund.

In FY 1996, FCIC's Administrative and Operating Expense Account was merged with the Salaries and Expense account of the Farm Service Agency

FEDERAL CROP INSURANCE CORPORATION
SPECIFIC ACTIVITIES IN FCIC REVOLVING FUND
ACTUAL 1981 THROUGH 2002
(DOLLARS IN THOUSANDS)

FISCAL YEAR	FUND APPROPRIATION	FARMER - PAID PREMIUM	AMOUNTS BORROWED OR TRANSFERRED*	POLICIES EARNING PREMIUM	TOTAL INDEMNITIES	A & O EXPENSES PAID BY FUND
1981	\$0	\$157,658	\$250,000	418,631	\$356,409	34,212
1982	57,456	322,767	0	387,692	407,795	24,883
1983	115,575	307,371	0	314,401	530,100	-
1984	85,117	226,940	0	394,389	584,788	-
1985	110,000	337,932	113,000	415,217	258,862	-
1986	134,190	345,137	450,000	407,096	680,920	-
1987	135,743	287,312	300,000	433,879	414,119	6,170
1988	228,523	327,878	900,000	460,963	1,047,886	23,498
1989	113,000	600,000	400,000	949,730	1,138,196	142,863
1990	182,939	631,478	300,000	894,332	1,036,311	36,550
1991	337,365	553,334	150,000	706,496	954,258	4,904
1992	260,500	565,998	338,000	663,162	976,601	8,234
1993	285,794	583,889	500,000	678,822	1,514,300	45,044
1994	235,794	660,403	287,073	799,960	681,680	50,250
1995	1,690,190	650,130	0	2,039,264	1,522,994	410,241
1996	1,650,350	838,571	0	1,623,653	1,682,791	496,416
1997	1,785,013	877,255	0	1,314,506	1,074,261	454,557
1998	700,000	928,118	0	1,242,721	1,391,898	247,624
1999	1,549,755	918,068	0	1,286,793	1,980,699	499,417
2000	697,764	1,129,229	0	1,323,204	2,461,564	543,284
2001	3,400,875	1,184,376	0	1,297,670	3,408,176	656,989
2002	2,818,946	1,211,711	0	1,258,967	3,894,271	679,815

* The 1994 amount borrowed or transferred includes a transfer of \$370,073 and less the repayment to U.S. Treasury of \$113,000 borrowed in 1985.

Note: The 1987 through 2002 fiscal years' activity has been updated to match Financial Statement information.

DELIVERY EXPENSES

Mr. Bonilla: Of the delivery expenses paid to reinsured companies in fiscal year 2002, how much was provided for each of the following: advertising, sales, underwriting, policy issuance, field supervision, billing and collection, loss adjustment, taxes and licenses and general expense items.

Response: Based on information collected from the companies and RMA accounting reports, the estimated breakdown of expenses is as follows:

	2002 Company Expenses as a Percent of <u>Total Expenses</u>	2002 Reinsurance Year Administrative and Operating Expenses Subsidy as of 2/2003
Loss Adjustment.....	10.85%	\$ 68,010,014
Sales.....	57.75%	361,988,786
Advertising.....	45%	2,820,692
Taxes & Licenses	.29%	1,817,779
General - salaries, employee benefits, equipment, printing, and all other operating expenses.1/	<u>30.66%</u>	<u>192,183,137</u>
TOTAL	<u>100.00%</u>	<u>\$626,820,408</u>

Note: The information is based on Reinsurance Year, not Fiscal Year

1/ Includes underwriting, policy issuance, field supervision, and billing and collection.

Mr. Bonilla: Please provide a detailed explanation of any RMA salaries and expenses-type costs covered under the FCIC Fund's delivery expenses.

Response: None of RMA's salaries or related expenses are paid from the FCIC Fund's delivery expenses. Delivery expenses represent the amount of administrative and operating expense reimbursement provided to approved insurance providers for delivering risk management services and/or products. They are based on the statutory 24.5 percent of total premium for the crop year, in accordance with the Agricultural Research, Extension, and Education Reform Act of 1998.

CROP INSURANCE INDUSTRY ANNUAL MEETINGS

Mr. Bonilla: For the record, where was this year's Crop Insurance Industry Annual Meeting held? Please include a copy of the National Crop Insurance Services invitation.

Response: This years Crop Insurance Industry Annual Meeting was held in Naples, Florida from February 2 -5, 2003. A copy of the invitation letter is attached. [The information follows:]



National Crop Insurance Services®

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January 7, 2003

Mr. Ross Davidson, Administrator
Risk Management Agency
U.S. Department of Agriculture
14th & Independence Ave., SW Rm. 3053
Washington, DC 20250

Dear Mr. Davidson:

On behalf of National Crop Insurance Services Inc. and American Association of Crop Insurers, we would like to thank you for accepting our invitation to attend and participate on the program at the 2003 Crop Insurance Industry Annual Meeting in Naples, Florida.

The dates of the annual meeting are Sunday, February 2 through Wednesday, February 5 at the Registry Resort. We have you scheduled to be on the program on Wednesday, February 5 at 8:45 a.m. Also, we would like to invite you to attend our Board of Directors luncheon on Wednesday beginning at 12:00 noon followed by our Board Meeting.

I am enclosing the full packet of meeting materials, which includes information about the hotel as well as a tentative agenda. Should you have any questions regarding the meeting, please don't hesitate to give me a call.

Sincerely,

ROBERT W. PARKERSON
President

Encl.

Mr. Bonilla: What portion of Federal funding supports these types of meetings? What is the annual cost?

Response: RMA obligated salary, travel, and expense for 4 RMA employees to attend this meeting in 2003. It is not possible for RMA to determine what portion, if any, of the funds identified as "operating expenses" above were used by the reinsured companies for company representatives to attend. It is important to note that, in most cases, company representatives attending this meeting are conducting more than just business associated with the Federal crop insurance program and costs would have to be prorated.

FCIC/REINSURANCE EXPERIENCE

Mr. Bonilla: Please update the table that appears in last year's hearing record that shows RMA and reinsurance combined insurance.

Response: I would be pleased to update that information.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
1991 - 2002 FCIC/REINSURANCE EXPERIENCE
U.S. SUMMARY BY CROP YEAR
As of 3/10/2003
(Net Acres and Dollars in Thousands)

Crop Year	Policies Earning Premium	Units Earning Premium	Net Acres	Liability	Premium	Total Subsidy*	Policies Indemnified	Indemnity	Loss Ratio
1991	706,822	1,582,205	82,356	\$11,215,993	\$737,048	\$190,066	203,316	\$955,288	1.30
1992	663,420	1,549,951	83,106	11,334,058	758,788	196,721	142,494	918,214	1.21
1993	679,156	1,564,826	83,725	11,353,421	755,739	200,009	255,799	1,655,479	2.19
1994	800,882	1,816,714	99,640	13,608,387	949,395	254,876	114,132	601,146	0.63
1995	2,034,337	3,683,452	220,510	23,728,452	1,543,349	889,372	346,415	1,567,730	1.02
1996	1,615,191	3,204,328	204,863	26,876,812	1,838,559	982,063	296,892	1,492,662	0.81
1997	1,319,762	2,799,404	182,188	25,459,037	1,775,382	902,794	174,068	993,550	0.56
1998	1,242,663	2,697,204	181,834	27,921,436	1,875,927	946,312	220,029	1,677,542	0.89
1999	1,288,778	2,896,483	196,918	30,939,450	2,310,133	1,391,887	290,335	2,434,715	1.05
2000	1,323,192	3,046,743	206,437	34,439,574	2,539,956	1,347,871	319,950	2,690,650	1.02
2001	1,297,670	3,078,966	211,745	36,719,001	2,960,563	1,774,015	356,437	2,948,050	1.00
2002	1,258,967	3,056,799	215,372	37,306,925	2,913,408	1,740,798	435,760	3,882,679	1.33
Total	14,230,840	30,977,075	1,968,694	\$290,902,546	\$20,958,247	\$10,816,784	3,155,627	\$21,717,705	1.04

* Total Subsidy includes Premium Subsidy, EFA Discount, Cost Share, and Other Subsidies

INSURED CROPS

Mr. Bonilla: Please provide a list of all crops on which crop insurance is now being offered.

Response: I would be pleased to provide that information.

[The information follows:]

INSURED CROPS - 2003
Bolded crop codes and crop names are new for 2003

CROP CODE	CROP NAME	CROP CODE	CROP NAME
0063	ADJUSTED GROSS REVENUE*	0064	GREEN PEAS
0061	ADJUSTED GROSS REVENUE-LITE*	0062	HYBRID CORN SEED
0107	ALFALFA SEED	0050	HYBRID SORGHUM SEED
0211	ALL OTHER CITRUS TREES	0225	LATE ORANGES
0226	ALL OTHER GRAPEFRUIT	0209	LEMON TREES
0028	ALMONDS	0202	LEMONS
0054	APPLES	0210	LIME TREES
0212	AVOCADO TREES	0023	MACADAMIA NUTS
0019	AVOCADOS	0024	MACADAMIA TREES
0091	BARLEY	0205	MANDARINS
0012	BLUEBERRIES	0214	MANGO TREES
0231	BURLEY TOBACCO	0232	MARYLAND TOBACCO
0072	CABBAGE	0017	MILLET
0015	CANOLA	0206	MINNEOLA TANGELOS
0213	CARAMBOLA TREES	0074	MINT
0057	CHERRIES	0089	MUSTARD
0045	CHILE PEPPERS	0215	NAVEL ORANGES
0235	CIGAR BINDER TOBACCO	0073	NURSERY (FG&C)
0234	CIGAR FILLER TOBACCO	0016	OATS
0236	CIGAR WRAPPER TOBACCO	0013	ONIONS
0245	CITRUS I	0207	ORANGE TREES
0246	CITRUS II	0237	ORLANDO TANGELOS
0247	CITRUS III	0034	PEACHES
0248	CITRUS IV	0075	PEANUTS
0240	CITRUS TREES I	0089	PEARS
0241	CITRUS TREES II	0020	PECANS
0242	CITRUS TREES III	0083	PEPPERS
0243	CITRUS TREES IV	0092	PLUMS
0244	CITRUS TREES V	0043	POPCORN
0249	CITRUS V	0084	POTATOES
0250	CITRUS VI	0219	PROCESSING APRICOTS
0251	CITRUS VII	0046	PROCESSING BEANS
0116	CLAMS	0221	PROCESSING CLING PEACHES
0041	CORN	0106	PROCESSING CUCUMBERS
0021	COTTON	0222	PROCESSING FREESTONE
0022	COTTON EX LONG STAPLE	0036	PRUNES
0068	CRAMBE	0037	RAISINS
0058	CRANBERRIES	0048	RANGELAND
0055	CULTIVATED WILD RICE	0108	RASPBERRY AND BLACKBERRY
0233	DARK AIR TOBACCO	0018	RICE
0047	DRY BEANS	0238	RIO RED & STAR RUBY
0067	DRY PEAS	0228	RUBY RED GRAPEFRUIT
0224	EARLY & MIDSEASON ORANGES	0094	RYE
0080	FIGS	0049	SAFFLOWER
0230	FIRE CURED TOBACCO	0081	SOYBEANS
0031	FLAX	0110	STRAWBERRIES
0229	FLUE CURED TOBACCO	0039	SUGAR BEETS
0033	FORAGE PRODUCTION	0038	SUGARCANE
0032	FORAGE SEEDING	0078	SUNFLOWERS
0218	FRESH APRICOTS	0042	SWEET CORN
0223	FRESH FREESTONE PEACHES	0216	SWEET ORANGES
0105	FRESH MARKET BEANS	0085	SWEETPOTATOES
0044	FRESH MARKET SWEET CORN	0815	SWINE
0086	FRESH MARKET TOMATOES	0052	TABLE GRAPES
0220	FRESH NECTARINES	0087	TOMATOES
0051	GRAIN SORGHUM	0217	VALENCIA ORANGES
0201	GRAPEFRUIT	0029	WALNUTS
0208	GRAPEFRUIT TREES	0011	WHEAT
0053	GRAPES	0065	WINTER SQUASH

* These plans cover all crops and livestock on a whole-farm basis.

Mr. Bonilla: How has the table changed in the last year?

Response: Coverage was added to provide risk management related to price fluctuations for swine (two plans: Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM)). Coverage was also added for the Adjusted Gross Revenue (AGR) Lite Plan. AGR Lite is a variation of the AGR whole farm policy product. AGR insures farmers' combined revenue from all crops and livestock operations. The AGR-Lite product does not contain some of the underwriting constraints of AGR. The maximum liability for an AGR-Lite plan of insurance is \$100,000.

TREASURY AND COMMODITY CREDIT CORPORATION (CCC) BORROWING

Mr. Bonilla: For the record, provide a table showing Treasury and CCC borrowings since 1981 to cover indemnities, premium subsidies and emergency items.

Response: I would be pleased to provide that information.

[The information follows]

**CCC Non-Reimbursable Transfers
To Federal Crop Insurance Corporation
(in millions of dollars)**

Fiscal Year	
1981	\$250
1982	0
1983	0
1984	0
1985	0
1986	450
1987	300
1988	900
1989	400
1990	300
1991	150
1992	338
1993	500
1994	370
1995	0
1996	0
1997	0
1998	0
1999	0
2000	0
2001	0
2002	0
TOTAL	\$3,958

The Federal Crop Insurance Reform Act of 1994 authorizes such sums as are necessary to cover the mandatory expenses of the FCIC including the sales commissions of agents between 1995 and 1997, the delivery expenses of the reinsured companies, and premium subsidies (Section 516(a)(2)).

Treasury Borrowing
(in millions of dollars)

Fiscal Year	
1985	\$113

These funds were repaid to the Treasury in fiscal year 1994.

CROP PARTICIPATION RATE

Mr. Bonilla: Please provide a table, by crop, that shows the average participation rate for the last three fiscal years. For each crop, show the insurable acres, the insured acres, and the percent of each.

Response: I would be pleased to provide that information, however, the information is presented by crop year as the data is collected by crop year rather than fiscal year.

[The information follows:]

**FEDERAL CROP INSURANCE CORPORATION
PRINCIPAL CROPS PARTICIPATION
(acres in thousands)**

<u>Crop Year</u>	<u>Crop</u>	<u>Net Acres Insured</u>	<u>Insurable Acres</u>	<u>Percent Insured</u>
1999	Barley	3,487	5,194	67%
	Corn	52,457	77,386	68%
	Cotton**	13,791	14,874	93%
	Dry Beans	1,663	2,023	82%
	Grain Sorghum	6,474	9,268	70%
	Oats	922	4,673	20%
	Peanuts	1,301	1,535	90%
	Potatoes	912	1,377	66%
	Rice	2,612	3,531	74%
	Soybeans	50,806	73,730	69%
	Sugarbeets	1,216	1,561	78%
	Sunflowers	3,207	3,553	90%
	Tobacco*	429	647	66%
	Wheat	46,494	62,714	74%
	Total	185,851	262,086	71%
2000	Barley	3,928	5,864	67%
	Corn	56,866	79,551	71%
	Cotton**	14,754	15,517	95%
	Dry Beans	1,381	1,758	79%
	Grain Sorghum	6,386	9,195	69%
	Oats	886	4,477	20%
	Peanuts	1,393	1,537	91%
	Potatoes	956	1,384	69%
	Rice	2,317	3,060	76%
	Soybeans	55,054	74,266	74%
	Sugarbeets	1,225	1,564	78%
	Sunflowers	2,464	2,840	87%
	Tobacco*	336	472	71%
	Wheat	45,790	62,629	73%
	Total	193,736	264,114	73%
2001	Barley	3,752	4,967	76%
	Corn	55,810	75,752	74%
	Cotton**	14,946	15,787	95%
	Dry Beans	1,321	1,430	92%
	Grain Sorghum	7,778	10,252	76%
	Oats	823	4,403	19%
	Peanuts	1,417	1,543	92%
	Potatoes	932	1,267	74%
	Rice	2,522	3,335	76%
	Soybeans	58,206	74,105	78%
	Sugarbeets	1,160	1,371	85%
	Sunflowers	2,699	2,663	102%
	Tobacco*	326	432	75%
	Wheat	45,826	59,617	77%
	Total	195,520	256,914	76%
2002	Barley	4,031	5,073	79%
	Corn	58,675	79,054	74%
	Cotton**	13,174	13,963	94%
	Dry Beans	1,665	1,922	87%
	Grain Sorghum	7,251	9,580	76%
	Oats	1,133	5,005	23%
	Peanuts	1,244	1,358	92%
	Potatoes	1,018	1,311	78%
	Rice	2,437	3,240	75%
	Soybeans	55,994	73,758	76%
	Sugarbeets	1,191	1,426	83%
	Sunflowers	2,348	2,585	91%
	Tobacco*	314	430	73%
	Wheat	45,404	60,358	75%
	Total	195,879	259,065	76%

Unless otherwise stated, all insurable acreage estimates are NASS planted acreage estimates in thousands of acres

* NASS only reports harvested acres for this crop

** Cotton contains both Pima and Upland

UNOBLIGATED BALANCE – FCIC FUND

Mr. Bonilla: What is the optimum unobligated balance in the FCIC fund to carry forward from year to year? Why is this amount necessary?

Response: The unobligated balance needed for the FCIC Fund to carry forward from year to year is about \$600 million. The amount is necessary to cover unexpected increase in losses and to maintain the FCIC's capital stock of \$500 million. With the current \$3 billion book of business, a 20-point loss ratio increase would result in \$600 million in loss payments. This could easily happen during a period of heavy losses. Recent appropriations acts have allowed the FCIC Fund to have such sums as are necessary available to cover program expenses. Additional funds can be made available when needed to cover unexpected expenditures, however, processing the funding documents takes time. Therefore, the FCIC Fund maintains an unobligated balance of about \$600 million.

PROGRAM INDICATORS

Mr. Bonilla: Please provide a table of program indicators for crop years 2000, 2001 and current estimates for 2002.

Response: I would be pleased to provide that information.

[The information follows:]

**Federal Crop Insurance Corporation
Program Indicators
(Dollars/Acres in Thousands)**

Crop Year Data				
Program Indicators:	1999	2000	2001	2002
Number of States	50	50	50	50
Number County Crop Programs (by Plan)	37,892	36,269	38,469	38,461
Number of Counties	3,022	3,022	3,022	3,022
Insured Acres	196,918	206,437	211,745	215,372
Insurance-in-Force (Liability)	\$30,939,450	\$34,439,574	\$36,719,001	\$37,306,925
Liability Per Acre	\$157.12	\$166.83	\$173.41	\$173.22
Average Premium Rate	7.47%	7.38%	8.07%	7.81%
Net Risk Premium Per Acre	\$11.73	\$12.30	\$13.99	\$13.53

Participation Indicators: (14 Major Crops)	1999	2000	2001	2002
Insured Acres	185,851	193,736	195,520	195,879
Potential Acreage	262,086	264,114	256,914	259,065
Participation Rate	71%	73%	76%	78%

Net Risk Premium:	1999	2000	2001	2002
Producer Premium:				
Catastrophic Coverage	0	0	0	0
Additional Coverage	918,247	1,192,085	1,187,383	1,173,391
Total Producer Premium	\$918,247	\$1,192,085	\$1,187,383	\$1,173,391
Premium Subsidy:				
Catastrophic Coverage	295,782	264,771	245,771	231,605
Additional Coverage	659,090	686,336	1,525,511	1,508,803
Other Subsidies	437,015	396,764	2,733	390
Total Producer Subsidy	\$1,391,887	\$1,347,871	\$1,774,015	\$1,740,798
Total Premium:				
Catastrophic Coverage	295,782	264,771	245,771	231,605
Additional Coverage	2,014,352	2,275,185	2,715,627	2,682,584
Total Premium	\$2,310,134	\$2,539,956	\$2,961,398	\$2,914,189

Indemnities:	1999	2000	2001	2002
Catastrophic Coverage	81,951	65,770	49,781	73,642
Additional Coverage	2,352,764	2,524,880	2,898,269	3,809,037
Total, Indemnities	\$2,434,715	\$2,590,650	\$2,948,050	\$3,882,679

Loss Ratio:	1999	2000	2001	2002
Catastrophic Coverage	0.28	0.25	0.20	0.32
Additional Coverage	1.17	1.11	1.07	1.42
Total, Loss Ratio	1.05	1.02	1.00	1.33

RISK MANAGEMENT EDUCATION

Mr. Bonilla: Please provide a summary of risk management training conducted in fiscal year 2002 and planned for fiscal year 2003, including locations, number trained, and costs.

Response: I would be pleased to provide that information.

[The information follows:]

RISK MANAGEMENT TRAINING CONDUCTED IN 2002			
Organization	State # Locations	Number Trained	Costs
Delaware Department of Agriculture	Various locations in Delaware	650	\$158,837
Florida Department of Agriculture & Consumer Services	Various locations throughout Florida	11,550	\$400,000
Georgia Fruit & Vegetable Growers Association	Savannah, Georgia	1,250	\$49,200
New Hampshire Department of Agriculture, Markets & Food	Various locations in New Hampshire	1,747	\$199,980
Montana State University	Various locations in North Dakota, South Dakota, Wyoming, and Montana	361 (information packets were sent to an additional 575).	\$74,800
New York Dept of Agriculture & Markets	28 locations throughout New York	3,000	\$260,000
Rhode Island, Dept of Environmental Mgmt, Division of Agriculture	10 locations in 5 counties of Rhode Island	75	\$113,703
Utah Department of Agriculture & Food	Various location in Utah	928	\$219,344
Vermont Department of Agriculture, Food and Markets	17 locations in Vermont	880	\$137,242
Washington State Department of Agriculture	93 locations throughout Washington	1,600	\$190,000
Washington State Department of Agriculture	Various locations in Washington	955	\$24,800
Pennsylvania Department of Agriculture	65 locations in Pennsylvania	4,000	\$365,000
Connecticut Department of Agriculture	24 locations in Connecticut	400	\$297,000
Virginia Dept. of Agriculture	Various locations in Virginia	5,200	\$200,000
Maryland Department of Agriculture	Various locations in Maryland	1,450	\$285,000
Georgia Fruit & Vegetable Growers Assoc.	Savannah, Georgia	1,250	\$49,200
Maine Department of Agriculture	Various locations in Maine	5,736	\$285,000

In addition to the funded projects, the RMA Education Team led efforts in implementing risk management education and outreach programs exposing over 35,000 of America's farmers and ranchers to new risk management concepts during FY 2002.

RISK MANAGEMENT TRAINING PLANNED IN FISCAL YEAR 2003			
Organization	State # Locations	Number Trained	Costs
Montana State University	Various locations in North Dakota, South Dakota, Wyoming, and Montana	600	\$100,000
Montana Grain Growers Assoc.	Various counties in Montana & Wyoming	45	\$27,500
North Dakota Grain Growers Assoc.	Grand Forks, North Dakota	350	\$7,500
Hiawatha Valley RC&D Association, Inc.	Various locations in Minnesota, Iowa & Wisconsin	17,000	\$99,916
Midwest Organic & Sustainable Education Service	Various locations in Iowa, Minnesota, & Wisconsin	1,400	\$28,820
Organic Crop Improvement Association of Iowa	Various locations in Iowa, Minnesota & Wisconsin	300	\$26,000
Minnesota Fruit & Vegetable Assoc.	St. Cloud, Minnesota	400	\$16,700
Minnesota Food Assoc.	Various locations in Minnesota	700	\$99,752
Southwest Wisconsin Technical College	Various counties in Wisconsin	300	\$50,000
Foremost Farms USA, Cooperative	Various locations in Wisconsin, Minnesota, Iowa, Illinois, Indiana, Ohio, & Michigan	124	\$35,039
Practical Farmers of Iowa	Various counties in Iowa	850	\$52,650
Stewart-Peterson, Inc.	Various locations in Minnesota and Wisconsin	Web-based training with the capacity to reach 3,500 young farmers	\$42,000
Minnesota Cultivated Wild Rice Council	Brainerd, MN	80	\$3,176
Minnesota Assoc. of Wheat Growers	Grand Forks, North Dakota	350	\$6,000
Minnesota Canola Council	Brainerd, MN	130	\$3,860
Auburn University	State of Alabama	500	\$57,475
Georgia Young Farmers Association	Various counties in Georgia	2,109	\$48,760
Georgia Organics, Inc.	Georgia	1,047	\$54,985

Alabama A&M University	Various counties in Alabama	256	\$98,000
Southern Sustainable Ag Working Group	Mobile, Alabama	500	\$23,000
University of Florida	State of Florida	1,000	\$100,000
Florida Nurserymen & Growers Assoc.	Orlando, Florida	350	\$20,000
WIFE-Foundation for Agriculture Education	South Carolina	120	\$24,755
Georgia Fruit & Vegetable Growers Assoc.	Savannah, Georgia	1,500	\$84,300
Tuskegee University	Alabama Black Belt Counties	240	\$94,193
Florida Department of Agriculture (Consumer Services)	Monthly Agri-journal publication	3,000	\$31,400
Florida Department of Agriculture (Consumer Services)	Will reach producers in the state of Florida by personal contact, direct mail, direct e-mail, and via web site	11,000	\$52,000
Southern Nursery Assoc.	Atlanta, Georgia	500	\$58,000
University of Florida-Extension Service	Various counties in Florida	350	\$9,350
Georgia Green Industry Assoc., Inc.	Athens, Georgia	2,600	\$41,400
Georgia Fruit & Vegetable Growers Assoc.	Athens, Georgia	2,000	\$64,000
Florida Department of Agriculture (Consumer Services)	State of Florida	200	\$75,000
Chattooga County Young Farmers	Chattooga, County, Georgia	100	\$7,250
University of Arkansas Cooperative Extension Service	3 locations in Arkansas	150	\$22,514
Univ of Arkansas at Pine Bluff	13 locations in Arkansas in addition to 100 meetings with individual producers	600	\$27,720
Mississippi State University	Jackson, MS	150	\$48,652
AL-AR-LA-MS Fruit & Vegetable Growers Association	Mississippi	600	\$32,000
Kentucky State University	Frankfort, KY	500	\$28,700

Alcorn State University	14 counties throughout MS	300	\$89,000
The Kerr Center for Sustainable Agriculture, Inc	6 locations throughout Oklahoma	6,000	\$42,539
Texas/Mexico Border Coalition	12 locations in the Texas border region	720	\$48,880
Texas Cooperative Extension	13 locations in Texas	1,000	\$87,109
Texas A&M – Kingsville	Various locations throughout Texas	500	\$55,440
Texas Nursery & Landscape Assoc.	10 locations throughout TX	500	\$52,750
University of Arizona	15 locations in Arizona	1,000	\$94,000
Community Alliance with Family Farmers	6 locations in California	240	\$96,043
University of California – Small Farms Program	11 locations in California	330	\$85,756
Hmong American Community	10 meetings in Fresno, CA	260	\$40,750
Agriculture and Land-Based Training Association	11 meetings in Salinas, CA	60	\$70,975
Washington State Dept of Agriculture	10 locations in Washington	1,200	\$100,000
Idaho Cattle Association	17 locations in Idaho	800	\$75,748
Oregon State University Extension Service	10 locations in Oregon	120	\$74,484
WA Wine Grape Industry Foundation	7 locations in Washington, Oregon and Idaho	200	\$100,000
Alaska Farmers Union	4 locations in Alaska	100	\$34,500
University of Illinois	14 locations in Illinois	1,050	\$82,843
Michigan Department of Agriculture	11 locations in Michigan	2,419	\$99,715
Ag Marketing Education, Inc	Locations in Nebraska, Missouri, Iowa, Illinois and Arkansas	330	\$33,364
Center for Rural Affairs	5 locations in Nebraska	120	\$41,195
Country Hedging, Inc.	4 counties in MO; 14 counties in KS; 2 counties in IN; 2 counties in OH; and 1 county in WI.	993	\$99,955
Family Farm Opportunity Center	5 locations in Missouri	325	\$32,900

Market, Data, Inc.	2 counties in OK; 5 counties in NE; 8 counties in KS and 3 counties in CO.	150	\$50,000
National Sunflower Association	3 locations in CO; 3 locations in Kansas; 1 location in NE.	467	\$25,900
Nebraska Grain & Feed Association	Kearney, NE	40	\$5,000
Small Farm Today	Columbia, Missouri	1,553	\$17,4546
University of Nebraska-Lincoln	3 locations in Nebraska	90	\$95,198
Virginia Dept. of Agriculture	Richmond, VA	30	\$25,000
Virginia Dept. of Agriculture	20 various locations in Virginia	1,000	\$100,000
Vermont Dept. of Agriculture, Food and Markets	Various locations in Vermont	70	\$20,000
Connecticut Dept. of Agriculture	10 various locations in Connecticut	250	\$22,000
North Carolina Assoc. of Nurserymen, Inc	Various location in North Carolina	45	\$44,000
University of Maine Cooperative Extension	Bangor and Lewiston, ME	2,000	\$102,000
University of Vermont Extension	25 locations in Vermont	300	\$103,000
Connecticut Department of Agriculture	Various locations in Connecticut	250	\$99,000
New England Small Farm Institute and Massachusetts Dept of Agriculture	5 locations in Massachusetts	100	\$94,000
New York State Department of Agriculture & Markets	10 locations in New York	500	\$276,000
University of New Hampshire	Various counties in New Hampshire	170	\$77,000
Delaware Department of Agriculture	Various counties in Delaware	175	\$115,000
Pennsylvania Department of Agriculture	30 various locations in Pennsylvania	3,000	\$342,000
Maryland Department of Agriculture	Salisbury, Easton, Hughsville, Mt. Airy, Upperco and Chesterton, MD	1,100	\$167,000
Nevada Department of Agriculture	8 locations throughout Nevada	1,000	\$89,000

New Jersey Department of Agriculture	Various locations in New Jersey	5,550	\$117,000
West Virginia Department of Agriculture	28 counties in West Virginia	2,920	\$93,000
Utah State University	Various counties in Utah	600	\$129,767

CONGRESSIONAL AFFAIRS

Mr. Bonilla: How many people are currently employed in the Congressional Affairs area, including detailees from other areas?

Response: There is currently one person employed in the Congressional Affairs area.

HOTLINE INVESTIGATIONS

Mr. Bonilla: How many hotline investigations did you investigate in fiscal year 2002? What was the outcome? What is the typical nature of the hotline investigation?

Response: During FY 2002, RMA investigated 94 hotline complaints. The outcome resulted in 83 being unsubstantiated, 8 substantiated, 1 sent to Office of Inspector General (OIG) for criminal investigation, and 2 returned to OIG because no RMA violations were alleged. The typical nature of the hotline investigations were complaints alleging fraud such as prevented planting claims not justified, policyholders and agents conspiring to submit fraudulent claims, policyholders' poor farming practices, and policyholders hiding production.

INFORMATION TECHNOLOGY INITIATIVES

Mr. Bonilla: The budget request includes a \$5.6 million increase for IT initiatives. Is \$5.6 million the full cost of FY 2004? If not, what is the cost for FY 2004?

Response: No. The \$5.6 million reflects only the increase over the baseline of \$10.4 million. Further the total IT budget for RMA is \$24.7million, which includes the \$10.4 million in our baseline, the \$5.6 million increase contained in the RMA budget request, plus \$8.7 million for investments related to the Department's Common Computing Environment (CCE). The \$8.7 million increase for CCE related investments is contained in the President's Budget request under the Office of the Chief Information Officer, the office which coordinates the Department's CCE related investments.

Mr. Bonilla: What is the schedule of implementation of IT investments 1, 2, 7, and 15? Are there training costs involved and are these costs included in the above estimates? Are there any out-year-costs for the above IT improvements?

Response: Investments 1 and 2 are fully mature and nearing the end of lifecycle. Investment 2 Corporate Insurance Information Systems (CIIS) was brought on-line in 1995/1996. Investment 1 Financial Management Systems (FMS) was brought on-line in 1996/1997. There are no specific training costs associated with investments 1 and 2.

Investment 7 Strategic Data Analysis (Data Mining/Data Warehousing) - Initiative Management (SDA) has been in production for over a year and is being further expanded with a second development phase scheduled for FY 2003. There is \$89,000 in training expenditures scheduled for FY 2004.

Investment 15 Standard Reinsurance Agreement Analysis (SRAA) went into production in November 2002; a second phase is being planned at this time and should be complete by fall 2003. No training expenditures are scheduled for FY 2004.

There are out year costs for services for all four investments. There are also ongoing software licensing and hardware replacement costs for investments 7 and 15.

Mr. Bonilla: The budget request states that these improvements are necessary to avoid costly system failures. Please identify the costs for revamping the systems that are currently most vulnerable to system failure.

Response: Several mission critical sub-systems within the Corporate Insurance Information System (CIIS) and Financial Management System (FMS) are at risk of failure primarily due to their age and the increasingly diverse types of insurance and information they are required to maintain and track. Sub-systems used to edit, collect, analyze and deliver risk management product lines to the public have experienced a variety of failures. It has become increasingly difficult to incorporate new products into these systems resulting in delayed delivery. Manual workarounds are becoming standard operating procedure, resulting in increased business and technical labor costs. Some interactive applications no longer function or function unreliably. Code, database and file redundancies have increased errors using the applications, analyzing data results, producing effective management reports and maintaining applications. Cost estimates in FY 2004 for revamping portions of Agency business systems under CIIS and FMS are \$7.1 million.

Finally, the ability of RMA to monitor and deliver the crop insurance program in the event of a natural or man-made disaster is jeopardized by the current lack of a fully functional hot site. This risk has been cited for several years in independent audits and OCIO (Office of the Chief Information Officer) Cyber-Security Reviews. RMA has attempted to mitigate the risk by moving backup servers offsite. However, the Agency needs to develop true hot site capabilities which would allow all crop insurance activities to continue uninterrupted in the event that our main IT infrastructure is compromised.

LEGISLATIVE PROPOSAL

Mr. Bonilla: The Crop Insurance language is a legislative proposal, so it should have been submitted for consideration by the authorizing committee for their consideration. Can you tell us how they have reacted to your request for us to include this language in our bill?

Response: The Authorizing Committees have expressed no objections to our decision to present the legislative proposal through the Appropriation Committees. However, we have received comments from Members of Congress expressing concerns on the potential impact of the proposal. Nonetheless, we believe that it is appropriate to offer this legislation through the Appropriation Committees. The Federal Crop Insurance Corporation (FCIC) account is mandatory. However, it is subject to the annual appropriations process. Recent Appropriation Acts have provided "such sums as may be necessary" for the program. By presenting the proposal to the Appropriation Committees, the Administration is offering them the opportunity

to claim credit for the first year savings, which could be used to offset budget increases. Budget scoring procedures used by the Congressional Budget Office (CBO) allow appropriators to claim these savings to the extent they occur in the fiscal year covered by an appropriation which includes a change in a mandatory account.

ADMINISTRATIVE AND OPERATING REIMBURSEMENT RATE

Mr. Bonilla: On December 31, 2002 the Risk Management Agency announced it would not cancel the Standard Reinsurance Agreement (SRA), which defines the terms of reinsurance between RMA and the companies participating in the crop insurance program because "the current unsettled nature of the industry was a major concern. This is reflected in lingering drought conditions in some parts of the country coupled with the demise of the largest company participating in the crop insurance program." The SRA agreement will undoubtedly be renegotiated by 2005 as provided by Agricultural Risk Protection Act of 2000. Why are you asking Congress to cut the administrative and operating (A&O) reimbursement when USDA has the administrative authority to make such a change during SRA negotiations?

Response: You are correct, the USDA has the authority to change the A&O reimbursement rate when renegotiating the SRA agreement. However, by presenting the proposal to the Appropriation Committees, the Administration is offering them the opportunity to claim credit for the first year savings, which could be used to offset budget increases. Budget scoring procedures used by the Congressional Budget Office allow appropriators to claim these savings to the extent they occur in the fiscal year covered by an appropriation which includes a change in a mandatory account. By achieving these savings through the appropriation process, RMA will be free to concentrate their efforts during renegotiation on achieving other long-term savings in the crop insurance program.

Mr. Bonilla: A company that is no longer in business wrote approximately \$80 million in premium in Texas. It is my understanding those policies will be transferred to other companies, but it is a long process. In 2002, more than 33 million acres were insured. Crop insurance is very valuable to my farmers; they received more than \$7.2 million in indemnity payments last year. This has allowed many of them to stay in business. I am concerned for my producers as to what will be the impact on them and the crop insurance industry if the A&O cut is approved. What has changed in the crop insurance industry from December 3, 2002 to February 3, 2003, which would support a proposal to cut A&O to 20 percent?

Response: There has been little change in the crop insurance industry since December 3, 2002. However, it is important to consider the ability of the industry to absorb a reduction in the A&O reimbursement rate rather than the performance of one particular company. In 2002, A&O reimbursements were nearly \$230 million higher than in 1998, an increase of about 53 percent. This proposal would save about \$68 million. Over that same time period, the number of policies sold has remained virtually unchanged. The tremendous growth in the A&O reimbursements is due largely to producers buying higher dollar policies as a result of the substantial increase in subsidies Congress provided in the ARPA legislation. These savings are achievable because of the higher dollar policies being sold, the fact that most policies sold are renewals which require

less work to deliver than first time sales, and the efficiencies that will be gained through e-commerce.

It is unclear that the drought conditions played a major role in failure of American Growers. In fact, it is projected that American Growers will receive an underwriting gain on their 2002 business. Other factors appear to have played a far larger role in their failure, such as, their recent purchase of another crop insurance provider and other expenditures that far exceeded the industry norm. However, the American Growers failure does point to several actions that RMA must take and expedite to increase oversight and encourage stability in the industry. RMA has increased its monitoring of the current and emerging financial condition of each reinsured company. RMA is seeking greater disclosure and transparency of specific operating expenses, including distribution system costs, and an enhanced assessment of potential financial and operating expenses.

Questions Submitted by Mr. Kingston
Risk Management Agency

ADMINISTRATIVE AND OPERATING REIMBURSEMENT RATE

Mr. Kingston: On December 31, 2002, the Risk Management Agency (RMA) announced it would not cancel the Standard Reinsurance Agreement (SRA), which defines the terms of reinsurance between RMA and the companies participating in the crop insurance program. The RMA press release states as reasons for the decision to be, "The current unsettled nature of the industry was a major concern. This is reflected in lingering drought conditions in some parts of the country coupled with the demise of the largest company participating in the crop insurance program."

The SRA agreement will undoubtedly be renegotiated by 2005 as provided by the Agricultural Risk Protection Act of 2000 (ARPA). Why are you asking Congress to cut the administrative and operating (A&O) reimbursement when USDA has the administrative authority to make such a change during the SRA negotiations?

Response: You are correct, the USDA has the authority to change the A&O reimbursement rate when renegotiating the SRA agreement. However, by presenting the proposal to the Appropriation Committees, the Administration is offering them the opportunity to claim credit for the first year savings, which could be used to offset budget increases. Budget scoring procedures used by the Congressional Budget Office allow appropriators to claim these savings to the extent they occur in the fiscal year covered by an appropriation which includes a change in a mandatory account.

Mr. Kingston: It is my understanding those policies will be transferred to other companies, but it is a long process. In my district in 2002 the various crop insurance companies insured more than 316,000 acres. Crop insurance is very valuable to my farmers; they receive nearly \$25 million in indemnity payments last year. This has allowed many of them to stay in business. I am concerned for my producers as to what will be the impact on them and the crop insurance industry if the A&O cut is approved. What has changed in the crop insurance industry from December 3, 2002, to February 3, 2003, which would support a proposal to cut A&O to 20 percent?

Response: There has been little change in the crop insurance industry since December 3, 2002. However, it is important to consider the ability of the industry to absorb a reduction in the A&O reimbursement rate rather than the performance of one particular company. In 2002, A&O reimbursements were nearly \$230 million higher than in 1998, an increase of about 53 percent. This proposal would save about \$68 million. Over that same time period, the number of policies sold has remained virtually unchanged. The tremendous growth in the A&O reimbursements is due largely to producers buying higher dollar policies as a result of the substantial increase in subsidies Congress provided in the ARPA legislation. These savings are achievable because of the higher dollar policies being sold, the fact that most policies sold are renewals which require less work to deliver than first time sales, and the efficiencies that will be gained through e-commerce.

It is unclear that the drought conditions played a major role in failure of American Growers. In fact, it is projected that American Growers will receive an underwriting gain on their 2002 business. Other factors appear to have played a far larger role in their failure, such as, their recent purchase of another crop insurance provider and other expenditures that far exceeded the industry norm. However, the American Growers failure does point to several actions that RMA must take and expedite to increase oversight and encourage stability in the industry. RMA has increased its monitoring of the current and emerging financial condition of each reinsured company. RMA is seeking greater disclosure and transparency of specific operating expenses, including distribution system costs, and an enhanced assessment of potential financial and operating expenses.

[Clerk's Note. — The President's budget request for fiscal year 2004 was submitted on February 3, 2003. This preceded final Congressional action of the fiscal year 2003 bill, which was completed in the House of Representatives on February 13, 2003. The President's fiscal year 2004 budget request (including the explanatory notes) compared the submission with the budget request for fiscal year 2003, NOT with the fiscal year 2003 enacted amounts. The following material covers portions of the fiscal year 2004 explanatory notes revised to reflect enactment of the fiscal year 2003 appropriations act.]

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

- For administrative and operating expenses, as authorized by the Federal Agriculture Improvement and Reform Act of 1996 [section 226A of the Department of Agriculture Reorganization Act of 1994] (7 U.S.C. 6933), [\$70,708,000] ~~\$78,488,000~~: *Provided*, That not to exceed [\$700] ~~\$1,000~~ shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

The change in language is for the purpose of providing an increase in funds for official reception and representation due to an anticipated increase in the Federal Crop Insurance Corporation Board's participation in receptions and representative activities in FY 2004.

RISK MANAGEMENT AGENCY

Lead-Off Tabular StatementADMINISTRATIVE AND OPERATING EXPENSES

Appropriations Act, 2003	\$70,708,000
Budget Estimate, 2004	78,488,000
Increase in Appropriation	<u>7,780,000</u>

Adjustments in 2003:

Appropriations Act, 2003	\$70,708,000
Rescindments under P.L. 108-77	<u>(460,000)</u>

Adjusted base for 2003	70,248,000
Budget Estimate, Current Law, 2004	78,488,000
Increase over adjusted 2003	<u>8,240,000</u>

b/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

Item of change	2003 Estimated	Pay Costs	Program Changes	2004 Estimated
Administrative and Operating Expenses, Available	\$70,248,000	51,261,000	56,979,000	78,488,000
Total Available	70,248,000	1,261,000	6,979,000	78,488,000

PROJECT STATEMENT

(On basis of adjusted appropriation)

	2002		2003		Increase or Decrease	2004	
	Actual		Estimated			Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1 Administrative and Operating Expenses.....	\$73,728,413	510	\$70,248,000	568	+	\$78,470,000	568
2 FECA Surcharge	0	0	0	0		18,000	18,000
3 Unobligated Balance	503,474	0	0	0		0	0
Subtotal, Appropriation.....	74,231,887	510	70,248,000	568		78,488,000	568
Total Available or Estimate.....	74,231,887	510	70,248,000	568		78,488,000	568
Rescindments	520,113		460,000	0			
Total, Appropriation	74,752,000	510	70,708,000	568			

[Clerk's Note. – Following are the explanatory notes submitted as part of the President's fiscal year 2004 budget request prior to enactment of the fiscal year 2003 appropriations act.]

2004 Explanatory Notes
Risk Management Agency

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RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, approved April 4, 1996. This Act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under Federal Crop Insurance Act or other law, and such other programs as the Secretary considers appropriate. Title I, Subtitle D, Section 142 of the Agricultural Risk Protection Act (ARPA) of 2000, P.L. 106-224, approved June 20, 2000, modifies this, reestablishing the general provision of the FCIC by a Board of Directors, subject to the general supervision of the Secretary.

Over the past six decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of many public and private alternatives designed to improve the economic stability of agriculture. In light of new legislative mandates, significant program growth and the development of many large and complex new programs have and will continue to transpire. RMA will strive to provide adequate risk protection for our Nation's agricultural producers and to address long-standing concerns about Federal crop insurance through such steps as: increasing subsidies for buyup coverage; addressing the problems of multi-year losses; making important financial commitments to crop insurance expansion, modifying research and development activities (contracting and reimbursements); and helping prevent abuse of the insurance program while improving aspects of compliance.

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. RMA's legislative mandates for an options-based pilot program, revenue insurance, wild salmon and livestock pilots, and education and risk management assistance initiatives further contribute to the producer's ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk in order to improve the economic stability of agriculture.

RMA is authorized 568 FTE for fiscal year (FY) 2004 and has staff at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, 10 Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2002, 510 FTEs were on board, located throughout the nation as follows: 82 at Headquarters in Washington, D.C., 183 at the National Office in Kansas City, MO, 168 in ROs, and 77 in RCOs.

Major RMA functional areas include: Program Management/Office of the Administrator (OA): OA consists of the following: Administrator's staff, Civil Right and Community Outreach Staff, External/Congressional/Public Affairs, Financial Management Staff, and Program Support Staff. Research and Development (R&D): R&D consists of the following: Deputy Administrator's staff, Actuarial Division, Fiscal Operations and Systems Division, Product Development Division, and the Research and Evaluation Division, Insurance Services Division (ISD): ISD consists of the following: Deputy Administrator's staff, Reinsurance Services Division, Risk Management Education Division, Risk Management Services Division and 10 ROs located in the following cities: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia; and Risk Compliance: Compliance consists of the following: Deputy Administrator's staff, Insurance Operations Division, Policy, Procedures and Evaluation Division, and six regional compliance offices at the following locations: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

Office of the Inspector General (OIG)/General Accounting Office (GAO) Reports:

The following table provides a list of RMA audits completed during FY 2001.

OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2002		
REPORT TITLE	IDENTIFYING NUMBER	DATE ISSUED
Management Issues Related to the Audit of RMA/FCIC Financial Statements for FY 2001: The report is part of the audit of FCIC's financial statements for the year ended September 30, 2001. The report presents comments and recommendations intended to improve internal control or result in other operating efficiencies.	05401-10-Fm	1/25/02
FCIC Financial Statements as of September 30, 2001, and 2000: The report presents the auditors' opinion on the Risk Management Agency's and Federal Crop Insurance Corporation's principal financial statements for the fiscal years ended September 30, 2001, and 2000.	05401-9-Fm	2/25/02
Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System: The objectives of this audit were to determine whether RMA's implementation of a quality control review system was adequate and to evaluate RMA's management controls designed to ensure that insurance companies accurately perform and report the results of their internal quality control reviews.	05099-14-Kc	3/15/02
Indemnity Payments to Peach Growers in California: The objectives of this audit were to determine if the 19 peach growers who received indemnity payments accurately reported production on their crop insurance claims for loss.	05099-10-Sf	8/26/02
RMA Viability of Fall Watermelons in Texas Their Inclusion in the 1999 Watermelon Insurance Pilot Program: The objectives of this audit were to determine if fall watermelons were a viable crop in South Texas and if controls were adequate over RMA's process of approving crops for coverage under the 1999 watermelon insurance pilot program.	05601-8-Te	9/30/02
Review of Large Insurance Claim for Watermelons in South Texas. The objectives of this audit were to determine whether a producer in South Texas with a substantial crop loss claim on a watermelon crop violated provisions of the 1999 watermelon insurance pilot program by misrepresenting his share of the crop and by entering into a business relationship that may constitute a conflict of interest.	05601-9-Te	9/30/02

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2002		
REPORT TITLE	IDENTIFYING NUMBER	START DATE
Crop Insurance Claims in Mississippi: The objective of this audit is to review 1999 Mississippi crop insurance indemnities.	05099-23-At	8/23/00
Conflicts of Interest in Crop Insurance Programs: The objective of this audit is to determine if management's controls are adequate to detect and/or prevent conflict of interest situations and thereby help reduce the vulnerability of crop insurance programs to waste, loss, and abuse.	05099-15-Kc	8/26/00
Crop Insurance Actual Production History: The objectives of this survey are to become familiar with RMA's policies and procedures regarding added land, combining and dividing units, transferring small acreage actual production histories to large acreage, and yield determinations.	05099-25-At	3/30/01
Review of Written Agreements: The objectives of this audit are to determine if the Risk Management Agency is administering written agreements in a manner that assures reasonable compliance with provisions of applicable laws and regulations.	05601-10-Te	8/24/01
Data Acceptance System Processing Controls: The objectives of this audit are to ascertain the effectiveness and applicability of the current system's edit checks, data management, and management reports.	05099-16-Kc	2/4/02
USDA Implementation of Agricultural Risk Protection Act: The objectives of this audit are to assess the development, implementation, and administration of the programs provided under the Agricultural Risk Protection Act of 2000.	50099-12-Kc	3/19/02
Establishment of Maximum Price Guarantees for Reinsured Crop Insurance Policies: The objectives of this audit are to determine the propriety of the process to establish maximum price guarantees and update them for current market conditions.	05099-17-Kc	4/19/02
FCIC Financial Statements as of September 30, 2002, and 2001: The audit examines the Risk Management Agency's and Federal Crop Insurance Corporation's principal financial statements for the fiscal years ended September 30, 2002, and 2001.	05401-11-Fm	9/30/02

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Available Funds and Staff Years
FY 2002 Actual and Estimated FY 2003 and FY 2004

Item	2002		2003		2004	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Administrative & Operating (A&O) Expenses						
A&O Expense Appropriation	\$74,752,000	\$10	\$70,726,000	568	\$78,488,000	568
Rescission	-520,113	0	0	0	0	0
Total, A&O Expenses	74,231,887	\$10	70,726,000	568	78,488,000	568
Federal Crop Insurance Corporation (FCIC) Fund						
Premium Subsidy	\$1,782,336,000	0	\$1,699,849,000	0	\$1,769,792,000	0
Delivery Expenses	642,897,000	0	613,179,000	0	643,498,000	0
ARPA Costs	40,683,703	0	67,311,000	0	77,311,000	0
Treasury Transfer for Excess Losses	370,716,000	0	530,627,000	0	877,386,000	0
Proposal to Reduce Reimbursement Rate	0	0	0	0	-67,800,000	0
Total, FCIC Fund	2,836,632,703	0	2,910,966,000	0	3,300,187,000	0
Total, Risk Management Agency	2,910,864,590	\$10	2,981,692,000	568	3,378,675,000	568

1/ The amount in 2002 was rescinded pursuant to P.L. 107-206.

RISK MANAGEMENT AGENCY

Permanent Positions by Grade and Staff Year Summary
2002 Actual and Estimated 2003 and 2004

Grade	2002				2003				2004			
	Wash	DC	Field	Total	Wash	DC	Field	Total	Wash	DC	Field	Total
ES-6		1	0	1		1	0	1		1	0	1
ES-4		1	1	2		3	1	4		3	1	4
ES-2		0	0	0		0	0	0		0	0	0
GS-16		0	1	1		0	2	2		0	2	2
GS-15		9	5	14		11	6	17		11	6	17
GS-14		8	32	40		14	40	54		14	40	54
GS-13		37	133	170		54	124	178		54	124	178
GS-12		9	169	178		19	154	173		19	154	173
GS-11		0	26	26		6	27	33		6	27	33
GS-9		1	15	16		6	14	20		6	14	20
GS-8		3	8	11		4	8	12		4	8	12
GS-7		6	16	22		10	13	23		10	13	23
GS-6		4	31	35		3	31	34		3	31	34
GS-5		1	6	7		5	8	13		5	8	13
GS-4		2	4	6		1	3	4		1	3	4
Ungraded Positions		0	0	0		0	0	0		0	0	0
Total Permanent Positions		82	447	529		137	431	568		137	431	568
Unfilled Positions												
end-of-year		8	10	18		0	0	0		0	0	0
Total Permanent Full-time Employment, end-of-year		74	437	511		137	431	568		137	431	568
Staff Year Ceiling		82	428	510		137	431	568		137	431	568

RISK MANAGEMENT AGENCY
Classification by Objects
 2002 Actual and Estimated 2003 and 2004

ADMINISTRATIVE & OPERATING EXPENSES.		<u>2002</u>	<u>2003</u>	<u>2004</u>
Personnel Compensation				
Washington, D.C.		\$8,099,150	\$8,722,900	\$9,029,860
Field.....		26,265,664	28,260,039	29,214,079
11 Total Personnel Compensation.....		34,364,814	36,982,938	38,243,938
12 Personnel Benefits.....		8,022,950	7,575,350	7,726,497
13 Benefits for Former Personnel.....		46,060	46,060	46,050
Total Pers. Comp. and Benefits.....		42,433,824	44,604,348	46,016,495
Other Objects:				
21 Travel.....		1,883,617	1,882,000	1,882,000
22 Transportation of Things.....		177,791	183,125	183,125
23.2 Rental Payments - Other.....		529,597	545,392	562,000
23.3 Communications, Utilities, misc. charges.....		964,800	994,000	1,024,000
24 Printing and Reproduction.....		250,977	250,000	250,000
25 Other Services.....		16,504,089	12,738,135	18,955,180
25.1 Advisory and Assistance Services.....		2,197,165	485,000	485,000
25.2 Personnel Related Services.....		635,422	568,000	568,000
25.3 Repair/Maintenance of facilities/Equip.....		158,054	150,000	150,000
25.5 Agreements.....		4,335,000	4,560,000	4,646,200
26 Supplies and Materials.....		1,648,370	1,697,000	1,697,000
31 Equipment.....		2,008,403	2,069,000	2,069,000
43 Interest.....		1,304	0	0
Total Other Objects.....		31,294,589	26,121,652	32,471,505
Total Direct A&O Obligations.....		73,728,413	70,726,000	78,488,000
Position Data:				
Average Salary, ES Positions.....		\$138,200	\$142,484	\$145,334
Average Salary, GS Positions.....		\$64,374	\$66,370	\$67,697
Average Grade, GS Positions.....		12.6	12.6	12.6
FCIC FUND				
25 Delivery Expenses.....		642,897,000	613,179,000	643,498,000
Underwriting Gains/Losses.....		341,802,000	0	370,348,000
ARPA costs.....		40,683,703	67,311,000	77,311,000
Proposal to Reduce Reimbursement Rate.....		0	0	-67,800,000
42 Indemnities.....		3,160,960,000	4,250,867,000	3,090,232,000
43 Interest and other expenses.....		58,330,000	0	0
Total Direct FCIC Fund Obligations.....		4,244,672,703	4,931,357,000	4,113,589,000
TOTAL DIRECT OBLIGATIONS		4,318,401,116	5,002,083,000	4,192,077,000

21-7

Size, Composition, and Annual Cost

(in thousands of dollars)

Fiscal Year	Sedans & Station Wagons	Number of Vehicles by Type					Total Vehicles	Annual Operating Costs	
		Light Trucks		Medium Trucks	Heavy Trucks	Ambulances			Buses
		4X2	4X4						
FY 2000	5	0	4	0	0	0	9	\$46	
Change **	0	0	0	0	0	0	0		
FY 2001	5	0	4	0	0	0	9	\$51	
Change **	0	0	0	0	0	0	0		
FY 2002	5	0	4	0	0	0	9	\$50	
Change **	0	0	0	0	0	0	0		
FY 2003	2	0	4	0	0	0	6	\$41	
Change **	-3	0	0	0	0	0	-3		
FY 2004	2	0	4	0	0	0	6	\$42	

Explanation:

All of the vehicles listed are leased from the General Services Administration (GSA). These vehicles are assigned in the RMA field structure of the Regional and Compliance Field Offices. Each Regional and Compliance office is assigned a geographical area within the United States to perform monitoring and oversight of the crop insurance program. These vehicles are used to perform site visits of crops and/or inspections of crop losses. Also, they are used to attend conferences and meetings related to crop insurance issues.

Since these vehicles are leased from GSA, RMA relies upon GSA to supply the Agency with alternative-fueled vehicles as required by law.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 6933), \$78,488,000: *Provided*, That not to exceed \$1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

RISK MANAGEMENT AGENCY

Lead-Off Tabular StatementADMINISTRATIVE AND OPERATING EXPENSES

President's Budget, 2003	\$70,726,000
Budget Estimate, 2004	<u>78,488,000</u>
Increase in Appropriation	<u>7,762,000</u>

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

<u>Item of change</u>	<u>2003</u> <u>Estimated</u>	<u>Pay</u> <u>Costs</u>	<u>Program</u> <u>Changes</u>	<u>2004</u> <u>Estimated</u>
Administrative and Operating Expenses, Available	\$70,726,000	\$1,261,000	+	\$78,488,000
Total Available	<u>70,726,000</u>	<u>1,261,000</u>	<u>6,501,000</u>	<u>78,488,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

	<u>2002</u>		<u>2003</u>		<u>Increase</u> <u>or</u> <u>Decrease</u>	<u>2004</u>	
	<u>Actual</u>	<u>Staff</u>	<u>Estimated</u>	<u>Staff</u>		<u>Estimated</u>	<u>Staff</u>
	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>		<u>Amount</u>	<u>Years</u>
1 Administrative and Operating Expenses	\$73,728,413	510	\$70,708,000	568	+	\$78,470,000	568
2 FECA Surcharge	0	0	18,000	0	0	16,000	0
3 Unobligated Balance	503,474	0	0	0	0	0	0
Subtotal Appropriation	<u>74,231,887</u>	<u>510</u>	<u>70,726,000</u>	<u>568</u>	<u>7,762,000</u>	<u>78,488,000</u>	<u>568</u>
Total Available or Estimate	<u>74,231,887</u>	<u>510</u>	<u>70,726,000</u>	<u>568</u>	<u>7,762,000</u>	<u>78,488,000</u>	<u>568</u>
Recession	<u>520,113</u>	<u>--</u>	<u>0</u>	<u>0</u>			
Total Appropriation	<u>74,752,000</u>	<u>510</u>	<u>70,726,000</u>	<u>568</u>			

Justification of Increases and Decreases

- (1) An increase of \$7,762,000 for administrative and operating costs and activities directed at achieving our performance goal, which is:

“To strengthen the safety net for agricultural producers through sound risk management programs and education.”

To successfully accomplish this goal, RMA is requesting:

- (a) An increase of \$5,588,000 for Information Technology (IT) initiatives.

This increase supports RMA’s performance goal to strengthen the safety net for agricultural producers through sound risk management programs and education. In the Annual Performance Plan (APP), this increase will support objectives 1.1, 1.2, 1.3, and 1.4. The crop insurance and associated risk management programs administered by the Risk Management Agency (RMA) serve as the primary safety net and risk management tool for producers across the United States. The various insurance products and their flexibility/complexity, mode of delivery to policyholders (producers), the assurance of program integrity, actuarial soundness, and accurate payments rely upon RMA’s automated systems. The successful operation of the core business process depends heavily on complex information systems, a wide range of internal and external products and services, and on the uninterrupted operation of the major information technology infrastructure.

The scope of RMA’s systems is broad and comprehensive. It covers the enterprise-wide infrastructure supporting the program’s business operations at the national and local levels, provides risk management products to producers nationwide and is the basis for payments to private companies reinsured by the FCIC. These systems provide current and historical crop insurance information to the industry and the public. The systems effectively support the risk management programs that will offer more than \$37 billion in coverage to America’s producers in 2004.

The development of RMA’s 5 Year IT Plan identified a business model that will better support delivery of the crop insurance program. This budget request includes a complete revamping of RMA’s information system. The last time RMA received funding to completely update its system was 1993. This change is long overdue and is necessary if we are to continue to meet our customers’ needs, reduce system maintenance expense and avoid costly system failures.

An increase of \$5,588,000 is requested for systems development, modernization, enhancement, support services, and maintenance. This request represents a significant increase in relation to the FY 2003 IT request, which was held to a minimum operating level. This funding increase supports investments 1, 2, 7, and 15.

Investment 1 is the Financial Management Systems. An increase of \$512,000 is necessary to update core operating systems which are the Plans of Operations, Reinsurance Run, Monthly Accounting, Escrow, Corporate General Ledger, Dairy Options Pilot, and the Ineligible Tracking System which keeps track of insurance providers barred from participating in the crop insurance program. Without these applications in prime working order, this Agency runs the risk of recording incorrect data on financial statements and/or making improper payments to others.

Investment 2 is the Corporate Insurance Information Systems. An increase of \$2,713,000 is requested for the enhancement of the peripherals systems and databases that support program delivery and internal/external reporting. These include the establishment and dissemination of rates, prices, and

other actuarial information; verification and oversight of producer information submitted by companies as the basis for reimbursement; web reporting; analytical and statistical reporting; and other web-based public applications including but not limited to the Premium calculator, Actuarial Document Browser and the Summary of Business Report. This system is the heart of the program delivery system. If these systems are not operating at their optimal level, the crop insurance program is failing to meet the goals and objectives of our APP. These funds will expedite and strengthen the Agency's ability to deliver crop insurance information, services, products and payments to its customers and partners.

Investment 7 is the Compliance Support and Pattern Recognition System. An increase of \$726,000 is requested. The Risk Compliance which was given a significant charge with the passage of the Agricultural Risk Protection Act of 2000 (ARPA) to ensure the overall integrity of the Crop Insurance Program. To fulfill this obligation, funding of this request is necessary to develop a reliable Compliance Tracking System that will provide the capabilities to track reviews and investigations, access and track hundreds of thousands of data sets without system manipulations, have the capacity to identify patterns and/or outliers, and the ability to share data /files/cases across the organization structure within the Compliance offices.

Investment 15 is the Standard Reinsurance Agreement Analysis. An increase of \$1,550,000 is requested. This is a new initiative for FY 2004. In FY 2002, RMA contracted for analysis of the crop insurance program risk, the determination of an reasonable reinsured company rate of return and methodology for calculation, and the development of program models to facilitate program simulations to determine appropriate reinsurance terms. During FY 2004 and subsequent years, the program models, databases, and analysis will require updating to ensure the reinsurance terms are appropriate for the target rate of return and to facilitate determining what adjustments may be needed. In addition, as new programs are approved by the Federal Crop Insurance Corporation Board of Directors, databases will need to be constructed, modeling adjustments made, and analysis conducted to determine the appropriate reinsurance structure and terms for the new programs. IT support is required from both RMA personnel and contractors for maintenance and/or support services to ensure that the appropriate balance between federal-industry requirements is maintained in current programs as well as those developed in the future.

(b) An increase of \$1,000,000 for Monitoring/Evaluating the Reinsured Companies.

This request supports Objective 1.3 of RMA's APP: Reduce Program Vulnerabilities. RMA is proposing to establish a systemic process of monitoring, evaluating, and auditing, on an annual basis, the performance of the product delivery systems. These funds will be used to support insurance company expense audits, performance management audits and development, as well as reinsurance portfolio evaluations.

The last audit of reinsured company crop insurance expenses analyzed the years 1994 and 1995. In FY 2002, RMA funded a contract to audit the expenses of five companies. RMA needs to audit 5 out of the 18 companies each year to maintain accurate data on program delivery and servicing costs to ensure that the administrative and operating subsidy provided the companies by FCIC is not excessive. The annual audits will also evaluate the expenses related to new programs such as livestock

In addition to the expense audit, RMA needs to conduct company performance audits. The performance audit will ensure that internal and management controls are an integral part of the reinsured companies' entire planning, budgeting, program delivery, operations, accounting, and internal auditing processes. The performance audit will: a) determine whether the controls provide reasonable assurances that the obligations and costs comply with federal regulations; funds, property,

and other assets are properly safeguarded against waste, loss, or mismanagement; b) determine whether revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the assets; c) conduct analysis of general control environment to determine the inherent risks; d) evaluate existing safeguards regarding financial accountability and ensure employees' duties are properly segregated; e) evaluate the agent and loss adjuster workforce to ensure they have obtained the appropriate level of program knowledge to properly perform their delivery and servicing responsibilities; g) analyze the contingency plan to be implemented in the event of a catastrophic occurrence and/or delivery system failure, to ensure the continuation of business processes.

This project will revise and extend the models used for evaluating reinsurance agreements and products. The revision will provide a sophisticated modeling that will include detailed risk analyses and forecasting. The extension will provide for in-depth cost/benefit analyses and derivative analyses. A user-friendly front-end will also be added.

- (d) An increase of \$1,261,000 for pay costs of 568 staff years, which includes \$371,000 for annualization of the FY 2003 pay raise and \$890,000 for annualization of the fiscal year 2004 pay raise.

Funding for pay costs is necessary to maintain appropriate staffing to carry out RMA's mission and mandated requirements. This funding is a critical component of our ability to provide support for a significantly growing program. RMA personnel are involved in reviews of new insurance products and feasibility studies pertaining to the development of new products. All new programs must be reviewed before being submitted to the Federal Crop Insurance Corporation Board of Directors for approval. In addition, staffs are working with public and private partners to provide educational tools to the nation's producers. This includes programs targeted to the small and limited resource farmers by offering risk management training and educational workshops to meet the goal of increasing the effectiveness of risk management tools. Reduced funding for salaries negatively impact Objective 1.1 of RMA's strategic plan, to ensure producers have economically sound risk management tools available to meet their needs; Objective 1.2, to increase the agricultural community's awareness and effective utilization of risk management alternatives; and Objective 1.5; to integrate civil rights as part of all RMA activities. Our Risk Compliance staffs are charged with ensuring that funds expended by RMA for the development, administration, operation, and delivery of risk management programs are spent in accordance with laws, rules, regulations and policies to achieve the intended purpose. This involves performing reviews of RMA programs and activities; reviewing and evaluating internal and management control systems; working with external audit and investigating agencies; and reviewing activities of reinsured companies and other involved in the delivery of RMA programs.

- (e) A decrease of \$87,000 for the savings associated with centralization and improvement of information technology.

Savings associated with consolidated buys for infrastructure and office automation, and consolidation of enterprise architecture projects within the Department. USDA continues to ensure that information technology investments utilize enterprise licenses for hardware and software where appropriate and reduce the information technology costs.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2002 Actual and Estimated 2003 and 2004

	2002		2003		2004	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$2,253,433	28	\$2,098,117	28	\$2,330,961	28
District of Columbia.....	22,444,042	82	23,024,583	136	25,579,795	136
Georgia.....	1,444,893	17	1,385,700	18	1,539,482	18
Illinois.....	1,491,326	16	1,430,231	17	1,588,955	17
Indiana.....	892,611	12	856,044	12	951,045	12
Kansas.....	1,471,965	16	1,411,663	17	1,568,326	17
Minnesota.....	2,982,292	36	2,860,117	36	3,177,526	36
Mississippi.....	1,316,413	15	1,262,484	16	1,402,591	16
Missouri.....	30,711,837	183	28,097,673	183	31,128,885	183
Montana.....	1,545,820	17	1,482,493	17	1,647,016	17
North Carolina.....	3,054,407	38	2,866,278	38	3,184,370	38
Oklahoma.....	1,392,390	17	1,335,348	17	1,483,542	17
Texas.....	1,355,152	16	1,299,636	16	1,443,866	16
Washington.....	1,371,832	17	1,315,633	17	1,461,638	17
Subtotal, Available or Estimate.....	73,728,413	510	70,726,000	568	78,488,000	568
Unobligated balance.....	503,474	0	0	0	0	0
Total, Available or Estimate	74,231,887	510	70,726,000	568	78,488,000	568

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

STATUS OF PROGRAM

Current activities, progress, and current programs, which support the Risk Management Agency's (RMA) strategic goal, are outlined below:

Goal. To strengthen the safety net for agricultural producers through sound risk management programs and education.

Board of Directors

The Board of Directors is made up of ten members and receives, reviews, and approves policies and plans of insurance, as well as any other related materials or modification to such a policy or plan of insurance for reinsurance, risk subsidy, and administrative and operating subsidy. The Board is authorized to reimburse research and development and maintenance costs to provide an incentive for the development of new and innovative products. Further, the Board is required to review and approve all changes to existing policies or plans of insurance. Nine Board meetings were held during FY 2002. Submission of 5 private sector 508(h) products, which included 2 livestock programs were approved by the Board in FY 2002. In addition, the Board during this timeframe approved 26 FCIC programs.

Civil Rights and Community Outreach

Current Activities: The Civil Rights and Community Outreach staff (CR&COS) formulates, recommends, administers and evaluates the Civil Rights and Equal Employment Opportunity (EEO) programs of RMA; advises the Administrator and other management officials concerning the development and implementation of plans, policies and procedures; develops and administers civil rights impact analyses to ensure programs are implemented in a nondiscriminatory manner; and works with the Department to meet the goals and objectives of developing a national outreach program for small and limited resource farmers/ranchers. Four major initiatives the staff is responsible for are: (1) providing civil rights training to all employees and reinsured companies, (2) developing and implementing RMA's procedures to address program and employment complaints in a timely, more cost effective manner, (3) implementing outreach initiatives to small and limited resource farmers, minorities and women, and (4) developing and implementing a civil rights compliance program for program delivery.

Selected Examples of Recent Progress: During FY 2002, employees and reinsured company representatives received ongoing civil rights training. CR&COS resolved 90 percent of complaints at the informal stage. RMA funded 45 outreach projects, totaling \$3.2 million, with community-based organizations, and with 1890 and 1994 land grant colleges and universities which contributed to an increase of small and limited resource farmers' exposure to the program. Furthermore, two civil rights compliance reviews of the reinsured companies were completed.

Insurance Services Division

Current Activities: The Insurance Services Division (ISD) develops and administers the reinsurance agreements, the RMA national risk management education program, and all phases of program administration. ISD also directs ten Regional Offices (ROs) that provide risk management education and outreach, assistance with contracting, and implementation of new products and programs, field underwriting, rate review, assessments of insurance products, and program services to producers, farm organizations, insurance providers, elected officials, and other interested parties. Headquarters staff complements field activities by ensuring consistent application of actuarially sound insurance principles in field-level underwriting tasks and monitoring a uniform system of loss adjustment on a national basis.

Selected Examples of Recent Progress: During FY 2002, ISD approved 19 annual Plans of Operations for reinsured companies totaling \$3.7 billion in estimated premium capacity. The ROs implemented risk management education provisions of the Agricultural Risk Protection Act of 2000 (ARPA). During the past year through development and coordination of partnerships to provide risk management education and outreach to over 46,000 agricultural producers

and representatives at 673 meetings and workshops throughout the United States. ROs also developed the training modules used for Phase II of the loss adjustment training for Farm Service Agency's (FSA) State and County personnel required by program integrity provisions of ARPA. Consultation with FSA State Committees required by the program integrity provisions of ARPA was established by ROs in all 50 states and has resulted in increased information exchange at the local level between RMA and FSA. In FY 2002, the Dairy Options Pilot Program was expanded into 25 additional counties. The ROs trained almost 641 producers on this program. They assisted in review and implementation of new products and pilot programs.

For crop year 2002, ROs reviewed rates, practices, and filing documents for about 39,000 county crop programs in 3,090 counties in all 50 states and Puerto Rico. ROs reviewed 2,564 added land requests and 13,994 written agreement requests to respond to a variety of individual producers' crop insurance needs. In addition, ROs, to increase the availability of risk management programs, researched and recommended expansion of crop insurance programs into 4.5 million additional acres with an estimated \$715.9 million in liability. Improvement of current policies through RO increased participation throughout the nation. The ROs also provide technical support to reinsured company personnel in all program areas, provide update meetings to reinsured companies, and attend meetings as representatives of the Federal crop insurance program. Accomplishments in the Risk Management Education area included: assisting the ROs in executing cooperative agreements in 13 underserved states totaling \$1.8 million in funding; funding 72 partnership agreements across the nation totaling \$3.7 million; working with the Cooperative State Research, Education and Extension Service to fund nearly \$2 million in risk management education grants; providing \$700,000 in cost-share assistance to producers in underserved states to purchase Adjusted Gross Revenue insurance; and operating the Dairy Options Pilot Program (DOPP) in 30 pilot counties.

Program Management

Current Activities: Includes all management and administrative support functions of the RMA, such as: Program Support, which includes: (a) Program Support Staff - provides coordination of administrative support services to all locations of RMA through human resources, training, procurement, and other services, and is responsible for developing agency strategic plans, performance plans and reports as required by the Government Performance and Results Act; formulates, recommends and administers RMA policies and procedures concerning acquisition activities including contracting, grants and cooperative agreements; and develops Information Resource Management plans and policies as required by the Information Technology Management Reform Act of 1996 (ITMRA) and other legislation; (b) Regulatory Staff - directs the establishment of RMA plans and policies relative to obtaining public participation in the rule-making process, with coordination of regulatory review requirements; and coordinates and publishes regulations. External Affairs, which includes: (a) Public Affairs/Correspondence Unit - formulates RMA public information policies and programs within the framework of USDA's public affairs policy, and directs public information activities through news releases, audiovisual products, articles; and speeches; serves as Web Manager for the RMA website; answers correspondence; and produces public information on RMA activities and initiatives; in particular, the Risk Management Education initiative; (b) Congressional Affairs - provides policy-making recommendations that address the diverse needs of agricultural producers, the crop insurance industry, insurance agents, and the Federal Crop Insurance Corporation; advises the Congress regarding Administration policy positions and matters relating to constituent service matters; and develops constituency relationships and communicates Administration policy to the aforementioned groups. Chief Financial Officer - which serves as the focal point for all financial management activities with overall responsibility for planning, organizing and directing RMA fiscal functions including budget, accounting, financial reporting and related functions for use by all levels of management in direction, evaluation and control of programs and operations.

The agency continues to evaluate performance goals and indicators. The PART data revealed that the program's purpose was clear, but that additional planning and performance measurement is needed, which USDA will be working on in 2004.

Research and Development

Current Activities: The Research and Development (R&D) enters into contracts and partnerships for the research, development, pilot testing, and evaluation of new and specialty crop programs, plans of insurance and risk management

strategies; evaluates and makes recommendations for improvement of existing risk management programs; and coordinates support for specialty crop programs. In addition, the R&D function includes data processing and accounting for RMA's program operation. R&D is responsible for establishing the crop insurance policies, premium rates, coverage provisions; transitional yield factors, and other appropriate insurance data for approximately 39,000 county-crop programs nationwide. R&D issues data reporting requirements for crop insurance sales, loss and acreage data from reinsured companies and other sources. R&D uses the data for analysis, determination of rates, calculation and payment of expense reimbursements and underwriting payments to reinsured companies, payment of claims, summaries of business and various other purposes. R&D is also responsible for data processing and accounting for RMA's program operations.

Selected Examples of Recent Progress: Effective for the 2003 crop year changes to Crop Revenue Coverage (CRC) and Revenue Assurance-High Price Options rating methodologies were implemented for corn and soybean to respond to the dissimilar rate being charged for similar coverage protection. R&D also issued over 45 contracts and partnership agreements furthering program goals for expansion of new crop insurance programs and risk management strategies, and continued to improve existing programs. Examples include a contract to review RMA's product portfolio; fifteen research and development partnership agreements and a number of other program research, development, and evaluation projects to expand and improve the risk management opportunities for American producers. These FY 2002 projects are described in RMA's 2002 Report to Congress: *New and Specialty Crops*, and are on RMA's web site. (This will be published in February 2003.)

RMA currently has 32 pilot programs underway for the 2003 crop year that test new and innovative crop insurance concepts and other risk management strategies. Pilot insurance plans and other risk management tools available for the 2003 crop year include Adjusted Gross Revenue (AGR), Apple Pilot Quality Option, avocado APH, avocado revenue, avocado/mango tree, blueberries, cabbage, cherry, citrus dollar (navel oranges only), corn rootworm IPM, Coverage Enhancement Option, crabs, cultivated clams, cultivated wild rice, dairy options, Florida fruit trees, forage seed, fresh market snap beans, Income Protection Plan of Insurance (IP), livestock (swine) gross margin, livestock (swine) risk protection, mint, mustard, Onion Pilot Stage Removal Option, pecans, processing chile peppers, processing cucumbers, rangeland GRP, raspberry/blackberry, strawberries, sweet potatoes, and winter squash/pumpkins. Two of these pilot programs were initiated beginning in 2002 under the provisions of section 508(h) of the Act which are the Livestock Gross Margin Pilot Program and the Livestock Risk Protection Pilot Program. For more details, refer to the 2002 Report to Congress: *New and Specialty Crops* on RMA's web site.

Risk Compliance

Current Activities: Risk Compliance is responsible for ensuring that the funds expended by RMA for the development, administration, operation and delivery of risk management programs are spent in accordance with laws, rules, regulations, policies, procedures, and instructions to achieve the intended purpose. Risk Compliance performs this mission by conducting reviews of RMA programs and activities; reviewing and evaluating internal and management control systems; maintaining liaison with external audit and investigative agencies; and reviewing the activities of reinsured companies and others involved in the delivery of RMA programs. Additionally, reviews of reinsured companies are conducted to determine whether they are operating in compliance with the terms of the Standard Reinsurance Agreement. Risk Compliance also performs special request reviews based on the Office of the Inspector General Hotline, external audits and investigations, complaints and other sources to gather evidence to support allegations of non-compliance with laws, regulations, or agreements.

Selected Examples of Recent Progress: RMA Compliance has been concentrating on the mission-critical tasks of evaluating and improving new processes established, as well as building and adapting our reporting, tracking, and feedback systems to complement and integrate the multiple components that were mandated by the ARPA.

RMA, the FSA alliance and 18 insurance providers have worked together to improve program compliance and integrity of the Federal crop insurance program by: fine tuning the RMA/FSA data reconciliation and matching process; evaluating and amending the procedures for referring potential crop insurance errors or abuse between FSA and RMA; and creating

an anti-fraud and distance learning training package to complete the requirements of ARPA. Additional efforts have been dedicated to integrating data mining projects; exploring avenues to expedite the fivefold increase in sanctions; and establishing a case management and issue tracking system.

Data mining and analysis, along with the formalized alliance with FSA, last year, greatly increased referral activity to and from RMA, alongside the approved insurance providers. The 700 percent increase in referrals was in large part attributable to the greater emphasis placed upon deterrence and prevention efforts. In order to deal with the increased referral activity and the responsibilities of data reconciliation with FSA, RMA has sought to manage the increase in workload by using data management and computer based resources. During the 15-month period of October 2000 through December 2001, data mining efforts resulted in a \$72 million cost savings by deterring or preventing potentially fraudulent claims. For 2003, RMA will continue to develop data management and integration tools to effectively evaluate, track, and improve program compliance and integrity.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as:

Federal Crop Insurance Corporation Fund:

For payments as authorized by section 516 of the Federal Crop Insurance Act, such sums as may be necessary, to remain available until expended (7 U.S.C. 2209b).

RISK MANAGEMENT AGENCY

Lead-Off Tabular StatementFEDERAL CROP INSURANCE CORPORATION FUND

President's Budget, 2003.....	\$2,910,966,000
Budget Estimate, 2004.....	3,300,187,000
Increase in Appropriation.....	<u>389,221,000</u>

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2003 Estimated	Pay Costs	Program Changes	2004 Estimated
Premium Subsidy.....	\$1,699,849,000	0 +	\$69,943,000	\$1,769,792,000
Delivery Expenses.....	613,179,000	0 +	30,319,000	643,498,000
Agricultural Risk Protection Act of 2000 Initiatives.				
Improving Program Compliance and Integrity.....	2,811,000	0	0	2,811,000
Research and Development.....	35,000,000	0 +	5,000,000	40,000,000
Pilot Programs.....	16,000,000	0 +	5,000,000	21,000,000
Education and Risk Management Assistance.....	10,000,000	0	0	10,000,000
Policy Consideration and Implementation.....	3,500,000	0	0	3,500,000
Treasury Transfer for Excess Losses.....	530,627,000	0 +	346,759,000	877,386,000
Proposal to Reduce Reimbursement Rate.....	0	0	-67,800,000	-67,800,000
Total Available.....	<u>2,910,966,000</u>	<u>0</u>	<u>389,221,000</u>	<u>3,300,187,000</u>

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement
(On basis of appropriation)

	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
Premium Subsidy	\$1,782,336,000	\$1,699,849,000	+ \$69,943,000	\$1,769,792,000
Delivery Expenses	642,897,000	613,179,000	+ 30,319,000	643,498,000
Agricultural Risk Protection Act of 2000 Initiatives:				
Improving Program Compliance and Integrity	5,873,108	2,811,000	0	2,811,000
Research and Development	29,686,766	35,000,000	+ 5,000,000	40,000,000
Pilot Programs	282,000	16,000,000	+ 5,000,000	21,000,000
Education and Risk Management Assistance	1,803,767	10,000,000	0	10,000,000
Policy Consideration and Implementation	3,038,062	3,500,000	0	3,500,000
Treasury Transfer for Excess Losses	354,083,000	530,627,000	+ 346,759,000	877,386,000
Proposal to Reduce Reimbursement Rate	0	0	-67,800,000	-67,800,000
Total Available or Estimate	2,819,999,703	2,910,966,000	389,221,000	3,300,187,000
Total, Appropriation	2,819,999,703	2,910,966,000	389,221,000	3,300,187,000

Project Statement
(On basis of available funds)

	2002 Actual	2003 Budget	Increase or Decrease	2004 Dept. Estimate
1 Expenses				
(a) Indemnities	\$3,160,960,000	\$4,250,867,000	-\$1,160,635,000	\$3,090,232,000
(b) Delivery Expenses	642,897,000	613,179,000	+ 30,319,000	643,498,000
(c) Agricultural Risk Protection Act of 2000 Initiatives:				
Improving Program Compliance and Integrity	5,873,108	2,811,000	0	2,811,000
Research and Development	29,686,766	35,000,000	+ 5,000,000	40,000,000
Pilot Programs	282,000	16,000,000	+ 5,000,000	21,000,000
Education and Risk Management Assistance	1,803,767	10,000,000	0	10,000,000
Policy Consideration and Implementation	3,038,062	3,500,000	0	3,500,000
(d) Underwriting Gains/Losses 1/1	341,802,000	0	+ 370,348,000	370,348,000
(e) Interest and Other Expenses	952,000	0	0	0
(g) Proposal to Reduce Reimbursement Rate	0	0	-67,800,000	-67,800,000
Total, Expenses	4,187,294,703	4,931,357,000	-817,768,000	4,113,589,000
2 Funds Available				
(a) Producer Premium	-1,102,156,000	-1,138,737,000	-36,155,000	-1,174,892,000
(b) Administrative Fees	-58,330,000	-51,641,000	0	-51,641,000
(c) Unobligated Balance Brought Forward				
from Prior Year	-1,224,764,572	-1,016,882,360	+ 830,013,360	-186,869,000
(d) Unobligated Balance Carried Forward				
to Next Year	-1,016,882,360	186,869,000	+ 413,131,000	600,000,000
Total, Funds Available	2,518,926,491	2,910,966,000	389,221,000	3,300,187,000

1/ The FY 2003 Budget included a proposal to cap underwriting gains at 12.5 percent of retained premium. The proposal was established to save \$115 million.

Performance Goals and Indicators:

The PART data revealed that the program's purpose was clear, but that additional planning and performance measurement is needed, which USDA will be working on in 2004.

Justification of Increases and Decreases

- (1) An increase of \$389,221,000 for the Federal Crop Insurance Corporation (FCIC) Fund (\$2,910,966,000 available in FY 2003) directed at achieving our goal, which is:

"To strengthen the safety net for agricultural producers through sound risk management programs and education."

To help accomplish this goal, RMA is requesting:

- (a) An increase of \$69,943,000 for premium subsidy.

This increase, primarily the result of participation changes, supports RMA's performance goal, as well as Objective 1.1, "To increase the availability and utilization of economically-sound risk management tools to meet producers needs" of our Annual Performance Plan (APP).

Each year, approximately 1.3 million crop insurance policies are sold. The Federal government subsidizes premium on those policies. Over the past three years, the crop insurance program has seen a significant shift in business due to increased subsidy levels (now ranging from 38 to 67 percent for buy-up and 100 percent for CAT coverage) provided under the Agricultural Risk Protection Act of 2000 (ARPA). Producers have chosen to buy-up to higher levels of coverage, which have jumped more than 50 percent for levels of 75 percent and higher. In addition, the number of policies, acres, liability, and premium all increased more than 40 percent for coverage levels of 70 percent and higher.

For FY 2004, our estimates reflect a reasonable increase in participation. This projection is based on USDA's latest estimates of planted acreage and expected market prices for the major agricultural crops. In addition, the estimate includes expansion of the Adjusted Gross Revenue product into eight counties in California and Pennsylvania. The requested amount, \$1.8 billion (of which \$245 million is for CAT coverage subsidy and \$1.5 billion is for additional coverage subsidy), is the necessary level of funding required to effectively provide producers higher levels of more useful protection at more affordable prices. This level of funding will assist producers by providing them a cost-effective means of managing their risk.

- (b) An increase of \$30,319,000 for delivery expenses.

This increase supports RMA's performance goal as well as Objective 1.1, "To increase the availability and utilization of economically sound risk management tools to meet producers needs".

An increase in funding for delivery expenses, the amount of administrative and operating expense reimbursements provided to approved insurance providers, is necessary because of changes in participation and an increase in total crop insurance premium. These funds are for delivering risk management services and/or products, and are based on a percentage of estimated total premiums for each crop year.

For FY 2004, on a crop year basis, estimated total premium is expected to increase by \$140 million to a level of \$3.0 billion. As a result, RMA anticipates delivery expenses in the amount of \$644 million. These funds will assure effective delivery of risk management products to the agricultural community through reinsured companies, a process to which the Department is committed.

(c) An increase of \$10,000,000 for Agricultural Risk Protection Act (ARPA) Initiatives.

This increase supports RMA's performance goal and objectives 1.1, "To increase the availability and utilization of economically sound risk management tools to meet producers needs"; 1.2, "Increase the agricultural community's awareness of risk management alternatives"; and 1.3, "Reduce program vulnerabilities".

ARPA authorized \$20.0 million during FY 2003 to fund research and development contracting in accordance with section 508(h) of the Federal Crop Insurance Act. By law, this amount increases to \$25.0 million in FY 2004. RMA plans to place a major emphasis on contracting and partnering for the development of new tools such as revenue coverage plans, a cost of production policy, options based products, risk management savings accounts, and to increase participation in underserved areas, States, and commodities.

ARPA also authorized use of \$15.0 million in FY 2003 to conduct livestock programs that protect the interests of livestock producers. The increase in funds would allow for the expansion of products that provide livestock producers reasonable protection from the financial risks of price or income fluctuations inherent in the production and marketing of livestock. By law, this amount increases to \$20.0 million in FY 2004.

(d) An increase of \$346,759,000 for excess losses.

The total amount requested, \$877.4 million, will fund expected excess losses and is based on the projected/mandated loss ratio of 1.075. In addition, these funds will cover any underwriting gain due reinsured companies.

Excess loss funds are authorized under the appropriation language "such sums as may be necessary", and directly contribute to improving the economic stability of agriculture. Without these funds, struggling farmers would not receive full benefit for the estimated \$3.1 billion in losses to protect them from unavoidable causes such as weather, reduced prices, or reduced yields. RMA's goal and Objective 1.1 are directly supported by this increase.

(e) An estimated decrease of \$67,800,000 from a proposal to reduce the reimbursement rate for crop insurance policies from 24.5 to 20 percent.

In accordance with the Agricultural Research, Extension, and Education Reform Act of 1998, the reimbursement rate shall not exceed 24.5 percent of the premium used to define loss ratio. Federal crop insurance is delivered through private insurance companies. These companies are reimbursed for their delivery expenses. This proposal would reduce the amount of delivery expense reimbursed to the reinsured companies to a rate of 20 percent. These savings are achievable because of improvements in the cost-effectiveness of the delivery system through the establishment of e-commerce procedures, higher premium dollar policies for insuring the same number of acres and more business being done on a renewal basis.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as:

Federal Crop Insurance Corporation Fund:

Section 1508(k)(4)(ii) of the Federal Crop Insurance Act is amended by substituting [24.5] for 20 percent of the premium used to define loss ratio.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
2002 Actual and Estimated 2003 and 2004

	2002	2003	2004
	Amount	Amount	Amount
Alabama	\$16,140,021	\$21,705,142	\$15,778,881
Alaska	83,000	91,000	99,000
Arizona	5,557,649	7,473,940	5,453,294
Arkansas	41,644,300	56,003,361	40,712,489
California	64,560,086	86,823,565	63,115,523
Colorado	106,432,783	143,131,075	104,051,298
Connecticut	685,190	921,445	669,858
Delaware	5,557,649	7,473,940	5,433,294
Florida	27,483,716	36,960,170	26,868,754
Georgia	68,198,298	91,632,555	66,613,671
Hawaii	532,925	716,679	521,001
Idaho	19,870,498	26,721,896	19,425,886
Illinois	142,291,038	191,353,347	139,107,707
Indiana	145,184,060	195,243,891	141,935,497
Iowa	56,490,075	75,967,996	55,226,082
Kansas	332,926,007	447,719,736	325,476,628
Kentucky	27,635,980	37,164,936	27,017,612
Louisiana	43,547,605	58,562,929	42,573,706
Maine	1,218,115	1,638,124	1,190,859
Maryland	21,164,745	28,462,403	20,691,174
Massachusetts	1,218,115	1,638,124	1,190,859
Michigan	43,776,001	58,870,077	42,796,492
Minnesota	113,284,678	152,345,572	110,749,879
Mississippi	30,529,003	41,055,480	29,845,902
Missouri	70,879,056	95,318,334	69,293,103
Montana	128,587,246	172,924,453	125,710,044
Nebraska	235,546,086	316,783,590	230,257,772
Nevada	532,925	716,679	521,001
New Hampshire	152,264	204,765	148,857
New Jersey	2,740,758	3,685,779	2,679,433
New Mexico	11,876,620	15,971,708	11,610,874
New York	7,156,425	9,623,978	6,996,196
North Carolina	95,850,410	128,899,874	93,705,711
North Dakota	265,396,767	356,906,243	259,458,587
Ohio	111,535,638	149,990,719	109,038,020
Oklahoma	77,198,027	103,816,102	75,470,684
Oregon	32,508,439	43,717,431	31,781,047
Pennsylvania	42,101,094	56,617,657	41,159,061
Rhode Island	76,132	102,385	74,429
South Carolina	42,786,283	57,539,102	41,828,919
South Dakota	245,221,740	329,774,816	239,734,786
Tennessee	22,002,199	29,588,613	21,509,889
Texas	308,639,843	415,059,641	301,733,878
Utah	1,598,776	2,150,038	1,563,002
Vermont	152,264	204,765	148,857
Virginia	48,343,932	65,013,042	47,262,213
Washington	24,514,561	32,967,243	23,966,036
West Virginia	837,454	1,126,210	818,716
Wisconsin	49,714,311	66,855,931	48,601,930
Wyoming	9,440,390	12,695,460	9,229,157
Puerto Rico	9,620,823	12,938,107	9,405,553
Subtotal, Indemnities a/	3,160,960,000	4,250,867,000	3,090,232,000
Undistributed b/	1,026,334,703	680,490,000	1,091,157,000
Proposal to Reduce Reimbursement Rate	0	0	-67,800,000
Total, Available or Estimate	4,187,294,703	4,931,357,000	4,113,589,000

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These numbers are estimates based on previous distribution.

b/ Undistributed includes: Delivery Expenses, ARPA costs, Underwriting Gains, Interest and other expenses that cannot be distributed by states.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

STATUS OF PROGRAM

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC is administered by the Risk Management Agency (RMA), and promotes the national welfare by improving the economic stability of agriculture through a secure system of crop insurance. In recent years, RMA has seen dramatic changes in the network of Federal programs designed to give producers a meaningful "safety net" against adversity.

Approximately 1,258,200 policies were written in crop year 2002 with an estimated \$3.0 billion in premium and an estimated \$4.26 billion to be paid in indemnities. Crop insurance is available for 80 different commodities in over 3,090 counties covering all 50 states, and Puerto Rico.

RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers, provide better protection to farmers suffering multi-year losses, expand risk management education opportunities, stimulate development of new risk management products, and improve program integrity.

Selected Examples of Recent Progress Include:

Livestock Insurance Plans

The FCIC approved two pilot insurance programs for Iowa swine producers to protect them from declines in hog prices. The new programs, which began in 2002, were authorized under the Agricultural Risk Protection Act of 2000 (ARPA). Until ARPA, federally-backed insurance plans providing livestock protection were prohibited by law. These types of livestock insurance programs provide livestock producers with risk management tools for reducing their price risks. Livestock products represent about one-half of the total farm cash receipts.

The two programs approved are:

The Livestock Gross Margin (LGM) pilot, submitted by Iowa Agricultural Insurance Innovations, provides coverage to swine producers from price risks for six months and up to 15,000 hogs per period. The product protects the gross margin between the value of the hogs and the cost of corn and soybean meal. Prices are based on hog futures contracts and feed futures contracts. LGM protects producers if feed costs increase and/or hog prices decline, and depends on the coverage level selected by the producer. Coverage levels range from 85-100 percent.

The Livestock Risk Protection (LRP) pilot, submitted by the American Agri-Business Insurance Company, protects producers against a decline in hog prices. Swine can be insured for 90, 120, 150, or 180 days, and up to a total of 32,000 animals per year. Unlike traditional crop insurance policies which have a single sales closing date each year, LRP is priced daily and available for sale continuously throughout the year. The LRP policy protects producers against declining hog prices if the price index specified in the policy drops below the producer's selected coverage price. Coverage levels range from approximately 70-95 percent of the daily hog prices.

The LRP sales began in April 2002. The LGM sales began in July 2002. Both products are available from private insurance agents. The length of the pilot programs will be determined by farmer participation, and the financial performance of the programs.

Adjusted Gross Revenue - Lite

The FCIC approved the Adjusted Gross Revenue-Lite (AGR-Lite) insurance plan in late 2002 and began sales for 2003. This product was also submitted to FCIC through Section 508(h) of the Act and was authorized by ARPA. AGR-Lite is available in most of Pennsylvania and covers whole farm revenue up to \$100,000, including revenue from animals and animal products. The Standard Reinsurance Agreement has been updated to include the sale of AGR plans of insurance.

National Outreach Program

RMA has implemented several initiatives to increase awareness and service to small and limited resource farmers and ranchers and other under-served groups and areas. In 2001, the first RMA national outreach conference titled: *Survival Strategies for Small and Limited Resource Farmers and Ranchers* was hosted. Public and private professionals, who provide agricultural services to under-served groups, were the targeted audience. Over 300 professionals representing 45 states, 22 universities and three foreign countries convened at this conference to share ideas and develop strategies to benefit the under served communities. During 2002 and 2003, regional and local workshops were customized in several regions to deliver proven survival strategies directly to the producers. The Second National "Survival Strategies for Small and Limited Resource Farmers and Ranchers," is being planned for November 2003 in California. RMA is also partnering with community-based organizations, 1890, 1994, 1862 land grant colleges and universities, and Hispanic Serving Institutions (HSIs) to provide program technical assistance and risk management education on managing farming risks associated with legal, production, marketing, human resources and labor. RMA funded 45 outreach projects in FY 2002 totaling \$3.2 million to provide outreach and assistance to women, small and limited resource farmers and ranchers. RMA is also sponsoring and participating in approximately 15 Farm Bill Briefings nationwide, targeting small and limited resource farmers and ranchers.

Dairy Options Pilot Program

Increased price volatility and reduced price supports have burdened farmers with greater uncertainty in recent years. To address this problem, pilot programs for the use of futures and options were authorized in the Federal Agriculture Improvement and Reform Act of 1996. The Dairy Options Pilot Program's (DOPP) goal was to help dairy producers learn to use milk options first hand. DOPP did this by first training producers in the use of put options in a price risk management strategy, and then sharing in the cost of put option premiums (80 percent) and brokerage commissions (up to \$30 per contract) for up to 600,000 pounds of a producer's future production. The use of put options allowed the producer to set a floor on the price of future production to protect against a falling market. The program included 300 counties in 41 states. Producers could participate in multiple rounds. Substantial local planning, coordination and the use of distance learning resulted in a sharp increase in participation and enthusiasm from dairy producers. The ROs conducted 131 educational meetings attended by nearly 3,000 dairy producers. Funding for DOPP was made available from the Commodity Credit Corporation. The statutory authorization for the program ended on December 31, 2002.

Pilot Programs

During FY 2002, RMA implemented forage seed and raspberry/blackberry pilot programs for the 2002 crop year. RMA implemented evaluation projects for the avocado APH, avocado/mango tree, cherry, cranberry, cultivated wild rice, Florida fruit tree, mustard, pecan, rangeland GRP, squash/pumpkin, and sweet potato pilot programs; and maintained 33 active pilot programs. The 33 pilot programs are Adjusted Gross Revenue (AGR), Apple Pilot Quality Option, avocado APH, avocado revenue, avocado/mango tree, blueberries, cabbage, cherry, citrus dollar (navel oranges only), corn rootworm IPM, Coverage Enhancement Option, cranberry, cultivated clams, cultivated wild rice, dairy options, Florida fruit trees, forage seed, fresh market snap beans, Income Protection Plan of Insurance (IP), livestock (swine) gross margin, livestock (swine) risk protection, millet, mint, mustard, Onion Pilot Stage Removal Option, pecans, processing chile peppers, processing cucumbers, rangeland GRP, raspberry/blackberry, strawberries, sweet potatoes, and winter squash/pumpkins. The FCIC Board of Directors approved the expansion of the millet pilot program and conversion from a pilot program to permanent status for the 2003 crop year. The Board also approved expansion of the pecan revenue pilot program from

three counties to eighty-two counties for the 2003 crop year and conversion from a pilot program to permanent status for the 2004 crop year. In a February 2002 meeting, the Board approved conversion of the blueberry pilot program to permanent status effective beginning the 2004 crop year.

Program Compliance and Integrity

RMA with the assistance of the Farm Service Agency (FSA) alliance along with the 18 insurance providers have worked together to improve program compliance and integrity of the Federal crop insurance program by: fine tuning the RMA/FSA data reconciliation and matching process; evaluating and amending the procedures for referring potential crop insurance errors or abuse between FSA and RMA; and creating an anti-fraud and distance learning training package to complete the requirements of ARPA. Additional efforts have been dedicated to integrating data mining projects; exploring avenues to expedite the fivefold increase in sanctions; and establishing a case management and issue tracking system.

Data mining and analysis, along with the formalized alliance with FSA, last year, created increased referral activity to and from RMA, alongside the approved insurance providers. This 700 percent in referrals was in large part attributable to the greater emphasis placed upon deterrence and prevention efforts. In FY 2002, RMA used computer-based resources including, improved data management, data mining, and analysis. This increase in referrals was in large part attributable to a greater emphasis placed on deterrence to prevent the incidence of fraud and abuse rather than taking remedial actions after fraud and abuse has already been committed. This effort resulted in a reduction in program costs by an estimated \$94 million by preventing payments on potential claims or deferring claims during October 2000 through December 2001, as reported in the RMA's *Program Compliance and Integrity Annual Report to Congress*.

Research and Development

During FY 2002, over \$19 million was obligated and approximately 45 contracts and partnership agreements were awarded to further program goals for expanding and improving risk management opportunities for producers. Examples include a contract to review RMA's product portfolio; fifteen research and development partnership agreements that are described on RMA's web site, and a number of other program research, development, and evaluation projects to expand and improve the risk management opportunities for American producers. These FY 2002 projects are described in RMA's *2002 Report to Congress: New and Specialty Crops*, and are on RMA's web site.

Risk Management Education

During FY 2002, education and outreach programs focused on underserved states, specialty crop producers, the Dairy Options Pilot Program, grants through the Cooperative State Research, Education, and Extension Service, and the Adjusted Gross Revenue (AGR) cost share program.

In April 2002, RMA announced "Request for Applications" for two programs. The first was to establish cooperative agreements in states that have been historically underserved with respect to crop insurance. As a result of this announcement, 13 cooperative agreements totaling \$1.8 million were established to deliver crop insurance education to producers in Connecticut, Maine, New Hampshire, Pennsylvania, Vermont, West Virginia, Delaware, Maryland, New Jersey, New York, Utah, and Nevada. Specifically, these cooperative agreements will expand the amount of risk management information available; promote risk management education opportunities; inform agribusiness leaders of increased emphasis on risk management; and deliver training on risk management to producers with an emphasis on reaching small farms.

The second program was for partnership agreements to reach producers of specialty crops. A total of 72 partnership agreements were established at a cost of \$3.7 million. These agreements were executed with state department of agriculture, universities, grower groups, and private agribusinesses. These agreements will reach specialty crop producers with broad risk management education. In addition, efforts were continued with the Future Farmers of America organization to educate and encourage youths' participation in the agriculture.

Partnership agreements were also established in Virginia, Florida, Michigan, and Washington. These partnership agreements will deliver extensive risk management education to producers of specialty crops. Educational activities also targeted Future Farmers of America (FFA) and youth; and included production of publications, CD's, and an interactive simulation based educational experience via the Internet. In total, 838 educational and outreach activities were conducted by RMA attracting more than 35,000 participants.

Revenue Insurance

Revenue insurance programs include Group Revenue Insurance Policy (GRIP), Adjusted Gross Revenue (AGR), Crop Revenue Coverage (CRC), Revenue Assurance (RA), and Income Protection (IP). Under CRC, RA, and IP revenue insurance programs, indemnities are triggered by low revenues for an individual producer (caused either by low yields, or low prices, or both). Under AGR, indemnities are triggered by low revenue for an entire farm's operations, based on the producer's Schedule F federal tax forms. Under GRIP contracts, indemnity payments are triggered by low county-wide crop revenues.

Two of these alternatives, CRC and RA, allow producers the option of insuring separate areas of land either under separate insurance contracts or under the same insurance contract. Each of these alternate contracts requires that producers establish an approved Actual Production History (APH) yield for the crop to be insured.

Effective for the 2003 crop year, changes to CRC and RA-High Price Options (HPO) rating methodologies were implemented for corn and soybeans to respond to dissimilar rates being charged for similar coverage protection.

Adjusted Gross Revenue (AGR) Cost-Share Program

ARPA authorized cost-sharing to assist producers in reducing financial risk through product diversification. To meet this directive, FCIC announced a cost-share program for AGR insurance that was made available in 11 underserved Northeastern States: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, Rhode Island, and Vermont. Under this program, FCIC paid 50 percent of the producer-paid premium and the full \$30 administrative fee. RMA is a participant in this program with the Natural Resources Conservation Service and the Agricultural Marketing Service to assist producers in implementing risk mitigation practices. The Commodity Credit Corporation funds the AGR program.

Reinsurance

During FY2002, a contract was awarded for the Standard Reinsurance Agreement (SRA) Project and two other contracts are now underway to procure an audit of reinsured company administrative and operating expenses and to develop a Quality Assurance Program (QAP) for all approved insurance providers. All contracted work supports the Presidential Management Initiative to, "Ensure an Appropriate Balance in the Delivery of the Crop Insurance Program Between the Public and Private Sectors."

All required analysis and approval of eighteen SRAs, ten Livestock Price Reinsurance Agreements, seven Aquatic Crop Reinsurance Agreements, and the Reinsurance Agreement with Puerto Rico were completed within appropriate limits of underwriting capacity.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MR. BONILLA
AGRICULTURAL TRADE OFFICES

Mr. Bonilla: What are your plans for fiscal year 2003 and fiscal year 2004 for your Agricultural Trade Offices?

Response: We are opening Agricultural Trade Offices in Beijing and Manila in the spring of 2003. No further ATO openings are anticipated at this time.

INTERNATIONAL COOPERATION AND DEVELOPMENT PROGRAM

Mr. Bonilla: What is the cost to operate the International Cooperation and Development Program and how much of this is offset from reimbursements? Is this an annual cost for the program? What agencies do the reimbursements come from?

Response: The total annual program level for the International Cooperation and Development activities in fiscal year 2003 is estimated to reach \$59 million. Of this, \$49 million or 83% of the total is an estimated reimbursement from other Federal agencies, primarily the Agency for International Development, for technical assistance and training activities.

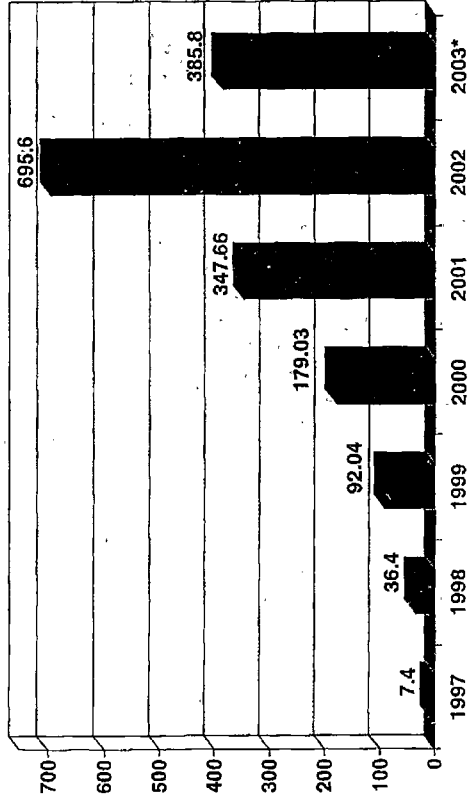
SUPPLIER CREDIT GUARANTEE PROGRAM

Mr. Bonilla: Please update the information on use of the Supplier Credit Guarantee Program (SCGP) since its beginning in FY 1997?

Response: [The information follows:]

SCGP Total Value of Sales FY 1997 - 2003*

Millions US\$



* As of February 28, 2003

Mr. Bonilla: How much does FAS spend in all export assistance and promotion on alcoholic products, including wines, beers, and distilled spirits?

Response: The following FY 2002 funds have been allocated for export assistance and promotion on alcoholic products:

Eastern U.S. Agricultural and Food Export Council	\$5,000
New York Wine and Grape Foundation	173,072
Northwest Wine Promotion Coalition	368,995
Wine Institute	<u>3,560,643</u>
Total	\$4,107,710

RESTRICTIONS ON AID PROGRAMS

Mr. Bonilla: What are the restrictions USDA and AID are under in terms of providing food aid and not interfering with the development of local agriculture? Can you provide any specific examples of USDA either eliminating a food aid program or shipping a different commodity when an interference occurred?

Response: USDA is required to analyze the situation in each country prior to signing any food aid agreement and then make a formal determination that the quantity of food aid provided will not disrupt local marketing of agricultural commodities. USDA draws upon information from the Foreign Agricultural Service's Agricultural Attaches, USAID staff, foreign governments, and trade sources in making that determination. When the analysis demonstrates that interference would take place, USDA either eliminates the food aid or ships a different commodity.

Mr. Bonilla: Is the U.S. Government prohibited from promoting foreign aid programs which would have negative effects on U.S. commodity exports? Are there any instances where U.S. food aid has interfered with normal levels of U.S. commercial exports? What was done to rectify the problem?

Response: USDA is required to determine that our food aid donations will not interfere with normal levels of U.S. commercial exports. USDA analyzes five years of commercial and food aid trade data for each country in making that determination. USDA draws upon information from the Foreign Agricultural Service's Agricultural Attaches, USAID staff, foreign governments, and trade sources in making that determination. When the analysis demonstrates that interference would take place, USDA either eliminates the food aid or ships a different commodity.

MARKET ACCESS PROGRAM

Mr. Bonilla: How many new participants joined the MPP/MAP program in fiscal year 2001 and how many either dropped out or were removed? Which ones?

Response: No new participants joined the program in fiscal year 2001. The Kentucky Distillers' Association, a longtime participant, did not apply for funding in 2001.

Mr. Bonilla: Please provide a list of all organizations and companies that received MPP/MAP funds in fiscal year 2002 and the amount each received.

Response: Budgeting to companies for the fiscal year 2002 is ongoing. Therefore, the table also shows company budgets for fiscal year 2001, which is complete. [The information follows].

2002 MAP Allocation

Organization	Allocation
Alaska Seafood Marketing Institute	2,412,534
American Forest & Paper Association	5,360,777
American Peanut Council	977,277
American Seafood Institute	339,676
American Seed Trade Association	76,223
American Sheep Industry Association	242,225
American Soybean Association	2,754,744
Blue Diamond Growers/Almond Board of California	1,326,653
California Agricultural Export Council	516,009
California Asparagus Commission	225,072
California Cling Peach Growers Advisory Board	200,397
California Kiwifruit Commission	129,293
California Pistachio Commission	835,941
California Prune Board	1,941,711
California Strawberry Commission	532,155
California Table Grape Commission	2,073,196
California Tomato Commission/Florida Tomato Committee	514,830
California Tree Fruit Agreement	871,836
California Walnut Commission	2,339,403
Cherry Marketing Institute	123,082
Chocolate Manufacturers Association	706,894
Cotton Council International	7,502,277
Cranberry Marketing Committee	616,138
Eastern US Agricultural and Food Export Council	4,116,242
Far West Spearmint	20,000
Florida Department of Citrus	3,642,474
Ginseng Board of Wisconsin	3,800
Hawaii Papaya Industry Association	59,874
Hop Growers of America	87,565
Intertribal Agriculture Council	461,040
Mid-America International Agri-Trade Council	5,382,163
Mohair Council of America	39,703
National Association of State Dept of Agriculture	1,083,712
National Dry Bean Council	609,502
National Honey Board	107,572
National Potato Promotion Board	1,985,036
National Renderers Association	249,490
National Sunflower Association	788,588
National Watermelon Promotion Board	99,357

New York Wine and Grape Foundation	145,509
North American Blueberry Council	105,582
North American Export Grain Association	63,562
Northwest Wine Promotion Coalition	340,683
Oregon Seed Council	215,626
Organic Trade Association	49,555
Pear Bureau Northwest	1,136,222
Pet Food Institute	895,749
Raisin Administrative Committee	1,916,336
Southern United States Trade Association	3,945,009
Sunkist Growers, Inc.	1,789,044
Texas Produce Export Association	68,719
The Catfish Institute	269,795
The Popcorn Board	242,544
U.S. Apple Association	433,747
U.S. Dairy Export Council	1,690,245
U.S. Grains Council	3,244,632
U.S. Livestock Genetics	764,831
U.S. Meat Export Federation	9,433,532
U.S. Wheat Associates	2,149,529
USA Dry Pea and Lentil Council	506,640
USA Poultry and Egg Export Council	2,565,164
USA Rice Federation	2,567,022
Washington State Fruit Commission/California Cherry Advisory Board	711,664
Washington Apple Commission	2,705,632
Welch's Food	521,741
Western United States Agricultural Trade Association	6,455,465
Wine Institute	3,461,760
Total	99,750,000

Brand Company Approved Budgets

Brand Company	2001	2002
A. Sturm & Sons, Inc.	\$35,000	
A.J. Cavallaro & Sons, Inc.		\$5,000
A.M. Beebe Company	\$30,000	
ABS Global, Inc.	\$34,000	\$34,000
Accelerated Genetics	\$12,000	\$12,000
Access Marketing L.L.C.	\$20,000	
Adams & Brooks, Inc.	\$4,000	
Adirondack Maple Farms	\$5,000	
Adler Seeds	\$10,000	
Advanced BioNutrition Corp.		\$15,000
Ag-Link International, Inc.	\$8,000	\$8,000
Agrilink Foods, Inc.	\$25,000	\$20,000
Agway Inc.	\$15,000	
Alamos Distributors, Inc.	\$5,000	
Allegro Fine Foods	\$7,300	\$3,100
Alta Genetics	\$22,300	\$22,300
Alvarado Street Bakery	\$20,000	
America China Agricultural Association	\$5,000	
American Commodity Company	\$10,000	
American Eagle Beverage Enterprises, LLC	\$5,000	\$5,000
American Fine Food	\$26,650	
American Foodservice Co	\$30,000	\$30,000
American Health and Nutrition, Inc.	\$40,000	
American Importing Co. Inc.	\$10,000	
American Pop Corn Company	\$50,000	
American Soy Products	\$10,000	
American Trading International, Inc.	\$20,000	
America's Classic Foods	\$15,000	
Ames International, Inc.	\$15,000	
Amity Vineyards	\$10,000	
Amy Foods, Inc.	\$4,600	
Annie's Homegrown, Inc.	\$15,000	\$10,000
Annie's Naturals	\$20,000	\$10,000
Apple Crisp Cooperative	\$5,000	
Arciero Winery		\$12,000
Aron Sreit Inc.	\$15,000	
Arrowac Fisheries, Inc.	\$20,000	
Aspen Enterprises, Ltd. dba Granito Coffee Works	\$2,900	
Atlantic Coast Fisheries Corporation		\$4,000

Brand Company Approved Budgets

Brand Company	2001	2002
Augusta Wine Company	\$5,000	
B.M. Lawrence And Company	\$5,000	
Badger Mountain Vineyards	\$5,000	
Bagels By Bell	\$5,000	\$5,000
Bard Valley Medjool Date Growers Association	\$35,000	
Barlean's Organic Oils	\$30,000	\$30,000
Bay Pacific Marketing	\$20,000	
Bay World	\$18,000	\$18,000
Baycliff Co. Inc.	\$35,000	\$30,000
Bear Creek Country Kitchens, Inc.	\$5,000	\$10,000
Beautiful Foods by Janine Lee	\$10,000	
Bee International Inc.	\$23,000	
Bell Buckle Country Store, Inc.	\$6,400	
Bell-Carter Foods, Inc.	\$30,000	
Berner Cheese Company	\$50,000	
Betsy's Place	\$5,000	
Beverage Innovations	\$30,000	\$30,000
Bighorn Cellars	\$2,800	\$5,000
BioZyme Incorporated	\$10,000	
Blackwing Ostrich Meat, Inc.	\$10,000	
Bladan Corp.	\$10,000	
Blanchette Gardens	\$5,000	
Blue Diamond Growers	\$1,057,754	\$991,113
Blue Ridge Livestock, Inc.	\$4,000	
Blue Sterling Nursery	\$5,000	
BN Soda, Inc.	\$5,000	
Bob's Red Mill Natural Foods, Inc.	\$15,000	\$5,000
Braswell Food Company	\$5,000	
Bread & Chocolate	\$10,000	\$5,000
Breeder's Choice Pet Foods Inc.	\$31,000	\$30,000
Brown & Haley	\$175,000	
Burke Corporation	\$5,000	
Butter Buds Food Ingredients	\$35,000	
Butternut Mountain Farm	\$5,000	\$5,000
C F Fresh	\$25,000	
C.J. Korb & Associates Company	\$25,000	
Cabot Creamery, Inc.		\$5,000
Caffe D'Amore, Inc.	\$5,000	
Cal Mark Beverage Co.	\$20,000	\$20,000

Brand Company Approved Budgets

Brand Company	2001	2002
California Grocer Inc.	\$20,000	
California Natural Products	\$10,000	
California Nuggets, Inc.	\$15,000	\$10,000
California Rice Marketing, LLC	\$5,000	
California Wild Rice Growers Association	\$10,000	
California Wine Country Enterprises		\$5,400
Carmi Flavor & Fragrance Co., Inc.	\$30,000	\$20,000
Carole's LLC		\$5,000
Casa de Fruta Winery	\$5,000	
Cemac Foods Corp.		\$5,000
Century Foods International	\$35,000	
Chang International, Inc.	\$10,000	\$8,000
Changing World Foods	\$25,000	
Chateau Bianca Winery	\$5,000	
Chateau Grand Traverse	\$5,000	
Chateau Julien Wine Estate		\$5,000
Chef's Requested Foods Int'l		\$5,500
Chemgen	\$10,000	
Cherry Central	\$10,000	
Chihade International, Inc.	\$272,100	
Chukar Cherry Company	\$20,000	
CIRANDA	\$15,000	
Circle K Ranch	\$5,000	
Circle M Ranch	\$4,000	
Clarks Snacks	\$5,000	
Classic Foods Inc.	\$10,000	\$35,000
Claw Island Foods, Inc.	\$2,500	\$4,000
Clif Bar, Inc.	\$5,000	
Clos Du Val Wine Co. Ltd.	\$4,500	\$14,000
Coastal Rice and Futures, Inc.	\$25,000	
College Hill Poultry, Inc.		\$5,000
Columbus Foods Company	\$5,000	
Commercial Lynks	\$5,000	
Concannon Vineyard	\$14,200	
Corn Poppers	\$15,000	\$5,000
Country Choice Naturals	\$10,000	
Country Farms Dairy, Inc.	\$5,000	\$5,000
Cram Walnut Shelling, Inc.	\$15,000	
Creme de la Creme	\$5,000	

Brand Company Approved Budgets

Brand Company	2001	2002
CRI	\$30,000	\$30,000
CROPP Cooperative	\$20,000	
Crum Creek Mills, Inc.		\$5,000
Crystal International Corporation	\$144,600	
Cuvaison Winery		\$5,000
D & N Commodities, Inc.		\$5,000
D.L. Lee and Sons	\$1,200	
Da Vinci Gourmet, Ltd.	\$40,000	\$35,000
Dahlgren & Company, Inc.	\$10,000	
Dainichi Koi Food	\$25,000	
Dairy Chem Laboratories, Inc.	\$5,000	
Dairy Farmers of America, Inc.	\$30,000	
Day Spring Enterprises	\$20,000	\$15,000
Daystar Enterprises Ltd	\$5,000	
Dealers Food	\$3,000	
Decas Cranberry Sales, Inc.	\$43,980	
Deep Sea Fish (RI)	\$5,000	
DeFluri's Candy Company	\$7,500	
Del Sol Food Company, Inc.	\$3,800	
Delicato Vineyards	\$33,000	\$33,000
Deloach Vineyards, Inc.	\$5,000	\$12,000
Derco Foods	\$5,000	
Desert Sun International	\$5,000	
Desert Whale Jojba Company, Inc.	\$35,000	\$30,000
Diamond V Mills, Inc.	\$25,000	
Diamond Walnut Growers	\$30,000	\$25,000
Didion Milling	\$10,000	
Dilco Enterprises dba Dillon Candy Company	\$7,800	
DLF International, Inc.	\$39,600	
Doggie de Lites, Inc.		\$2,300
Dr. Konstantin Frank	\$2,000	
Dramm Corporation	\$10,000	
Drew's All-Natural		\$10,000
Dry Creek Vineyard		\$4,700
Durkee-Mower, Inc.		\$15,000
Dynamic Health Laboratories, Inc.		\$35,000
Eagle Products, Inc.	\$60,000	
East Coast Seafood, Inc.	\$47,200	\$81,500
Easterday Farms Produce Company	\$15,000	\$15,000

Brand Company Approved Budgets

Brand Company	2001	2002
East-West Development Inc.	\$40,000	
Eat Your Heart Out!	\$35,000	\$5,000
Eatem Foods Company	\$5,000	
Echoes of Summer	\$25,000	\$5,000
Edelweiss (USA) Inc.	\$15,000	\$10,000
Eden Foods, Inc.	\$30,000	\$5,000
Edlong Flavors	\$30,000	
EDV International Management Group	\$35,000	\$20,000
Eli's Chicago's Finest Chesseecake	\$20,000	
Emerald Valley Kitchen	\$10,000	
Equipment Team Hawaii	\$5,000	
European Pretzel One, LLC		\$5,000
European Vegetable Specialties Farms, In (Small Size)	\$15,000	\$10,000
Excalibur Sires	\$4,000	\$4,000
Export Trade Of America	\$35,000	
Fagan Alligator Products, Inc.	\$5,700	
Fairfield Gourmet Foods, d/b/a David's Cookies	\$5,000	
Falcon Trading Company, Inc.	\$30,000	
Farmer' Rice Cooperative	\$10,000	
Farmland Foods	\$21,000	
Farmland Industries, Inc	\$55,000	
Fastachi, Ltd	\$5,000	
Feb 14th Gourmet	\$10,000	
Femrite Nursery Co.	\$10,000	
Fibra, Inc.	\$50,000	
First Choice Ingredients	\$5,000	
Fischer & Wieser Specialty Foods, Inc.	\$4,400	
FL USA	\$5,000	\$5,000
Flavor Consultants	\$30,000	
Fleischer's Bagels		\$5,000
Florida Bottling	\$9,500	
Florida Grains, Inc.	\$7,600	
Fluker Farms	\$3,800	
FNI Group	\$5,000	\$5,000
Food Ingredient Solutions LLC	\$5,000	
Foodex Sales Corp.		\$40,000
Foodtown International	\$60,000	\$40,000
Fremont Seafoods, Inc.	\$5,000	
French Gourmet Inc.	\$35,000	\$15,000

Brand Company Approved Budgets

Brand Company	2001	2002
French Meadow Bakery	\$10,000	
Fresca Mexican Foods	\$10,000	
Fromm Family Foods	\$25,000	
Frontier Trading	\$15,000	
Fruit a Freeze	\$10,000	
Full-Fill Industries, LLC	\$10,000	
Future International, Inc.		\$5,000
G.T.K. - USA	\$15,000	
Garbo Lobster Company, Inc.	\$11,000	
GEF Gourmet Foods	\$5,000	
Genetic Leaders Int'l	\$8,000	\$6,000
Genetic Resources International		\$4,000
Global Export Marketing Company	\$50,000	\$30,000
Global Goods & Services	\$5,000	
Global Merchandising Corp.	\$10,000	
Global Trading Resource	\$35,000	\$5,000
Globe Trading Co., dba Marcdan Foods	\$5,000	
Goddess Granola, Inc.		\$5,000
Golden Malted Inc.	\$5,000	
Golden State Bakery Supply	\$25,000	
Golden State Vintners	\$30,000	\$100,000
Golden Temple Bakery, Inc.	\$40,000	
Golden West Nuts, Inc.	\$30,000	\$35,000
Goldenberg Candy Co.	\$29,000	
Gourmail Inc/Jyoti Cuisine	\$25,000	\$20,000
Graceland Fruit Cooperative, Inc.	\$25,000	
Grape Links Wine Productions	\$5,900	
Grape Links, Inc.		\$7,500
Great American Appetizer	\$5,000	\$30,000
Great Western Growers of California	\$5,000	
Green Kamut Corporation	\$5,000	
Griffin Food Co.	\$2,200	
Groceries USA	\$5,000	
Growers Co-Operative Grape Juice Co.	\$5,000	
Gruet Winery	\$5,000	\$5,000
H.P. Schmid	\$20,000	
Hamida Pharma	\$5,000	
Hammons Products Company	\$5,000	
Hancock Gourmet Lobster Co.	\$5,000	\$5,000

Brand Company Approved Budgets

Brand Company	2001	2002
Hawaiian Host, Inc.	\$90,000	
Hawaiian Herbal Blessings, Inc.	\$5,000	
Hawaiian Sun Products	\$15,000	\$15,000
Hayward Enterprises, Inc.	\$15,000	
Heart & Harvest	\$20,000	
Heaven Hill Distilleries, Inc.	\$98,700	
Heavenly Cheesecakes, Inc.	\$1,500	
Helrazor, Inc.	\$20,000	\$15,000
Henry Estate	\$5,000	
Herbal Spectrum	\$5,000	
Hester Foods, Llc	\$5,000	\$5,000
Hiller	\$15,708	
Hillside Candy Company	\$2,500	
Hilltop Ranch		\$10,000
Holland American Wafer Co.	\$5,000	
House-Autry Mills Inc.	\$6,300	
Hughson Nut Marketing, Inc.	\$20,000	\$20,000
Hunter & Hillsberg	\$5,000	
Ian's Natural Foods	\$10,000	
Idaho Pacific Corporation	\$25,000	\$25,000
Illinois Center for Food Safety and Tech	\$5,000	
Imagine Foods, Inc.,	\$25,000	
IMG Citrus Cooperative	\$35,200	
Immudyne	\$7,500	
Ingy & If, Inc.		\$5,000
Innovative Growers	\$5,000	\$5,000
Innovative Natural Products	\$20,000	
Integrated Pet Food	\$5,000	\$5,000
Intermountain Meat	\$2,500	
Internat Property Consult.	\$10,000	
International American Supermarkets	\$30,000	\$20,000
International Brand Services, Inc.	\$40,000	
International Commodity Consultants, Inc.	\$20,000	\$20,000
International Export Management	\$5,000	\$10,000
International Feed.com	\$5,000	
International Ingredient Corporation	\$20,000	\$15,000
International Market Brands	\$10,000	
International Marketing Systems, Ltd.	\$5,000	\$5,000
Ipswich Shellfish Co. Inc.	\$3,200	

Brand Company Approved Budgets

Brand Company	2001	2002
IQF Food Products, Inc.	\$15,000	
Ironstone Vineyards	\$27,000	\$65,000
ISA Cattle Company, Inc.	\$4,000	
Ishihara USA, Inc.	\$5,000	\$5,000
IWebGrocer International, Inc	\$10,000	\$20,000
J. Löhr Winery	\$20,800	\$26,750
J.O.Y. Foods, Inc.	\$7,300	
Jack's Alimentary Supply, Inc	\$25,000	\$20,000
Jana Brands, Inc.	\$5,000	
Japan Sales Corp.	\$5,000	
Jasper Wyman & Son	\$25,000	\$5,000
Jersey Fresh Export Development Association	\$5,000	
Jewel Date Company	\$25,000	\$15,000
J-K Products International	\$5,000	
JKL Specialty Foods, Inc.		\$5,000
Jo-Clar Holsteins		\$3,000
John Volpi & Company, Inc.	\$20,000	\$9,000
Johnson Intl Ltd		\$4,000
Jones Dairy Farm	\$15,000	
Jones Produce Dehy	\$30,000	\$25,000
Joseph's Gourmet Pasta	\$5,000	\$5,000
Just Born, Inc.	\$350,000	
K & B Seafood, Inc.		\$5,000
K & K International	\$5,800	
Kabobs, The Hors-d'oeuvre Specialists	\$2,900	
Kahiki Foods, Inc.	\$10,000	
Karl Ehmer, Inc.	\$5,000	\$5,000
Kay's Naturals	\$5,000	
Kenny's Candy Company	\$5,000	
King Meat, Inc.	\$3,400	
Klamath Algae Products, Inc.	\$20,000	
Klamath Valley Botanicals, Ltd.	\$20,000	
KMJ International, Inc.	\$5,000	
Knewston Seed Co	\$5,000	
Knight Seed Co., Inc.	\$15,000	
Kozy Shack, Inc.	\$15,000	\$15,000
Kristall Beverage, Inc.	\$5,000	
Kuhns Bros. Log Homes Inc.		\$5,000
Kunzler & Company, Inc	\$20,000	

Brand Company Approved Budgets

Brand Company	2001	2002
Kwik Enterprises	\$30,000	\$30,000
L P International	\$25,000	
L. Mawby LLC	\$5,000	
Lampost Meats	\$10,000	
Land O' Lakes	\$40,000	
Landies Candies Co, Inc	\$22,500	\$5,000
Latham Seed Company	\$10,000	\$5,000
Laughing Dogs, Inc	\$5,000	
Laughton Garden Center, Inc	\$5,000	
Leland Cherry Company	\$5,000	
Les Vins de' Amour	\$5,000	\$5,000
Level Valley Creamery	\$5,000	
Liberty Growers Inc.	\$20,000	\$5,000
Liberty Orchards Co., Inc.	\$10,000	
Lifeline Foods	\$15,000	
Little River Trading Co.	\$5,400	
LJD Holdings, Inc.	\$15,000	
Lombard Group Inc.	\$5,000	
Longmeadow Specialty Foods	\$5,000	\$5,000
Lundberg Family Farms	\$30,000	\$30,000
Lund's Fisheries Inc.	\$2,500	
Lynch Livestock and Barbeque	\$5,000	
M & V Global Foods, Inc	\$25,000	\$5,000
M.B.A. International Company	\$8,100	
Mad Meals, LLC	\$10,000	
MAF Bionutritionals		\$10,000
Magic Hat Brewing Co.	\$5,000	\$5,000
Magic Miles Ltd., Inc.	\$40,000	\$30,000
Magic Seasoning Blends	\$12,800	
Magnum Coffee	\$5,000	
Maine Coast Sea Vegetables, Inc	\$5,000	
Mai's Foods, Inc.	\$5,000	\$5,000
Mandolin (Zwine Co. LLC)	\$8,000	\$12,000
Manning Farms	\$2,600	
Manson Industries	\$20,000	
Maple Leaf Cheesemakers, Inc.	\$10,000	
Mariani Packing Co.	\$35,000	\$30,000
Marinelli Shellfish	\$20,000	\$25,000
Mar-K Ltd.	\$20,000	\$10,000

Brand Company Approved Budgets

Brand Company	2001	2002
Marten's Country Kitchen Products, LLC	\$5,000	
Maypro Industries	\$5,000	
MBBC Vermont, Inc.	\$5,000	
MBG Marketing	\$10,000	
MC McLane International	\$20,000	
McGeary Organics, Inc	\$5,000	
McIlhenny Company	\$280,900	
MCM Food Processing	\$10,000	
MCVL de Arizona	\$10,000	\$10,000
Meridian Nut Growers Alliance, LLC	\$4,000	
Merrick Petfoods, Inc.	\$17,400	
Merryvale Vineyards	\$11,000	\$28,000
MetaFoods, LLC	\$9,300	
Microcide, Inc.	\$15,000	
Midamar Corporation	\$25,000	
Midwestern Pet Foods, Inc.	\$35,000	
Midwestern Soybean International	\$5,000	
Milk Specialities Co.	\$25,000	
Mille Lacs Gourmet Foods	\$5,000	
Milos Inc, dba Milos Farms	\$10,000	
Minnesota Premium Bison	\$5,000	
Mom 'n Pops	\$9,250	
Montana Flour & Grain	\$5,000	\$10,000
Mooney Farms	\$15,000	
Morfill Gourmet Specialties dba Buckhead Gourmet	\$3,300	
Mountain Man Products	\$5,000	
My Grandma's of New England	\$5,000	\$5,000
National Enzyme Company	\$90,000	
National Raisin Co.	\$30,000	\$20,000
Native Kjalii Foods, Inc.	\$5,000	\$5,000
Natural American Ginseng Inc.	\$5,000	
Natural Choice Foods, Inc.	\$20,000	\$15,000
Natural Life Pet Products	\$35,000	
Natureall Co., Inc.	\$10,000	\$5,000
Nature's Sun Grown Foods, Inc.	\$32,000	\$15,000
Navarro Pecan Co.	\$15,000	
Nebraska Bean, Inc.	\$5,000	
NeCo Seed Farms, Inc.	\$10,000	
New Carbon Company, Inc	\$60,000	

Brand Company Approved Budgets

Brand Company	2001	2002
New England Natural Bakers, Inc.		\$5,000
New Generation Genetics	\$11,120	\$12,000
New Salem Teabread Co	\$5,000	
Newman's Own Inc.	\$10,000	
Newton Vineyard	\$0	\$5,000
Nichols Pistachio	\$10,000	
Norpac Foods	\$25,000	\$25,000
North American Bison Cooperative	\$20,000	
North American Pet Products, Inc.	\$25,000	\$25,000
North Coast Farms	\$5,000	
North Dakota Mill and Elevator Assoc.	\$25,000	
Northeast Group	\$15,000	\$10,000
Northern Minnesota Wild Rice Producers Cooperative	\$15,000	
Northland Organic Foods	\$30,000	
Novus Optimum	\$20,000	
Nutra-Flo Company	\$30,000	
Nutrifoods Inc	\$15,000	
Nutz/Wild Fruitz Beverages, Inc.	\$10,000	
Oakleigh American, Inc.	\$25,000	
Ocean Gem Seafood, Inc.	\$3,750	
Ocean Spray Cranberries, Inc.	\$325,275	\$1,000
Ocean's Catch Inc.		\$4,000
Old County Farms	\$15,000	
Old Mission Cooperative	\$5,000	
Omega Pet Professionals Inc.		\$5,000
Omni Pacific Co Inc.	\$25,000	\$25,000
Oneonta Trading Company, Inc.	\$35,000	\$30,000
Oregon Berry Packing Company	\$5,000	\$5,000
Oregon Brewing Company, Inc.	\$5,000	
Oregon Chai	\$10,000	
Oregon Fruit Products Company	\$20,000	\$35,000
Organic Bean and Grain, LLC	\$10,000	
Organic Food Ingredients	\$30,000	\$15,000
Original Juan Specialty Foods, Inc.	\$15,000	
Oskri Organics	\$5,000	
Otis McAllister, Inc.	\$35,000	\$10,000
Ottens Flavors	\$5,000	\$25,000
Oxbow Pet Products	\$5,000	
Oyster Creek Mushroom Company	\$5,000	

Brand Company Approved Budgets

Brand Company	2001	2002
Pac Rim Associates	\$5,000	
Pacific American Fish Co., Inc.	\$5,000	
Pacific Coast Fisheries Corp.		\$4,000
Pacific Estates	\$35,000	\$30,000
Pacific Organic Produce	\$20,000	\$25,000
Pacific Soybean & Grain	\$15,000	
Pacific Valley Foods	\$30,000	\$25,000
PacRim Winés	\$5,000	\$5,000
Palermo's Villa, Inc.	\$5,000	
Pamela's Products	\$15,000	\$25,000
Pan American Grain	\$3,000	
Pan Magna Group	\$3,000	\$5,000
Panola Pepper Corp	\$1,000	
Paramount Export Company	\$10,000	
Paramount Farms	\$30,000	\$20,000
Par-Way/Tryson Company	\$20,000	
Paskesz Candy Company	\$5,000	
Peachy Canyon Winery	\$0	\$3,000
Pegasus Marketing	\$5,000	
Pepper Bridge Winery	\$5,000	
Phelps Industries	\$5,000	\$5,000
Pinch Plus		\$5,000
Porky's Gourmet Foods, Inc.	\$1,500	
Precise Pet Products	\$105,400	
Preferred Popcorn L.L.C.	\$30,000	
Preston Farms	\$20,000	\$5,000
Primex		\$5,000
Primrose Candy	\$5,000	
Prince Of Peace Enterprises, Inc.	\$15,000	-\$5,000
Profiseed International, Inc.	\$5,000	\$5,000
PS International	\$1,000	
PTC International	\$30,200	
Purcell Jojoba International, LLC	\$20,000	
Quality Croutons	\$15,000	
Quality Foods	\$5,000	
R. Torre and Co., Inc.	\$10,000	\$15,000
R.W. Garcia Co., Inc.	\$10,000	
Ramsey Popcorn Company, Inc.	\$5,000	
Rapid Java, Inc.	\$5,500	

Brand Company Approved Budgets

Brand Company	2001	2002
Raskas Foods, Inc.	\$10,000	
Red Arrow International, LLC.	\$50,000	\$5,000
Red Jacket Orchards	\$10,000	\$5,000
RIBUS, Inc.	\$20,000	
Rickmers Rice	\$5,000	
RKJK Trading Co., Inc.	\$5,000	\$5,000
Rokeach Foods	\$10,000	\$5,000
Roman Meal Company	\$15,000	\$10,000
Royal Wine Company	\$80,000	
Royale International Beverage	\$20,000	
Royalston Dessert/Ice Cream Pies	\$5,000	
S&A International	\$10,000	
S&M NuTec, LLC	\$10,000	
S.B. Global Trading Co.	\$35,000	\$30,000
Salem Baking Company	\$2,800	
Sarabeth's Kitchen	\$5,000	\$5,000
Scheidegger Trading Co., Inc.	\$15,000	\$20,000
Schug Carneros Estate Winery	\$3,000	\$3,000
Sea And Farmfresh Importing Company	\$35,000	\$30,000
Sea Watch International, Ltd.	\$3,300	
Seafreeze Ltd	\$4,000	\$4,000
Seald Sweet Growers, Inc (Small Size)	\$6,700	
Seatrade International	\$4,000	
Seattle Chocolate Co.	\$28,500	
Select Sires	\$27,000	\$27,000
Service Innovations Company	\$30,000	
Setton's International Foods, Inc.	\$10,000	\$5,000
Seven Oceans		\$4,000
SeyBay LLC	\$10,000	
Siam International	\$10,000	\$5,000
Sigco Sun Products, Inc.	\$20,000	
Signorello Vineyards		\$3,000
Simon Candy Co.	\$1,750	
Sinner Bros & Bresnahan		\$15,000
Sioux Honey Association	\$50,000	
SK Food International	\$15,000	\$5,000
SKE Midwestern, Inc.	\$15,000	\$5,000
Smith Packing International		\$15,000
Smith-Anderson Enterprises, Inc.	\$9,300	\$12,000

Brand Company Approved Budgets

Brand Company	2001	2002
Soar Distribution International	\$5,000	\$15,000
Sojourner Farms, L.L.C.	\$10,000	
South River Miso Co., Inc.		\$5,000
Spangler Candy Co.	\$2,250	
Spectrum Foods	\$30,000	
Spurgeon Vineyards	\$10,000	
St. James Winery	\$10,000	
St. Supery		\$10,000
Stacy's Pita Chip Company	\$5,000	\$5,000
Stahlbush Island Farms	\$10,000	\$10,000
Stanchfield Farms	\$5,000	\$10,000
Star Snacks	\$5,000	
State Fish Company, Inc.	\$10,000	
Stewart & Jasper Marketing	\$15,000	
Stone Hill Winery	\$5,000	
Stonehedge Farms	\$5,000	
Stonewall Kitchen		\$5,000
Strawberry Hill Farm	\$5,000	
Stretch Island Fruit Inc.	\$20,000	\$10,000
Strom Products Ltd.	\$5,000	
Summerfield Foods, Inc.	\$25,000	
Sun Maid	\$150,000	\$30,000
Sun Orchard Fruit Marketing	\$5,000	
Sun Seed International	\$30,000	
Sunkist Growers	\$1,814,587	
SunRich, Inc	\$30,000	
Sunsweet Growers, Inc.	\$469,000	\$458,000
SunWest Milling Co. Inc.	\$10,000	\$10,000
Supreme Rice Mill, Inc.	\$109,600	
Swanson Vineyards & Winery		\$3,600
Sweet Goods LLC	\$5,000	
Sweet Street Desserts, Inc.	\$25,000	\$30,000
Tasman Industries, Inc.	\$17,000	
Taste of the Kingdom	\$500	
Tate's Bake Shop	\$5,000	
Taylor Packing Company	\$12,000	\$10,000
Thatcher's Gourmet Specialties	\$10,000	
The American Marketplace	\$5,000	\$5,000
The Belgian Truffle House	\$5,000	

Brand Company Approved Budgets

Brand Company	2001	2002
The California Wine Co.	\$0	\$2,600
The Fillo Factory	\$10,000	\$5,000
The Magic Bean Company	\$5,000	
The Meow Mix Company		\$10,000
The Rice Company		\$5,000
The Risers Corporation	\$25,000	
The Saratoga Salsa Company	\$5,000	
The Snack Factory Inc.	\$5,000	\$5,000
Thistle Down Farms	\$5,000	
Thumb Oil Seed Producer's Cooperative	\$5,000	
Tip Top Canning Company	\$5,000	
Tomasello Winery, Inc.	\$10,000	
Tomich Bros. Seafoods, I	\$11,000	
Trans USA Corporation	\$5,000	
Transcon Trading Co., Inc.	\$7,500	
Transimex Co., Inc.	\$5,000	\$5,000
Trans-World Genetics, Ltd.	\$6,000	
Transworld Ventures, LLC	\$25,000	\$25,000
Treasure Valley Sales & Marketing	\$10,000	
Tree Top, Inc.	\$25,000	
Triad Worldwide, Inc	\$5,000	
TRT International	\$15,000	\$5,000
Truitt Bros., Inc.	\$5,000	
Tubbs Rice Dryers, Inc.	\$2,400	
Turnaro's	\$20,000	\$25,000
Turtle Island Foods	\$5,000	
Turtle Mountain, Inc.	\$5,000	\$5,000
Two Swans International Corp.	\$20,000	
Twombly Nursery Inc	\$5,000	
U.S. Brands International	\$20,000	\$20,000
U.S. Food Corporation	\$15,000	
U.S. Grain Company	\$29,000	
U.S. Soy	\$20,000	\$5,000
Valiant Vineyards	\$5,000	
Valley Fig Growers	\$40,000	\$30,000
Van Drunen Farms		\$5,000
Vancol Industries, Inc	\$40,000	
Ventana Vineyards		\$3,300
Vermont Butter and Cheese Company		\$5,000

Brand Company Approved Budgets

Brand Company	2001	2002
Vermont Sweetwater Bottling Co.	\$5,000	
Vesta Pharmaceuticals, Inc	\$10,000	
Vin-de-Cal	\$7,500	\$7,000
Vintage Sales, Inc.		\$6,000
Virginia Natural Beef, Inc.		\$4,300
Vision Industries	\$10,000	
Vitalicious, Inc.	\$20,000	
W. Stoller's Honey, Inc.	\$5,000	
Walton & Post, Inc.	\$5,000	
Washington Tart Cherry Products	\$10,000	
Wax Orchards	\$25,000	
WeCo Hides	\$5,000	
Wee-ki Berries	\$5,000	
Weinland Promotions	\$5,000	
Welch Foods Inc., A Cooperative	\$502,500	\$521,741
Wente Bros.		\$10,000
Wente Vineyards	\$40,000	\$22,150
Western Bagel Baking	\$5,000	
Western Export Services, Inc	\$5,000	
Weston Nurseries, Inc	\$5,000	
Wet Planet Beverages	\$5,000	
White Cedar Gazebos	\$5,000	
White Toque/Gourmet USA	\$15,000	\$5,000
White Wave, Inc	\$10,000	
Whiteface Mountain Gourmet Maple Products	\$5,000	
WholeSoy Company	\$5,000	
Wilco Inc.	\$5,000	
Wild Rice Exchange	\$40,000	\$25,000
Wildwood	\$5,000	
William Atwood Lobster Co.	\$8,550	\$4,000
Williams-West & Witt's Products	\$5,000	
Winnemucca Farms, Inc.	\$20,000	
Wisconsin Speciality Cheese Institute	\$5,000	
World Wide Sires, Ltd.		\$26,000
World's Best Cheesecake, Inc.	\$3,600	\$3,500
World's Best, Inc.	\$5,000	\$5,000
Worldwide Sires, Inc.	\$26,000	
Wyldewood Cellars	\$5,000	
XportMasters	\$70,000	

Brand Company Approved Budgets

Brand Company	2001	2002
Yoshida Food Products	\$55,000	\$10,000
Young Pecan Company	\$3,000	
Zeeland Farm Soya	\$5,000	
Ziegler Brothers, Inc.	\$35,000	\$30,000
Zinpro Corporation	\$30,000	
Zoria Farms Inc.	\$25,000	
Grand Total	\$13,994,224	\$5,143,354

Mr. Bonilla: Has the Department allocated MPP/MAP funds in fiscal year 2003? If so, please provide that information for the record

Response: The Department will announce fiscal year 2003 MAP allocations in June 2003..

Mr. Bonilla: Please provide information as to how many small companies participate in MPP/MAP. How many companies that are not defined as small by the Small Business Administration (SBA) are participating in MPP/MAP?

Response: In fiscal year 2001, 578 companies were approved for MAP funds; 22 were agricultural cooperatives and 556 were small companies.

EXPORT ENHANCEMENT PROGRAM

Mr. Bonilla. What was the total level of EEP spending in fiscal year 2002? What is your estimate for fiscal year 2003 for total EEP spending?

Response: For fiscal year 2002, no EEP bonuses were awarded. For fiscal year 2003, the budget includes a program level estimate of \$28 million for EEP.

Mr. Bonilla: Please provide a table showing the total value of bonuses paid, by exporter, under the Export Enhancement Program since the inception of the program

Response: The following table shows the total value of bonuses awarded by exporter as of March 1, 2003:

EXPORTER RANKING BY AWARDS UNDER THE EXPORT ENHANCEMENT PROGRAM All Commodities

EXPORTER	TOTAL BONUSES AWARDED BASED ON MEAN QUANTITIES FOR ALL COMMODITIES
1 Cargill Inc.	\$1,312,876,912.39
2 Continental Grain Company	\$1,115,611,706.64
3 Louis Dreyfus Corporation	\$945,190,152.72
4 Bunge Corporation	\$284,003,257.20
5 CAM USA, Inc.	\$257,913,786.30
6 Ferruzzi Trading U.S.A., Inc.	\$246,527,285.37
7 Peavey Company	\$243,796,849.66
8 Tradigrain, Inc.	\$233,109,539.52
9 Farmland Industries, Inc. Grain Division	\$192,590,611.06
10 Garmae Grain Co., Inc.	\$179,611,192.86
11 Cenex Harvest States Cooperatives	\$169,323,802.39
12 Pillsbury Company, The	\$160,559,681.83
13 Artfer Incorporated	\$140,736,584.40
14 Alfred C. Toepfer International Inc.	\$131,299,747.46
15 Mitsubishi International Corporation	\$116,325,549.45
16 ADM Milling Co.	\$114,963,807.67
17 J. Aon and Company	\$102,062,154.26

TOTAL BONUSES
AWARDED BASED ON
MEAN QUANTITIES
FOR ALL COMMODITIES

EXPORTER

18 Richco Grain, Ltd.	\$95,064,901.07
19 Columbia Grain International, Inc.	\$68,200,726.33
20 Gold Kist, Inc.	\$48,388,814.99
21 Marubeni America Corporation	\$48,206,428.84
22 Coprostates, Inc.	\$36,000,050.16
23 Voest-Alpine Trading USA Corp.	\$35,607,177.23
24 United Grain Corporation	\$35,438,942.00
25 International Multifooods Corporation	\$34,491,166.20
26 Entrade International, Ltd.	\$34,054,788.51
27 Amber, Inc.	\$33,995,641.82
28 Baitlett and Company	\$32,596,062.77
29 Central States Enterprises, Inc.	\$30,964,169.46
30 Mitsui Grain Corporation	\$30,609,954.22
31 ITOCHU International Inc.	\$29,902,969.26
32 Commodity Specialists Company	\$29,810,470.00
33 ConAgra Grain Processing Export Company	\$29,778,211.50
34 ConAgra Poultry Company	\$29,109,325.74
35 Mitsui & Co. (U.S.A.), Inc.	\$25,858,504.00
36 Granplex, Inc.	\$24,369,147.87
37 Fast Food Merchandisers, Inc.	\$24,115,527.26
38 USAgri Corp.	\$23,722,060.00
39 Esmah Nevada, Inc.	\$21,662,350.00
40 Nichimen America, Inc.	\$21,504,939.85
41 Alliance Grain, Inc.	\$20,862,832.26
42 Nissho Iwai American Corp.	\$19,600,847.06
43 Land O' Lakes, Inc.	\$18,380,000.00
44 Archer Daniels Midland Company	\$17,885,897.31
45 American Marketing Services, Inc.	\$17,794,865.00
46 North American Trading Corporation	\$17,534,000.56
47 Froedtert Malt Corporation	\$17,240,718.96
48 Decoster Egg Farms	\$16,476,621.35
49 Seaboard Commodity Trading, Ltd.	\$16,464,105.20
50 Carey Agri-International, Inc.	\$13,625,850.00
51 Tradecom, Inc.	\$12,897,348.59
52 Great Western Malting Co.	\$11,932,781.08
53 National Food Corporation	\$11,700,047.45
54 Ramoil Management Company	\$11,651,979.00
55 Dolphin Shipping and Trading, Inc.	\$10,972,197.68
56 ConAgra International Fertilizer Company	\$9,940,513.00
57 Romar International Georgia, Inc.	\$8,265,828.26
58 Seaboard Trading & Shipping Ltd.	\$8,190,028.00
59 Balfour MacLaine Int'l., Ltd.	\$8,148,363.37
60 Woodhouse Corporation, The	\$7,536,053.12
61 AJC International Inc	\$7,244,875.00
62 Premium Rice Trading, Inc.	\$6,924,045.00
63 American Manufacturing & Marketing Assn.	\$6,798,100.00
64 Schouten USA Inc.	\$6,255,109.00
65 A. Luberski Inc DBA Hidden Villa Ranch	\$6,169,942.64
66 Holstein-Fresian Services, Inc.	\$5,612,170.00
67 Red Rock Commodities, Ltd.	\$5,390,600.00

EXPORTER

TOTAL BONUSES
AWARDED BASED ON
MEAN QUANTITIES
FOR ALL COMMODITIES

68 Porky Products, Inc.	\$5,121,755.56
69 Toshoku America, Inc.	\$5,080,674.00
70 Gerber Agri Inc. DBA Gerber Agri Export	\$5,008,170.00
71 The Supreme Rice Mills, Inc.	\$4,981,724.00
72 Italgrani USA, Inc.	\$4,802,091.64
73 U.S. Gulf Coast Trading Company	\$4,794,590.00
74 Sunrice, Inc.	\$4,744,960.58
75 Euro-Maghrb, Inc.	\$4,708,562.34
76 Tyson Foods, Inc.	\$4,614,385.00
77 Hefler and Company	\$4,493,430.70
78 R.D.C. Jewelry Industry Ltd.	\$4,320,000.00
79 Gress Foods, Inc.	\$3,922,523.54
80 Comet Rice, Inc.	\$3,829,000.00
81 Luzzza Int'l. Livestock Corp.	\$3,645,000.00
82 Boro Hall Export Corporation	\$3,629,249.00
83 AGP Grain, Ltd.	\$3,588,377.60
84 Kanematsu USA Inc.	\$3,506,335.00
85 Global Rice Corporation Ltd.	\$3,231,785.00
86 Philipp Brothers, Inc.	\$3,161,561.75
87 OleoStates, Inc.	\$3,078,925.00
88 Gulf Pacific Rice Company, Inc.	\$2,778,029.01
89 ConAgra International	\$2,744,088.87
90 Ladish Malting Company	\$2,256,532.00
91 American Poultry Int'l., Ltd.	\$2,072,843.46
92 Cereal Food Processors	\$1,984,140.00
93 CTC North America, Inc.	\$1,815,371.80
94 P.S. International	\$1,672,020.00
95 Elders Grain, Inc.	\$1,607,360.72
96 Rahr Malting Company	\$1,592,485.11
97 Horizon International, Inc.	\$1,586,787.76
98 T.K. International, Inc.	\$1,490,325.00
99 Phibro Division of Salomon Inc.	\$1,444,500.00
100 Intersect	\$1,433,550.00
101 ADM Malting Division	\$1,389,098.12
102 Woodhouse Drake and Carey (Trading) Inc.	\$1,276,896.45
103 Exodus Holsteins	\$1,275,720.00
104 Forum Import-Export Corporation	\$1,212,001.26
105 Connell Rice and Sugar Co.	\$1,208,786.13
106 Soufflet USA Inc.	\$1,205,000.00
107 Interstate Grain Corporation	\$1,199,137.10
108 R.W. Meats, Ltd.	\$1,156,487.00
109 Quaker Run Farms, Inc.	\$1,101,983.25
110 Ronald A. Chisholm (U.S.A.), Inc.	\$1,065,638.00
111 Brown Swiss Enterprises, Inc.	\$1,019,820.00
112 Golden Genes, Inc.	\$1,014,284.00
113 The Scouler Company	\$948,501.80
114 Cargill Rice, Inc.	\$939,030.00
115 Rosscape Food Industries	\$863,277.00
116 Riceland Foods, Inc.	\$816,391.00

EXPORTER	TOTAL BONUSES AWARDED BASED ON MEAN QUANTITIES FOR ALL COMMODITIES
117 AGP Grain Cooperative	\$805,450.00
118 Chlewich Partners	\$793,520.00
119 American Rice, Inc.	\$735,000.00
120 America Midwest Commodities Export Co.,	\$677,252.27
121 Perdue Farms, Inc.	\$650,000.00
122 Prointern (USA) Corporation	\$600,325.00
123 Tri Valley Growers	\$555,877.91
124 Incotrade, Inc.	\$518,402.70
125 Minnesota Malting Co.	\$483,525.15
126 First Interstate Trading Co	\$461,679.16
127 Monfort, Inc.	\$450,000.00
128 Dekker North America, Inc.	\$436,000.00
129 Snuth Packing International Corporation	\$395,687.70
130 DSH Livestock International, Inc.	\$370,000.00
131 Fisher Mills Inc.	\$366,745.00
132 Great West Inc.	\$312,715.00
133 Arizona Grain, Inc.	\$297,004.80
134 Goldberg Commodities, Inc.	\$277,550.00
135 Wisconsin Holstein Service, Inc.	\$185,000.00
136 McCall Sanders Marketing	\$149,252.70
137 All Meats, Inc.	\$140,970.00
138 Midwest Livestock Producers	\$125,520.00
139 Cafecrown Limited	\$115,984.01
140 Smelkinson Foods	\$98,985.60
141 World Links, Incorporated	\$85,830.00
142 E. Boyd and Associates, Inc.	\$78,000.00
143 Uncle Ben's, Inc.	\$77,185.00
144 Western Export Services, Inc.	\$41,867.00
145 Hans Olsen Egg Co., Inc.	\$40,126.40
146 DeBruce Grain, Inc.	\$31,815.00
147 Dixie Farms Dairy & Food LLC	\$30,680.00
148 Lamex Foods, Inc.	\$24,380.00
149 Marshall Durbin Farms, Inc.	\$16,758.72
150 United States Egg Marketers	\$15,120.00
151 Pilgrim's Pride Corporation	\$10,380.00
152 Boro Hall International Limited	\$9,400.00
153 M. G. Waldbaum Co.	\$2,250.00
	\$7,228,350,093.81

Mr Bontla: Please provide a table which shows the total bonuses, by country, and by commodity for fiscal years 1999 through 2002.

Response: The following table shows the total bonuses awarded by regions and by commodity for fiscal years 1999 through 2001. No bonuses were awarded during fiscal year 2002:

EXPORT ENHANCEMENT PROGRAM
Awards for Fiscal Years 1999 – 2002 By Commodities and Countries

COUNTRY	QUANTITY	UOM	BONUS PAID
Fiscal Year 1999			
Frozen Poultry Middle East Countries	2,446	MT	\$1,399,762.00
Fiscal Year 2000			
Frozen Poultry Middle East Countries	2,529	MT	\$1,643,460.00
Fiscal Year 2001			
Frozen Poultry Middle East Countries	11,090	MT	\$6,823,325.00

EEP AND DEIP

Mr. Bonilla: Please describe for the Committee any changes you have made in the EEP and DEIP programs since last year?

Response: In order to better manage the DEIP throughout the entire year, the DEIP was announced in tranches. The Uruguay Round subsidy limits for the various products under DEIP are 68,201 metric tons of nonfat dry milk, 21,097 metric tons of butterfat and 3,030 metric tons of cheese.

On September 13, 2002, the initial allocation was announced for nonfat dry milk, butterfat and various cheeses under DEIP. On November 15, 2002, the second allocation was announced. On February 25, 2003, a third allocation was announced for nonfat dry milk and cheese. On February 25, it was also announced that USDA would issue an invitation for bids for 5,000 metric tons of butterfat, drawing from the two previous allocations, which totaled 13,186 metric tons. The figures for the separate allocations are listed below.

DEIP

	<u>Nonfat dry milk</u>	<u>Butterfat</u>	<u>Cheese</u>
September 13, 2002 (1 st tranche)	17,050 MT	5,274 MT	757 MT
November 15, 2002 (2 nd tranche)	25,576 MT	7,912 MT	1,137 MT
February 25, 2003 (3 rd tranche)	25,575 MT		1,136 MT
Total announced (As of Feb. 25, 2003)	<u>68,201 MT</u>	<u>13,186 MT</u>	<u>3,030 MT</u>
Balance Uruguay Round limits to be announced	-0-	7,911 MT	-0-

EEP

Due to international and domestic pricing differentials, EEP allocations have not been announced for fiscal year 2003 and no program changes have been made during the past year.

Mr. Bonilla: How much barter was done in fiscal years 2001 and 2002?

Response: CCC did not participate in any direct barter arrangements in fiscal years 2001 or 2002. We continue, however, to structure our export assistance programs such as EEP and DEIP so that trade financing such as barter or counter-trade can be accommodated.

Mr. Bonilla: Please provide a list of the private companies with which you had contractual relations for the promotion of brand name food items during fiscal year 2001.

Response: The Department had no contractual relations with private companies under the MAP during fiscal year 2001. However, the non-profit trade associations had contracts with more than 550 companies to promote brand name food and agricultural products.

EXPORT INCENTIVE PROGRAM

Mr. Bonilla: In fiscal year 2002, of the MPP/MAP agreements, how much was for EIP?

Response: In fiscal year 2002, the Department directly allocated \$3,637,438 to three agricultural cooperatives – Blue Diamond Growers, the National Grape Cooperative, Inc. (Welch's Food), and Sunkist Growers, Inc

CCC EXPORT CREDIT GUARANTEE PROGRAM

Mr. Bonilla: Please update the tables from last year's hearing record showing the list of the countries that received GSM-102, GSM-103 and supplier credit guarantees during fiscal year 2002 and show the amount of the guarantee and what commodities were sold.

Response: [The information follows:]

Summary of FY 2002 Export Credit Guarantee Program Activity for GSM-102 as of close of business:
September 30, 2002

Country / Commodity (Maximum Credit Period 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Final		
				Remarks/Additional Information 1/ 2/		
<u>Algeria</u>	--coverage in millions of dollars--					
	150.00	89.10	60.90	4/	5/	6/
Feed Grains (24)		17.20				
Protein Meals (24)		11.70				
Rice (24)		7.00				
Wheat (24)		53.20				
Other Commodities (24)		0.00				
<u>Azerbaijan</u>	5.00	0.00	5.00	4/	5/	8/
All Commodities (12)		0.00				
<u>Baltic Region</u>	15.00	0.00	15.00	4/	5/	8/
All Commodities (12)		0.00				
<u>Bulgaria</u>	7.00	0.00	7.00	4/	5/	6/
All Commodities (36)		0.00				
<u>Caribbean Region</u>	350.00	309.90	40.10	4/	5/	6/
Corn Products (36)		1.20				
Feed Grains (36)		128.10				
Oilseeds (36)		21.50				
Protein Meals (36)		88.80				
Rice (36)		7.90				
Vegetable Oils (36)		11.90				
Wheat (36)		46.50				
Yellow Grease (36)		4.00				
Other Commodities (36)		0.00				
<u>Central America Region</u>	400.00	368.60	31.40	5/	6/	7/
Cotton (36)		17.20				
Cotton Yarn (36)		0.80			9/	
Distillers Dry Grain (36)		2.70				
Feed Grains (36)		144.30				
Oilseeds (36)		51.50				
Protein Meals (36)		78.90				
Rice (36)		37.10				
Tallow (36)		8.50				
Vegetable Oils (36)		8.10				
Wheat (36)		18.20				
Yellow Grease (36)		1.30				
Other Commodities (36)		0.00				
<u>Central Europe Region</u>	10.00	0.00	10.00	4/	5/	6/ 8/
All Commodities (36)		0.00				
<u>China/Hong Kong Region</u>	300.00	189.50	110.50	4/	5/	6/
Oilseeds (36)		189.50				
Other Commodities (36)		0.00				
<u>Dominican Republic</u>	25.00	1.20	23.80	4/	5/	8/
Beverages (12)		1.10				
Cotton Fabrics (12)		0.10			9/	
Other Commodities (12)		0.00				
<u>East Africa</u>	5.00	0.00	5.00	4/	5/	6/
Other Commodities (12)		0.00				
<u>Egypt</u>	100.00	0.00	100.00	4/	5/	6/
Other Commodities (36)		0.00				
<u>India</u>	25.00	0.00	25.00	4/	5/	6/
All Commodities (36)		0.00				

Summary of FY 2002 Export Credit Guarantee Program Activity for GSM-102 as of close of business

September 30, 2002

Country / Commodity (Maximum Credit Period: 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
	--coverage in millions of dollars--			
Jordan	40.00	19.10	20.90	4/ 6/
Feed Grains (36)		0.00		
Wheat (36)		19.10		
Sub-Total...	30.00	19.10	10.90	12/
All Commodities (36)		0.00		5/
Sub-Total...	10.00	0.00	10.00	
	10.00	2.30	7.70	4/ 5/ 8/
Kazakhstan		2.30		
Meat, Poultry (12)		0.00		
Other Commodities (12)				
	850.00	379.70	470.30	
Korea		72.70	117.30	
Cotton (24)	190.00	20.60	129.40	
Feed Grains (24)	150.00	165.30	14.70	
Wheat (24)	180.00			
Meat, Beef (24)		26.70		
Meat, Beef Offals (24)		2.50		
Oilseeds (24)		87.80		
Protein Meals (24)		3.10		
Tree Nuts (24)		1.00		
Other Commodities (24)		0.00		5/ 6/
Sub-Total...	330.00	121.10	208.90	
	10.00	6.99	3.01	4/ 5/ 6/ 8/
Lebanon		6.99		
Feed Grains (36)		0.02		
Fruit, Dried (36)		0.07		
Tree Nuts (36)		0.00		
Other Commodities (36)				
	30.00	0.00	30.00	4/ 5/ 6/
Malaysia		0.00		
All Commodities (36)				
	500.00	308.70	191.30	5/ 6/ 10/
Mexico		69.40		
Cotton (36)		124.50		
Feed Grains (36)		1.40		
Hides and Skins (36)		0.90		9/
Leather (36)		3.10		
Meat, Beef Offals (36)		1.20		
Meat, Pork Offals (36)		34.10		
Oilseeds (36)		20.10		
Protein Meals (36)		0.70		
Rice (36)		11.20		
Tallow (36)		16.00		
Vegetable Oils (36)		26.10		
Wheat (36)		0.00		
Other Commodities (36)				
	10.00	0.00	10.00	4/ 5/ 6/
Morocco		0.00		
All Commodities (36)				
	10.00	4.20	5.80	4/ 5/
Nigeria		4.20		
Wheat (180 days)		0.00		
Other Commodities (180 days)				
	100.00	19.80	80.20	4/ 5/ 6/
Philippines		5.80		
Protein Meals (36)		14.00		
Wheat (36)		0.00		
Other Commodities (36)				
	25.00	0.00	25.00	4/ 5/ 6/ 8/
Poland		0.00		
All Commodities (36)				
	25.00	0.00	25.00	4/ 5/ 8/
Romania		0.00		
All Commodities (12)				
	20.00	1.10	18.90	4/ 5/ 6/
Russia		1.10		
Animal Feed Products (12)		0.00		
Protein Meals (12)				

Summary of FY 2002 Export Credit Guarantee Program Activity for GSM-102 as of close of business:
September 30, 2002

Country / Commodity (Maximum Credit Period 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
--coverage in millions of dollars--				
South America Region	650.00	649.90	0.10	4/ 5/ 6/
Aquaculture Feed (36)		2.99		
Cotton (36)		24.20		
Corn Products (36)		3.00		
Distillers Dry Grain (36)		4.80		
Feed Grains (36)		204.40		
Lyocell (36)		4.10		
Oilseeds (36)		36.40		
Protein Meals (36)		55.50		
Rice (36)		1.60		
Tallow (36)		0.80		
Vegetable Oils (36)		14.20		
Wheat (36)		281.80		
Yellow Grease (36)		8.20		
Other Commodities (36)		0.00		
Southeast Asia Region	190.00	189.30	0.70	4/ 5/ 6/
Feed Grains (36)		12.50		
Oilseeds (36)		105.40		
Protein Meals (36)		43.10		
Wheat (36)		28.30		
Other Commodities (36)		0.00		
Southeast Europe Region	25.00	0.00	25.00	4/ 5/ 6/ 8/
All Commodities (24)		0.00		
Southern Africa Region	50.00	0.00	50.00	4/ 5/ 6/
All Commodities (36)		0.00		
Sri Lanka	35.00	0.00	35.00	4/ 5/ 6/ 8/
All Commodities (36)		0.00		
Thailand	100.00	0.00	100.00	4/ 5/ 6/
All Commodities (36)		0.00		
Tunisia	30.00	0.00	30.00	4/ 11/
Oilseeds (36)	10.00	0.00	10.00	
All Commodities (36)		0.00		5/ 6/
Sub-Total...	20.00	0.00	20.00	
Turkey	465.00	395.40	69.60	5/ 6/ 7/
Cotton (36)		47.60		
Feed Grains (36)		67.70		
Hides and Skins (36)		0.70		
Oilseeds (36)		95.60		
Protein Meals (36)		53.90		
Rice (36)		10.30		
Tallow (36)		32.60		
Vegetable Oils (36)		74.60		
Wood Pulp (720 days)		12.40		
Other Commodities (36)		0.00		
West Africa Region	14.00	1.20	12.80	4/ 5/
Rice (12)		1.20		
Other Commodities (12)		0.00		
TOTAL FOR GSM-102	4,581.00	2,935.99	1,645.01	
For Comparison Purposes FY 2001 Payment Guarantee Commitments through September 30, 2001				
TOTAL FOR GSM-102	4,653.00	2,958.63	1,694.37	

Summary of FY 2002 Export Credit Guarantee Program Activity for GSM-103 as of close of business
September 30, 2002

Country / Commodity (Maximum Credit Period 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
	---coverage in millions of dollars---			
Central America Region	10.00	0.00	10.00	4/
Animal Genetics (7)		0.00		
Livestock, Breeder (7)		0.00		
Egypt	5.00	0.00	5.00	4/
Animal Genetics (7)		0.00		
Livestock, Breeder (7)		0.00		
Poultry Breeder Stock (7)		0.00		
Lebanon	10.00	0.00	10.00	4/
Animal Genetics (5)		0.00		
Feeder Cattle (5)		0.00		
Livestock, Breeder (5)		0.00		
Mexico	35.00	0.00	35.00	
Animal Genetics (7)		0.00		
Feeder Cattle (7)		0.00		
Livestock, Breeder (7)		0.00		
Morocco	50.00	0.00	50.00	4/
Animal Genetics (7)		0.00		
Feed Grains (7)		0.00		
Livestock, Breeder (7)		0.00		
Nonfat and Whole Milk Powder (7)		0.00		
Oilseeds (7)		0.00		
Protein Meals (7)		0.00		
Vegetable Oils (7)		0.00		
Wheat (7)		0.00		
Philippines	2.00	0.00	2.00	4/
Animal Genetics (7)		0.00		
Livestock, Breeder (7)		0.00		
Poland	5.00	0.00	5.00	4/
Animal Genetics (7)		0.00		
Livestock, Breeder (7)		0.00		
South America Region	5.00	0.00	5.00	4/
Animal Genetics (5)		0.00		
Feeder Cattle (5)		0.00		
Livestock, Breeder (5)		0.00		
Poultry Breeder Stock (5)		0.00		
Southern Africa Region	1.00	0.00	1.00	4/
Animal Genetics (7)		0.00		
Feeder Cattle (7)		0.00		
Livestock, Breeder (7)		0.00		
Tunisia	40.00	0.00	40.00	4/
Feed Grains (7)		0.00		
Wheat, Wheat Flour, Semolina (7)		0.00		
Turkey	2.00	0.00	2.00	4/
Animal Genetics (7)		0.00		
Feeder Cattle (7)		0.00		
Livestock, Breeder (7)		0.00		
Poultry Breeder Stock (7)		0.00		
TOTAL FOR GSM-103	165.00	0.00	165.00	
For Comparison Purposes, FY 2001 Payment Guarantee Commitments through September 30, 2001				
TOTAL FOR GSM-103	193.00	42.30	150.70	

Summary of FY 2002 Supplier Credit Guarantee Program (SCGP) Activity as of close of business:
September 30, 2002

Country / Commodity (Maximum Credit Period 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
--coverage in millions of dollars--				
<u>Algeria</u>	10.00	0.00	10.00	4/ 5/
All Commodities (180)		0.00		
<u>Azerbaijan</u>	5.00	0.00	5.00	4/ 5/
All Commodities (180)		0.00		
<u>Baltic Region</u>	20.00	0.10	19.90	4/ 5/
Meat, Poultry (180)		0.10		
Other Commodities (180)		0.00		
<u>Caribbean Region</u>	10.00	3.79	6.21	4/ 5/
Feed Grains (180)		1.40		
Meat, Beef Offals (180)		0.20		
Meat, Pork (180)		0.10		
Meat, Pork Offals (180)		0.02		
Meat, Poultry (180)		0.40		
Protein Meals (180)		0.60		
Rice (180)		0.80		
Soup, Dehydrated Instant (180)		0.03		9/
Wine (180)		0.04		
Other Commodities (180)		0.00		
<u>Central America Region</u>	50.00	37.46	12.54	4/ 5/
Alcoholic Beverage (180)		0.03		9/
Breakfast Cereal (180)		0.06		
Condiments (180)		0.02		9/
Cotton Yarn (180)		0.08		9/
Dairy Products (180)		0.06		
Feed Grains (180)		6.00		
Fruit, Fresh (180)		0.24		
Meat, Beef (180)		1.80		
Meat, Beef Offals (180)		0.01		
Meat, Pork (180)		0.02		
Meat, Poultry (180)		8.50		
Meat, Processed (180)		0.30		9/
Protein Meals (180)		6.40		
Rice (180)		11.80		
Soup, Dehydrated Instant (180)		1.02		9/
Vegetable Oils (180)		0.30		
Wheat (180)		0.82		
Other Commodities (180)		0.00		
<u>Central Europe Region</u>	20.00	0.00	20.00	4/ 5/
All Commodities (180)		0.00		
<u>China/Hong Kong Region</u>	50.00	0.56	49.44	4/ 5/
Fruits, Fresh (180)		0.09		
Meat, Beef (180)		0.06		
Planting Seeds (180)		0.40		
Wine (180)		0.01		
Other Commodities (180)		0.00		
<u>Egypt</u>	20.00	11.83	8.17	4/ 5/
Fruit, Fresh (180)		0.03		
Meat, Beef Offals (180)		11.80		
Other Commodities (180)		0.00		
<u>India</u>	25.00	0.01	24.99	4/ 5/
Cotton (180)		0.01		
Other Commodities (180)		0.00		
<u>Israel</u>	20.00	0.09	19.91	4/ 5/
Planting Seeds (180)		0.05		
Wine (180)		0.04		
Other Commodities (180)		0.00		
<u>Japan</u>	50.00	0.07	49.93	4/ 5/
Wine (180)		0.07		
Other Commodities (180)		0.00		

Summary of FY 2002 Supplier Credit Guarantee Program (SCGP) Activity as of close of business:
September 30, 2002

Country / Commodity (Maximum Credit Period: 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
	--coverage in millions of dollars--			
Kazakhstan	15.00	1.70	13.30	4/ 5/
Meat, Poultry (180)		1.70		
Other Commodities (180)		0.00		
Kenya	2.00	0.00	2.00	4/ 5/
All Commodities (180)		0.00		
Korea	50.00	9.30	40.70	4/ 5/
Fruit, Canned (180)		0.50		9/
Fruit, Fresh (180)		8.70		
Wine (180)		0.10		
Other Commodities (180)		0.00		
Mexico	300.00	286.57	13.43	5/
Animal Fat Blends (180)		1.30		
Aquaculture Feed (180)		0.50		
Cattle, Slaughter (180)		11.50		
Cotton (180)		1.20		
Cotton Fabrics (180)		6.40		9/
Cotton Yarn (180)		0.08		9/
Feed Grains (180)		104.40		
Fruit, Fresh (180)		0.10		
Grocery Items (180)		0.10		9/
Meat, Beef (180)		19.70		
Meat, Beef Offals (180)		4.90		
Meat, Lamb		0.01		
Meat, Pork (180)		1.40		
Meat, Pork Offals (180)		0.70		
Meat, Poultry (180)		0.20		
Oilseeds (180)		91.10		
Protein Meals (180)		1.60		
Pulses (180)		7.00		
Rice (180)		5.80		
Tallow (180)		1.91		
Vegetable Oils (180)		3.50		
Wheat (180)		20.40		
Wine (180)		0.07		
Wood Products, Solid (180)		2.70		
Other Commodities (180)		0.00		
Pakistan	10.00	0.00	10.00	4/ 5/
All Commodities (180)		0.00		
Poland	10.00	0.06	9.94	4/ 5/
Grocery Items (180)		0.01		
Planting Seeds (180)		0.05		
Other Commodities (180)		0.00		
Russia	20.00	5.43	14.57	4/ 5/
Fruit, Fresh (180)		0.01		
Meat, Poultry (180)		5.42		
Other Commodities (180)		0.00		
South Africa	10.00	0.00	10.00	4/ 5/
All Commodities (180)		0.00		
South America Region	20.00	1.87	18.13	4/ 5/
Alcoholic Beverages (180)		0.01		
Cotton Yarn (180)		0.02		
Fruit, Fresh (180)		0.32		
Meat, Beef (180)		0.04		
Rice (180)		0.31		
Wheat (180)		1.09		
Wood Products, Solid (180)		0.08		
Other Commodities (180)		0.00		

Summary of FY 2002 Supplier Credit Guarantee Program (SCGP) Activity as of close of business:
September 30, 2002

Country / Commodity (Maximum Credit Period 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
	-coverage in millions of dollars-			
Southeast Asia Region	150.00	70.82	79.08	4/ 5/
Cotton (180)		0.08		
Dairy Products (180)		0.01		
Fish and Shellfish (180)		0.37		
Fruit, Fresh (180)		0.20		
Fruit Juice (180)		0.01		
Fruit Juice Concentrates (180)		0.01		
Meat and/or Meat Products (180)		0.04		9/
Meat, Beef (180)		0.70		
Meat, Beef Offals (180)		0.50		
Meat, Poultry (180)		0.05		
Oilseeds (180)		46.90		
Snack Foods (180)		0.01		9/
Wheat (180)		21.30		
Wine (180)		0.05		
Wood Products, Solid (180)		0.09		
Other Commodities (180)		0.00		
Southeast Balkans Region	75.00	0.65	74.35	4/ 5/
Cotton (180)		0.30		
Meat, Beef Offals (180)		0.04		
Meat, Pork (180)		0.03		
Meat, Pork Offals (180)		0.08		
Meat, Poultry (180)		0.20		
Other Commodities (180)		0.00		
Southeast Europe Region	20.00	0.00	20.00	4/ 5/
All Commodities (180)		0.00		
Sri Lanka	10.00	0.00	10.00	4/ 5/
All Commodities (180)		0.00		
Taiwan	50.00	0.01	49.99	4/ 5/
Wine (180)		0.01		
Other Commodities (180)		0.00		
Turkey	10.00	2.00	8.00	4/ 5/
Cotton (180)		2.00		
Other Commodities (180)		0.00		
West Africa Region	35.00	19.11	15.89	4/ 5/
Beverages (180)		0.01		9/
Feed Grains (180)		0.30		
Rice (180)		15.40		
Vegetable Oils (180)		2.00		
Wheat (180)		1.40		
Other Commodities (180)		0.00		
Western Europe Region	50.00	0.61	49.39	4/ 5/
Grocery Items (180)		0.40		9/
Wine (180)		0.20		
Wood Products, Solid (180)		0.01		
Other Commodities (180)		0.00		
Yemen	10.00	0.00	10.00	4/ 5/
All Commodities (180)		0.00		
TOTAL FOR SCGP	1,127.00	452.14	674.86	
For Comparison Purposes: FY 2001 Payment Guarantee Commitments through September 30, 2001				
TOTAL FOR SCGP	720.00	225.98	494.02	

Summary of FY 2002 Facility Guarantee Program (FGP) Activity as of close of business:

September 30, 2002

Country / Commodity (Maximum Credit Period: 3/)	Announced Allocations FY 2002	Exporter Applications Received	Balance	Remarks/Additional Information 1/ 2/
	--coverage in millions of dollars--			
<u>Baltic Region</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (5 years)		0.00		
<u>Caribbean Region</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (5 years)		0.00		
<u>Central America Region</u>	30.00	0.00	30.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>China/Hong Kong Region</u>	20.00	0.00	20.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Ghana</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (3 years)		0.00		
<u>India</u>	5.00	0.00	5.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Mexico</u>	50.00	0.00	50.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Philippines</u>	50.00	0.00	50.00	8/
Manufactured Goods/Services (5 years)		0.00		
<u>Russia</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (3 years)		0.00		
<u>South America Region</u>	20.00	0.00	20.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Southeast Asia Region</u>	50.00	0.00	50.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Southern Africa Region</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (8 years)		0.00		
<u>Turkey</u>	10.00	0.00	10.00	8/
Manufactured Goods/Services (7 years)		0.00		
<u>Yemen</u>	0.30	0.00	0.30	8/
Manufactured Goods/Services (3 years)		0.00		
TOTAL FOR FGP	285.30	0.00	285.30	
For Comparison Purposes: FY 2001 Payment Guarantee Commitments through September 30, 2001				
TOTAL FOR FGP	195.50	0.00	195.50	
TOTAL FOR CCC CREDITS	6,159.30	3,388.13	2,770.17	
For Comparison Purposes: FY 2001 Payment Guarantee Commitments through September 30, 2001				
TOTAL FOR CCC CREDITS	5,761.50	3,226.91	2,534.59	

FY 2002

FOOTNOTES:

- 1/ These announcement footnotes are indicative only. See actual provisions set forth in Program Announcements. These FAS news releases are available on the Internet at <http://www.fas.usda.gov> or through fax polling. Callers should set their fax machines for polling and dial (202) 720-1728. For additional information, contact the FAS Information Division (202) 720-7115.
- 2/ Except as noted, the following terms apply:
 - Coverage is available on an FAS/FOB basis
 - Maximum coverage is 98% of port value for GSM 102/103, SCGP is 65% of port value and FGP is 95% of port value.
 - Final registration date for is 9/30/02
 - Final export date is 11/30/02
- 3/ UNLESS OTHERWISE INDICATED, GSM-102 is shown in months, 103 and FGP in years, and SCGP in days. For SCGP no interest coverage is offered.
- 4/ Coverage on a C&F basis is available on sales made on C&F or CIF basis.
- 5/ Commodities as reflected in program announcement PR-0096-01 or as superseded. Credit terms as set forth in country/ regional program announcements.
- 6/ Credit terms for solid wood products, wood pulp and wood chips are offered up to 720 days.
- 7/ For Breeder Livestock, animal genetics, feeder cattle and poultry breeder stock; coverage is available on C&F basis to point of ocean vessel or international carrier discharge.
- 8/ For credit periods exceeding 6 months, principal repayments plus accrued interest are due at 6 month intervals.
- 9/ Products have been determined to be "high value products". See program announcement for details.
- 10/ Mexico(102)--Total authorization was \$1.0 billion, however, \$500.0 million remains unallocated i.e., non-operational.
- 11/ Tunisia(102)--For the \$10.0 million line the buyer is National Office of Oil and the bank is Central Bank of Tunisia only.
- 12/ Jordan(102)--The eligible buyer for the \$30.0 million Ministry of Industry & Trade.

ECG 09-02

COUNTRIES INCLUDED WITHIN REGIONSGSM-102/103

BALTIC REGION:	Estonia, Latvia and Lithuania
CARIBBEAN REGION:	Barbados, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Netherlands Antilles, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago
CENTRAL AMERICA REG:	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
CENTRAL EUROPE REGION:	Czech Republic, Hungary and Slovakia
CHINA/HONG KONG REGION:	People Republic of China and Special Administrative Region of Hong Kong
EAST AFRICA:	Kenya, Tanzania and Uganda
SOUTH AMERICA REGION:	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela
SOUTHEAST ASIA REGION:	Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Thailand and Vietnam
SOUTHEAST EUROPE REG:	Bosnia, Croatia and Slovenia
SOUTHERN AFRICA REG:	Angola, Botswana, Burundi, Congo (Kinshasa), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Zambia and Zimbabwe
WEST AFRICA REGION:	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Cote d'Ivoire, Gabon, Gambia, Ghana, Guinea-Bissau, Guinea, Liberia, Mali, Mauritania, Nigeria, Niger, Senegal, Sierra Leone and Togo.

SUPPLIER CREDIT GUARANTEE PROGRAM

BALTIC REGION:	Estonia, Latvia and Lithuania
CARIBBEAN REGION:	Barbados, Dominican Republic, Grenada, Guadeloupe, Guyana, Jamaica, Netherlands Antilles, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago
CENTRAL AMERICA REG:	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
CENTRAL EUROPE REGION:	Czech Republic, Hungary and Slovakia
CHINA/HONG KONG REGION:	People Republic of China and Special Administrative Region of Hong Kong
SOUTH AMERICA REGION:	Argentina, Bolivia, Brazil, Chile, Colombia, Peru and Uruguay
SOUTHEAST ASIA REGION:	Indonesia, Malaysia, Philippines, Singapore and Thailand
SOUTHEAST BALKANS:	Romania and Bulgaria
SOUTHEAST EUROPE REG:	Croatia and Slovenia
WEST AFRICA REGION:	Benin, Burkina Faso, Cameroon, Cape Verde, Cote d'Ivoire, Gabon, Gambia, Ghana, Mauritania, Niger, Nigeria, and Senegal
WESTERN EUROPE REGION:	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom

FACILITY GUARANTEE PROGRAM**BALTIC REGION:**

Estonia, Latvia and Lithuania

CARIBBEAN REGION:

Jamaica and Trinidad and Tobago

CENTRAL AMERICA REG:

Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

CHINA/HONG KONG REGION:

People Republic of China and Special Administrative Region of Hong Kong

SOUTH AMERICA REGION.

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela

SOUTHEAST ASIA REGION:

Indonesia, Malaysia, Philippines, Thailand and Vietnam

SOUTHERN AFRICA REG:

Angola, Botswana, Burundi, Dem. Rep. of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Zambia and Zimbabwe

ECG 09-02

Mr. Bonilla: During fiscal year 2002, did you have any cases where exporters falsely certified that the commodities they were selling were not entirely of U.S. origin?

Response: USDA is not aware of any cases where exporters falsely certified that the commodities they were selling did not meet the definition of U.S. agricultural commodities as defined in the CCC Export Credit Guarantee Program regulations.

ARREARAGES

Mr. Bonilla: Please update the table that appears in last year's hearing record, listing all of the countries that are in arrears in their payments.

Response: [The information follows.]

**CCC Arrearages as of 2/28/03
(U.S. Dollars)**

Country	PL480	Export Credit Guarantee Programs	Total
Afghanistan	\$13,548,038		\$13,548,038
Armenia	\$3,641		\$3,641
Bolivia	\$302,157		\$302,157
Cambodia	\$52,343,424		\$52,343,424
Colombia	\$51,272		\$51,272
Congo	\$6,071,811		\$6,071,811
Costa Rica	\$142		\$142
Croatia	\$3,542		\$3,542
Dominican Republic	\$1,835,654	\$220,538	\$2,056,192
Ecuador	\$62,397		\$62,397
Ethiopia	\$1,169		\$1,169
Georgia	\$245		\$245
Guatemala	\$25,058		\$25,058
Guinea	\$20,268		\$20,268
Honduras		\$3,809,709	\$3,809,709
Indonesia	\$1,564		\$1,564
Indonesia (Srboga)	\$224,195		\$224,195
Indonesia (Panganmas)	\$223,697		\$223,697
Ivory Coast	\$14,402,862		\$14,402,862
Jordan		\$362,525	
Latvia	\$162		\$162
Liberia	\$82,274,038		\$82,274,038
Macedonia	\$466		\$466
Moldova	\$37,128		\$37,128
Paraguay	\$67,663		\$67,663
Philippines	\$20		\$20
Romania	\$409,037		\$409,037
Russia	\$24,452,145		\$24,452,145
Sierra Leone	\$3,558,961		\$3,558,961
Somalia	\$99,740,817		\$99,740,817
Sudan	\$229,452,304	\$109,608,992	\$339,061,296
Suriname	\$5,277,240		\$5,277,240
Syria	\$66,184,866		\$66,184,866
Tajikistan	\$9,921		\$9,921
Turkmenistan	\$9,486,915		\$9,486,915
Ukraine	\$3,551		\$3,551
Uzbekistan	\$104,046		\$104,046
Yemen	\$3,271,897		\$3,271,897
Zaire	\$286,230	\$15,316,886	\$15,603,116
Zimbabwe	\$10,754,022		\$10,754,022
TOTALS	\$535,371,429	\$124,925,878	\$660,297,307

Mr. Bonilla: Please provide a table showing how much CCC has paid out, by country, on loans that were in arrears. Also show what recoveries were made in 2002.

Response: [The information follows:]

**GSM & SCGP CLAIMS, RECOVERIES & RESCHEDULINGS DURING CY 2002
And Outstanding Balances as of 12/31/2002**

Country	Claims Paid	Recoveries	Reschedulings	Subtotal of Year's Activity	Outstanding Balance as of 12/31/2002
Argentina	56,373,417.47	0.00	0.00	56,373,417.47	56,373,417.47
Brazil	0.00	0.00	0.00	0.00	16,314.14
Bulgaria	138,713.02	0.00	0.00	138,713.02	138,713.02
China	0.00	0.00	0.00	0.00	40,398,190.53
Colombia	0.00	-732,940.77	0.00	-732,940.77	2,933,813.39
Ecuador	0.00	-22,074.77	-50,923,293.53	-50,945,368.30	70,346.12
Egypt	0.00	0.00	0.00	0.00	196,125.94
Ghana	794,344.31	0.00	0.00	794,344.31	815,565.42
Guatemala	83,891.61	0.00	0.00	83,891.61	83,891.61
Guyana	0.00	0.00	0.00	0.00	48,477.00
Honduras	0.00	0.00	0.00	0.00	159,461.44
Indonesia	3,987,313.54	0.00	0.00	3,987,313.54	3,987,313.54
Iraq	0.00	0.00	0.00	0.00	2,047,306,017.00
Jamaica	1,208,433.20	0.00	0.00	1,208,433.20	1,208,433.20
Jordan	0.00	0.00	0.00	0.00	3,612.00
Lithuania	0.00	0.00	0.00	0.00	54,713.70
Mexico	2,065,765.29	0.00	-0.00	2,065,765.29	2,318,701.99
Nigeria	0.00	0.00	0.00	0.00	140,398.34
Pakistan	6,066,698.91	0.00	-6,066,698.91	0.00	0.00
Peru	3,030,642.19	-2,726,282.92	0.00	304,359.27	7,568,211.35
Philippines	0.00	-741,376.57	0.00	-741,376.57	3,762,080.41
Russia	0.00	0.00	0.00	0.00	9,451,033.13
Suriname	0.00	0.00	0.00	0.00	14,455,450.06
Thailand	7,430,254.00	-2,100,000.00	0.00	5,330,254.00	5,330,254.00
Uganda	0.00	0.00	0.00	0.00	12,135,398.77
Venezuela	0.00	0.00	0.00	0.00	2,507,482.24
Yugoslavia	0.00	0.00	-3,690,311.56	-3,690,311.56	0.00
Totals	81,179,473.54	-6,322,675.03	-60,680,304.00	14,176,494.51	2,211,463,415.81

Mr. Bonilla: What are the total arrearages for P.L. 480 and Commodity Credit Corporation (CCC)?

Response: As of February 28, 2002, total P.L. 480 arrearages are \$535,371,429. Total Export Credit Guarantee Program arrearages are \$124,925,878.

P.L. 480 TITLE I AGREEMENTS

Mr. Bonilla: Please list all of the Title I agreements that were signed during fiscal year 2002, including the country, the commodity, the dollar value and the terms of these agreements

Response: [The information follows:]

**TITLE I AGREEMENTS
FISCAL YEAR 2002**

Country	Commodity	Metric Tons	Value (\$ Millions)	Payment Terms
Ecuador	Wheat	27,945	\$5.0	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Eritrea	Wheat	52,827	\$8.0	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Guatemala (Molinos Modernos)	Wheat	23,883	\$4.8	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Guatemala (EMCECO)	Wheat	7,616	\$1.5	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Indonesia	Rice	90,134	\$19.0	Repayment period up to 20 years and grace period of 5 years, interest rate 1 percent
Pakistan	Soybeans	45,288	\$10.0	Repayment period up to 20 years and grace period of 5 years, interest rate 1 percent
Peru	Wheat	47,550	\$9.7	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Philippines	Rice	37,073	\$8.0	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Philippines	Soybean Meal	57,442	\$12.0	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Sri Lanka	Wheat	55,924	\$8.0	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent
Uzbekistan	Soybean Meal	58,519	\$15.6	Repayment period up to 30 years and grace period of 5 years, interest rate 1 percent

Mr. Bonilla: Please provide the allocations, by country, under Title I for fiscal year 2002.

Response: [The information follows:]

**P.L. 480, TITLE I
FY 2002 Country Allocations**

Country/Private Entity	Commodity Value (\$ 000)	Metric Tons
Title I		
Ecuador	5,000	27,945
Eritrea	8,028	52,827
Guatemala (Molinos Modernos)	4,800	23,883
Guatemala (EMCECO)	1,500	7,616
Indonesia	19,000	90,134
Pakistan	10,000	45,288
Peru	9,704	47,550
Philippines	20,000	94,515
Sri Lanka	8,000	55,924
Uzbekistan	15,621	58,519
Title I Sub-Total	101,653	504,201

Note: There was no Title I funded Food for Progress programs in FY 2002. The totals above reflect only the commodity value. They do not include \$6.4 million in funding to cover freight financing or \$13.6 million in ocean freight differentials.

P.L. 480 TITLE I OCEAN FREIGHT DIFFERENTIAL

Mr. Bonilla: What was the ocean freight differential for fiscal year 2002, and what are your estimates for fiscal years 2003 and 2004?

Response: The OFD for fiscal year 2002 was \$13.6 million. For fiscal year 2003, the OFD is estimated at \$19.6 million and for 2004, it is estimated at \$28 million.

P.L. 480 TITLE II

Mr. Bonilla: Please list the commodities and countries in the Title II program for fiscal year 2002. Please provide a list of the sponsors with the acronyms spelled out.

Response: [The information follows:]

PL 480 Title II FY 2002 Cooperating Sponsors

ACDI	ACDI/VOCA
ADRA	Adventist Development & Relief Agency International, Inc
AFRCARE	Africare
AFK	Aga Khan Foundation
ARC	American National Red Cross
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CARITAS	Caritas del Peru
CHF	Cooperative Housing Foundation
Counterpart	Counterpart
CRS	Catholic Relief Services

DIA	Dutch Interchurch Aid
EOC	Ethiopian Orthodox Church
FFTP	Food for the Poor, Inc.
FHI	Food for the Hungry, Inc.
GJARN	Global Jewish Assistance and Relief Network
ICRC	International Committee of the Red Cross
IOCC	International Orthodox Christian Charities
IPHD	International Partnership for Human Development
IRC	International Rescue Committee
IRD	International Relief and Development
LWR	Lutheran World Relief, Inc.
MCI	Mercy Corps International
NPA	Norwegian People's Aid
NRECA	National Rural Electric Cooperative Association
OICI	Opportunities Industrialization Centers International, Inc.
PAS	Project Aid Siberia
PCI	Project Concern International
PPD	Partners for Development
PRISMA	PRISMA, Asociacion Benefica
REST	Relief Society of Tigray
SCF	Save the Children Federation, Inc.
SHARE	World SHARE, Inc.
SM	Salesian Missions
TECHSRV	TechnoServe, Inc.
WFP	World Food Program
WV US	World Vision, Inc.
Zamarano	Zamarano

P.L. 480 Title II FY 2002
All Approved Sponsors and Countries
Line 17 Metric Tonnages Section 202e Emergency and Regular

as of Wed Mar 12, 2003

<u>Region/ Country</u>	<u>Sponsor</u>	<u>Date Approved</u>	<u>Category</u>	<u>Commodity</u>	<u>Categ Recip</u>	<u>L17 MTNs</u>	<u>US\$</u>		<u>(000s)</u> ITSH	<u>202e</u>	
							<u>Comm</u>	<u>OFR</u>		<u>Value</u>	<u>Value</u>
Region: Africa Angola	CARE	05/09/02	MONET	BeansPro	0.0	770.0	487.4	119.3	0.0	0.0	606.8
				Corn_blk		1,290.0	122.5	107.1	0.0	0.0	239.6
				W_HRWblk		5,400.0	723.6	448.2	0.0	0.0	1,171.8
			Subtotal			7,460.0	1,333.6	674.6	0.0	0.0	2,008.2
	Subtotal					0.0	7,460.0	1,333.6	674.6	0.0	2,008.2
CRS		05/09/02	MONET	BeansPro	0.0	240.0	151.9	37.2	0.0	0.0	189.1
				Corn_blk		400.0	38.0	33.2	0.0	0.0	71.2
				W_HRWblk		1,700.0	227.8	141.1	0.0	0.0	368.9
			Subtotal			0.0	2,340.0	417.7	211.5	0.0	629.2
	Subtotal					0.0	2,340.0	417.7	211.5	0.0	629.2
ICRC		09/27/02	DP	BeansPro	60.0	410.0	259.5	63.5	0.0	38.5	361.6
				Veg_4Ltr		210.0	139.0	32.5	0.0	19.7	191.3
			Subtotal			60.0	620.0	398.6	0.0	58.2	552.9
			Subtotal			60.0	620.0	398.6	0.0	58.2	552.9
	Subtotal					60.0	620.0	398.6	0.0	58.2	552.9
SCF		05/09/02	MONET	BeansPro	0.0	720.0	455.8	111.6	0.0	0.0	567.4
				Corn_blk		1,200.0	114.0	99.6	0.0	0.0	213.6
				W_HRWblk		5,000.0	670.0	415.0	0.0	0.0	1,085.0
			Subtotal			0.0	7,460.0	1,333.6	674.6	0.0	2,008.2
	Subtotal					0.0	7,460.0	1,333.6	674.6	0.0	2,008.2

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		202e Value
							Comm	IFR	IFSH	Comm/Frt	
							Value	Value	Value	Value	
			Subtotal		0.0	6,920.0	1,239.8	626.2	0.0	1,866.0	0.0
		Subtotal			0.0	6,920.0	1,239.8	626.2	0.0	1,866.0	0.0
	Subtotal				0.0	6,920.0	1,239.8	626.2	0.0	1,866.0	0.0
	WFPI/PRO	07/02/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	4,071.9	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	1,156.6	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	156.0	0.0
			PRO(E)	BeansPro	2,320.0	5,800.0	3,671.4	899.0	0.0	1,858.9	6,429.3
				CSB	3,150.0	935.5	488.2	0.0	1,009.6	2,433.4	0.0
				Comm_bld	43,850.0	5,656.6	6,796.8	0.0	14,053.9	26,507.3	0.0
				Peas_QS	1,190.0	446.2	184.4	0.0	381.4	1,012.1	0.0
				Veg_4Ltr	3,200.0	2,118.4	496.0	0.0	1,025.6	3,640.0	0.0
	Subtotal				2,320.0	57,190.0	12,828.2	8,864.5	0.0	18,329.4	40,022.1
	Subtotal				2,320.0	57,190.0	12,828.2	8,864.5	0.0	23,713.9	45,406.6
	Subtotal				2,320.0	57,190.0	12,828.2	8,864.5	0.0	23,713.9	45,406.6
	WFPI/PRO	01/03/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	2,119.2	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	640.8	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	14.9	0.0
			OtherEmer	Comm_bld	0.0	8,490.0	883.0	704.7	0.0	2,733.9	4,321.5
				Peas_YS	2,000.0	752.0	310.0	0.0	644.0	1,706.0	0.0
				Veg_4Ltr	1,000.0	662.0	155.0	0.0	322.0	1,139.0	0.0
	Subtotal				0.0	11,490.0	2,297.0	1,169.7	0.0	3,699.9	7,166.5
	Subtotal				0.0	11,490.0	2,297.0	1,169.7	0.0	6,474.8	9,941.4
	01/16/02		OtherEmer	Comm_bld	0.0	8,000.0	1,032.0	1,240.0	0.0	2,576.1	4,848.1
	03/01/02		OtherEmer	CSB	0.0	1,000.0	297.0	155.0	0.0	322.0	774.0
	05/08/02		OtherEmer	Peas_QS	0.0	800.0	300.0	124.0	0.0	257.6	681.6
	09/13/01		OtherEmer	Comm_bld	0.0	8,350.0	793.2	693.0	0.0	2,668.8	4,175.1
	09/30/02		Sec202e	Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	12/11/01		OtherEmer	Peas_YS	0.0	2,000.0	752.0	310.0	0.0	644.0	1,706.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Resid	L17 MTNs	US\$		(000s)	202e		
							Comm Value	OFR Value		ITSH Value	Com/Frt Value	
Benin	CRS	11/05/01	GR	Veg_4Ltr	0.0	1,000.0	662.0	155.0	0.0	322.0	1,139.0	0.0
				Subtotal	0.0	3,000.0	1,414.0	465.0	0.0	966.0	2,845.0	0.0
				Subtotal	0.0	3,000.0	1,414.0	465.0	0.0	966.0	2,845.0	0.0
			MCH	BenaPro	0.0	32,640.0	6,133.2	3,846.7	0.0	13,285.3	23,265.2	306.8
				Corn_bk	0.0	1,270.0	803.9	196.8	0.0	0.0	1,000.8	0.0
				W_HRWbik	0.0	2,110.0	200.4	175.1	0.0	0.0	375.6	0.0
			Subtotal	Subtotal	0.0	8,840.0	1,184.6	733.7	0.0	0.0	1,918.3	0.0
				Subtotal	0.0	12,220.0	2,188.9	1,105.7	0.0	0.0	3,294.6	0.0
				Subtotal	0.0	12,220.0	2,188.9	1,105.7	0.0	0.0	3,294.6	0.0
			Subtotal	CRS	11/05/01	GR	Subtotal	0.0	12,220.0	2,188.9	1,105.7	0.0
Subtotal	0.0	12,220.0					2,188.9	1,105.7	0.0	0.0	3,294.6	0.0
Subtotal	0.0	12,220.0					2,188.9	1,105.7	0.0	0.0	3,294.6	0.0
MCH	Subtotal	2,380.0				119,390.0	24,540.0	15,425.3	0.0	37,057.4	77,022.7	306.8
	Subtotal	4.0				460.0	96.6	71.3	0.0	0.0	167.9	0.0
	Subtotal	4.0				43.0	28.5	6.7	0.0	0.0	35.1	0.0
Subtotal	Subtotal	4.0				93.0	38.2	14.4	0.0	0.0	52.6	0.0
	Subtotal	4.0				596.0	163.3	92.4	0.0	0.0	255.7	0.0
	Subtotal	4.0				596.0	163.3	92.4	0.0	0.0	255.7	0.0
MONETDF	Subtotal	60.0				654.0	432.9	101.4	0.0	0.0	534.3	0.0
	Subtotal	60.0	1,390.0	571.3	215.4	0.0	0.0	786.7	0.0			
	Subtotal	60.0	2,044.0	1,004.2	316.8	0.0	0.0	1,321.1	0.0			
Subtotal	CRS	11/05/01	GR	Rice_bgd	0.0	4,500.0	805.5	697.5	0.0	0.0	1,503.0	0.0
				Subtotal	0.0	2,520.0	390.6	209.2	0.0	0.0	599.8	0.0
				Subtotal	0.0	7,020.0	1,196.1	906.7	0.0	0.0	2,102.8	0.0
			MCH	Subtotal	5.0	240.0	80.2	37.2	0.0	0.0	117.4	0.0
				Subtotal	5.0	90.0	16.1	13.9	0.0	0.0	30.1	0.0
				Subtotal	5.0	23.0	15.2	3.6	0.0	0.0	18.8	0.0
			Subtotal	Subtotal	5.0	97.0	39.9	15.0	0.0	0.0	54.9	0.0
				Subtotal	5.0	97.0	39.9	15.0	0.0	0.0	54.9	0.0
				Subtotal	5.0	97.0	39.9	15.0	0.0	0.0	54.9	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	ITSH Value	Com/Frt Value	202e Value
			Subtotal		5.0	450.0	151.4	69.8	0.0	0.0	221.1	0.0
		Subtotal			69.0	10,110.0	2,515.0	1,385.6	0.0	0.0	3,900.6	0.0
		12/20/01	Sec:202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	241.3
	Subtotal				69.0	10,110.0	2,515.0	1,385.6	0.0	0.0	3,900.6	241.3
	WFP	01/07/02	SF	BeansPro Corn_bgd	44.5	140.0	88.6	21.7	0.0	0.0	110.3	0.0
			Subtotal		44.5	700.0	90.3	108.5	0.0	0.0	198.8	0.0
						840.0	178.9	130.2	0.0	0.0	309.1	0.0
		Subtotal			44.5	840.0	178.9	130.2	0.0	0.0	309.1	0.0
		01/08/02	OtherReg	Corn_bgd	0.0	1,400.0	180.6	217.0	0.0	0.0	397.6	0.0
			SF	Peas_Ys	44.5	150.0	56.4	23.2	0.0	0.0	79.7	0.0
	Subtotal				44.5	1,550.0	237.0	240.2	0.0	0.0	477.2	0.0
		09/30/02	Sec:202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	186.2
	Subtotal				89.0	2,390.0	415.9	370.4	0.0	0.0	786.4	186.2
Subtotal					158.0	12,500.0	2,930.9	1,756.1	0.0	0.0	4,687.0	427.6
Burkina Faso	CRS	02/01/02	FFW	Lentils	2.7	5.0	1.7	0.8	0.5	0.0	3.0	0.0
				SFBuigr		65.0	15.3	10.1	6.5	0.0	31.9	0.0
			Subtotal	Veg_4Ltr	2.7	80.0	6.6	1.6	1.0	0.0	9.2	0.0
							23.6	12.4	8.0	0.0	44.0	0.0
			GR	BeansPro	18.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Cornmeal		188.0	39.5	29.1	18.8	0.0	87.4	0.0
			Subtotal	Veg_4Ltr	18.6	37.0	24.5	3.7	3.9	0.0	33.9	0.0
						225.0	64.0	34.9	22.5	0.0	121.3	0.0
			MONETDF	Res_bgd	0.0	4,160.0	744.6	644.8	416.0	0.0	1,805.4	0.0
			PCF	Cornmeal	0.8	15.0	3.1	2.3	1.5	0.0	7.0	0.0
				Veg_4Ltr		2.0	1.3	0.3	0.2	0.0	1.8	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rctg	Lit7 MTNs	US\$		(000s)		202e	
							Comm Value	QFR Value	IFR Value	ITSH Value	Comm/Frt Value	Value
			Subtotal		0.8	17.0	4.5	2.6	1.7	0.0	8.8	0.0
			SF	Cornmeal Lentils SFBulgur Veg_4Ltr	5.4	217.0 1,143.0 4,565.0 631.0	45.6 382.4 1,072.8 417.7	31.6 177.5 707.6 97.8	21.7 114.5 456.5 63.1	0.0 0.0 0.0 0.0	100.9 674.4 2,236.8 578.6	0.0 0.0 0.0 0.0
			Subtotal		5.4	6,558.0	1,918.5	1,016.5	655.8	0.0	3,590.8	0.0
			Section 202e		0.0	0.0	0.0	0.0	0.0	0.0	0.0	158.0
			Subtotal		27.5	11,040.0	2,755.2	1,711.2	1,104.0	0.0	5,570.4	158.0
			MONET FEW	Rice_bgd Lentils SFBulgur Veg_4Ltr	0.0 2.7	3,340.0 3.0 25.0	597.9 1.0 5.9	517.7 0.5 3.9	334.0 0.3 2.5	0.0 0.0 0.0	1,449.6 1.8 12.2	0.0 0.0 0.0
			Subtotal		2.7	31.0	8.9	4.8	3.1	0.0	16.8	0.0
			GR	BeansPro Cornmeal Veg_4Ltr	18.6	0.0 234.0 23.0	0.0 49.1 15.2	0.0 36.3 3.6	0.0 23.4 2.3	0.0 0.0 0.0	0.0 108.8 21.1	0.0 0.0 0.0
			Subtotal		18.6	257.0	64.4	39.8	25.7	0.0	129.9	0.0
			PCF	Cornmeal Veg_4Ltr	0.8	15.0	3.1	2.3	1.5	0.0	7.0	0.0
			Subtotal		0.8	16.0	3.8	2.5	1.6	0.0	7.9	0.0
			SF	Cornmeal Lentils SFBulgur Veg_4Ltr	5.4	271.0 1,147.0 3,585.0 323.0	56.9 383.1 842.5 213.8	42.0 177.8 555.7 50.1	27.1 114.7 358.5 32.3	0.0 0.0 0.0 0.0	126.0 675.6 1,756.7 296.2	0.0 0.0 0.0 0.0
			Subtotal		5.4	5,326.0	1,496.3	825.5	532.6	0.0	2,854.4	0.0
			Subtotal		27.5	5,630.0	1,573.4	872.7	563.0	0.0	3,009.0	0.0
			Subtotal		55.1	20,010.0	4,926.4	3,101.6	2,001.0	0.0	10,025.9	158.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		202e	
							Comm	IFR	IFR	IFR	Value	Value
	Subtotal				88.2	1,550.0	364.6	240.2	155.0	0.0	759.9	129.9
Subtotal					88.2	1,550.0	364.6	240.2	155.0	0.0	759.9	129.9
Cameroon	WFP	05/07/02	SF	BeansRed	142.1	350.0	229.9	54.2	0.0	0.0	284.2	0.0
		09/30/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.1
	Subtotal				142.1	350.0	229.9	54.2	0.0	0.0	284.2	49.1
Subtotal					142.1	350.0	229.9	54.2	0.0	0.0	284.2	49.1
Cape Verde	ACDI	11/20/01	MONET	Corn_bmt	0.0	12,760.0	1,327.0	1,059.1	0.0	0.0	2,386.1	0.0
				Peas_GW	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Peas_YW	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal			W_HRWWhk	0.0	3,580.0	479.7	297.1	0.0	0.0	776.9	0.0
					0.0	16,340.0	1,806.8	1,356.2	0.0	0.0	3,163.0	0.0
	Subtotal			Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	545.7
					0.0	16,340.0	1,806.8	1,356.2	0.0	0.0	3,163.0	545.7
Subtotal					0.0	16,340.0	1,806.8	1,356.2	0.0	0.0	3,163.0	545.7
WFP		01/07/02	SF	BeansPro	78.8	500.0	316.5	77.5	0.0	0.0	394.0	0.0
		06/11/02	SF	CSB	78.8	480.0	142.6	74.4	0.0	0.0	217.0	0.0
		09/30/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	169.0
Subtotal					157.5	980.0	459.1	151.9	0.0	0.0	611.0	169.0
Subtotal					157.5	17,320.0	2,265.8	1,508.1	0.0	0.0	3,773.9	714.7
Chad	AFRCARE	08/12/02	MONET	Wheat_FI	0.0	3,000.0	699.0	465.0	450.0	0.0	1,614.0	0.0
		12/05/01	MONET	Wheat_FI	0.0	2,570.0	598.8	398.4	257.0	0.0	1,254.2	0.0
		12/20/01	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	271.1
Subtotal					0.0	5,570.0	1,297.8	863.4	707.0	0.0	2,868.2	271.1

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		202e	
							Comm	OFR	IFR	ITSH	Com/Frt	Value
Congo-D	WFP/PRO	07/02/02	OhrReg	CSB	0.0	200.0	59.4	31.0	20.0	0.0	110.4	0.0
				SFCM	0.0	1,000.0	233.0	155.0	100.0	0.0	483.0	0.0
				Subtotal	0.0	1,200.0	292.4	186.0	120.0	0.0	598.4	0.0
				Subtotal	0.0	1,200.0	292.4	186.0	120.0	0.0	598.4	0.0
				SF	116.0	500.0	148.5	77.5	50.0	0.0	276.0	0.0
	Subtotal	08/06/02	SF	CSB	116.0	1,700.0	440.9	263.5	170.0	0.0	874.4	0.0
				Subtotal	116.0	7,270.0	1,738.7	1,126.8	877.0	0.0	3,742.6	271.1
				DSC	0.0	0.0	0.0	0.0	0.0	0.0	362.9	0.0
				ISC	0.0	0.0	0.0	0.0	0.0	0.0	135.5	0.0
				ODC	0.0	0.0	0.0	0.0	0.0	0.0	7.8	0.0
Congo-D	WFP/PRO	08/23/02	PRO(E)	BeansPro	1,100.0	1,000.0	633.0	155.0	106.2	223.2	1,117.4	0.0
				CSB	1,100.0	1,360.0	403.9	210.8	144.5	303.5	1,062.7	0.0
				Commeal	1,100.0	2,900.0	609.0	449.5	308.1	647.2	2,013.8	0.0
				Veg_4Lir	1,100.0	250.0	165.5	38.8	26.6	55.8	286.6	0.0
				Subtotal	1,100.0	5,510.0	1,811.4	854.0	585.3	1,229.8	4,480.6	0.0
	Subtotal			DSC	1,100.0	5,510.0	1,811.4	854.0	585.3	1,736.0	4,986.8	0.0
				ISC	1,100.0	5,510.0	1,811.4	854.0	585.3	1,736.0	4,986.8	0.0
				ODC	1,100.0	5,510.0	1,811.4	854.0	585.3	1,736.0	4,986.8	0.0
				BeansPro	1,100.0	1,000.0	633.0	155.0	106.2	223.2	1,117.4	0.0
				CSB	1,100.0	1,360.0	403.9	210.8	144.5	303.5	1,062.7	0.0
Congo-D	WFP/PRO	01/04/02	OhrEmer	BeansPro	0.0	1,500.0	949.5	222.5	156.0	280.5	1,618.5	0.0
				Com_Bgd	0.0	6,990.0	901.7	1,083.5	727.0	1,307.1	4,019.2	0.0
				Subtotal	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
	Subtotal			DSC	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
				ISC	0.0	0.0	0.0	0.0	0.0	0.0	855.5	0.0
				ODC	0.0	0.0	0.0	0.0	0.0	0.0	292.9	0.0
				BeansPro	0.0	1,500.0	949.5	222.5	156.0	280.5	1,618.5	0.0
				Com_Bgd	0.0	6,990.0	901.7	1,083.5	727.0	1,307.1	4,019.2	0.0
				Subtotal	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
Congo-D	WFP/PRO	01/04/02	OhrEmer	BeansPro	0.0	1,500.0	949.5	222.5	156.0	280.5	1,618.5	0.0
				Com_Bgd	0.0	6,990.0	901.7	1,083.5	727.0	1,307.1	4,019.2	0.0
				Subtotal	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
	Subtotal			DSC	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
				ISC	0.0	0.0	0.0	0.0	0.0	0.0	855.5	0.0
				ODC	0.0	0.0	0.0	0.0	0.0	0.0	292.9	0.0
				BeansPro	0.0	1,500.0	949.5	222.5	156.0	280.5	1,618.5	0.0
				Com_Bgd	0.0	6,990.0	901.7	1,083.5	727.0	1,307.1	4,019.2	0.0
				Subtotal	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
	Subtotal			DSC	0.0	8,490.0	1,851.2	1,316.0	883.0	1,587.6	5,637.8	0.0
				ISC	0.0	0.0	0.0	0.0	0.0	0.0	855.5	0.0
				ODC	0.0	0.0	0.0	0.0	0.0	0.0	292.9	0.0
				BeansPro	0.0	1,500.0	949.5	222.5	156.0	280.5	1,618.5	0.0
				Com_Bgd	0.0	6,990.0	901.7	1,083.5	727.0	1,307.1	4,019.2	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	(000s) ITSH Value	Com/Frt Value	202e Value
Djibouti	WFP/PRRO	03/01/02	OthrEmer	Corn_bgd	0.0	1,000.0	129.0	155.0	104.0	187.0	575.0	0.0
		02/19/02	DSC	ICost	0.0	0.0	0.0	0.0	0.0	66.5	66.5	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	18.8	18.8	0.0
			OthrC	ODCost	0.0	0.0	0.0	0.0	0.0	1.4	1.4	0.0
			OthrEmer	Corn_bgd	0.0	1,010.0	130.3	156.6	107.3	225.4	619.5	0.0
		Subtotal			0.0	1,010.0	130.3	156.6	107.3	312.1	706.2	0.0
		09/30/02	Set202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	128.8
		12/10/01	OthrEmer	BeansPro	0.0	1,500.0	949.5	232.5	156.0	280.5	1,618.5	0.0
			Subtotal	CSB	0.0	1,000.0	297.0	155.0	104.0	187.0	743.0	0.0
		Subtotal			0.0	2,500.0	1,246.5	387.5	260.0	467.5	2,361.5	0.0
Djibouti	WFP/PRRO		Subtotal		0.0	2,500.0	1,246.5	387.5	260.0	467.5	2,361.5	0.0
			Subtotal		0.0	14,000.0	4,019.0	2,170.0	1,458.2	3,907.9	11,555.2	128.8
			Subtotal		1,100.0	19,510.0	5,830.4	3,024.1	2,043.6	5,643.9	16,542.0	128.8
		05/08/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	97.5	97.5	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	27.5	27.5	0.0
			OthrEmer	Lentils	0.0	400.0	133.6	62.0	0.0	33.0	228.6	0.0
				Wheat_Fl	0.0	1,500.0	349.5	232.5	0.0	123.7	705.7	0.0
			Subtotal		0.0	1,900.0	483.1	294.5	0.0	156.7	934.3	0.0
		Subtotal			0.0	1,900.0	483.1	294.5	0.0	281.7	1,059.3	0.0
		09/30/02	Set202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.4
Eritrea	WFP/IEFR		Subtotal		0.0	1,900.0	483.1	294.5	0.0	281.7	1,059.3	191.4
		02/07/02	DP	Undesgn	0.0	0.0	0.0	0.0	0.0	129.6	129.6	0.0
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	35.7	35.7	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OFR		US\$		(000s)		Com/Frt		202e Value
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	
	Subtotal	09/20/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,829.3
					3.5	17,980.0	2,528.5	1,595.3	143.0	0.0	0.0	0.0	0.0	0.0	4,266.8	1,829.3	
	CHS	08/05/02	FFW	Whn_bgd	25.9	1,576.0	250.6	244.3	157.6	0.0	0.0	0.0	0.0	0.0	652.5	0.0	
			GR	Bulgur	40.0	1,400.0	305.3	223.2	144.0	0.0	0.0	0.0	0.0	0.0	672.5	0.0	
				Lentils		100.0	15.5	10.0	0.0	0.0	0.0	0.0	0.0	0.0	58.9	0.0	
				Rice_bgd		240.0	43.0	37.2	24.0	0.0	0.0	0.0	0.0	0.0	104.2	0.0	
				Whn_bgd		194.0	30.9	30.1	19.4	0.0	0.0	0.0	0.0	0.0	80.3	0.0	
	Subtotal				40.0	1,974.0	412.5	306.0	197.4	0.0	0.0	0.0	0.0	0.0	915.9	0.0	
	Subtotal				65.9	3,550.0	663.1	550.2	355.0	0.0	0.0	0.0	0.0	0.0	1,568.3	0.0	
	12/06/01		FFW	CSB	2.3	38.0	11.3	5.9	3.8	0.0	0.0	0.0	0.0	0.0	21.0	0.0	
				Veg_4Ltr		74.0	49.0	11.5	7.4	0.0	0.0	0.0	0.0	0.0	67.9	0.0	
				Whn_bgd		1,384.0	220.1	214.5	138.4	0.0	0.0	0.0	0.0	0.0	573.0	0.0	
	Subtotal				2.3	1,496.0	280.3	231.9	149.6	0.0	0.0	0.0	0.0	0.0	661.8	0.0	
	GR			Bulgur	39.5	4,150.0	879.8	643.2	415.0	0.0	0.0	0.0	0.0	0.0	1,938.0	0.0	
				CSB		323.0	95.9	50.1	32.3	0.0	0.0	0.0	0.0	0.0	178.3	0.0	
				Lentils		330.0	110.2	51.1	33.0	0.0	0.0	0.0	0.0	0.0	194.4	0.0	
				Rice_bgd		690.0	123.5	107.0	69.0	0.0	0.0	0.0	0.0	0.0	299.5	0.0	
				Veg_4Ltr		513.0	336.6	79.5	51.3	0.0	0.0	0.0	0.0	0.0	470.4	0.0	
				Whn_bgd		376.0	59.8	58.3	37.6	0.0	0.0	0.0	0.0	0.0	155.7	0.0	
	Subtotal				39.5	6,582.0	1,608.8	989.2	638.2	0.0	0.0	0.0	0.0	0.0	3,236.3	0.0	
	MCH			CSB	24.4	607.0	180.3	94.1	60.7	0.0	0.0	0.0	0.0	0.0	335.1	0.0	
				Veg_4Ltr		306.0	202.6	47.4	30.6	0.0	0.0	0.0	0.0	0.0	280.6	0.0	
				Whn_bgd		456.0	72.5	70.7	45.6	0.0	0.0	0.0	0.0	0.0	188.8	0.0	
	Subtotal				24.4	1,369.0	455.4	212.2	136.9	0.0	0.0	0.0	0.0	0.0	804.4	0.0	
	MONET			W_HRWbkt	0.0	10,890.0	1,459.3	903.9	0.0	0.0	0.0	0.0	0.0	0.0	2,363.1	0.0	
	MONETDF			Veg_4Ltr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
				W_HRWbkt		3,300.0	546.5	273.9	0.0	0.0	0.0	0.0	0.0	0.0	818.4	0.0	
	OCFI			CSB	6.8	112.0	33.3	17.4	11.2	0.0	0.0	0.0	0.0	0.0	61.8	0.0	
				Veg_4Ltr		57.0	37.7	8.8	5.7	0.0	0.0	0.0	0.0	0.0	52.3	0.0	
				Whn_bgd		204.0	32.4	31.6	20.4	0.0	0.0	0.0	0.0	0.0	84.5	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		US\$		(000s)		Com/Frt	
							Comm	Value	IFR	Value	ITSH	Value	Value	Value
			Sect202c	W_HRWbm Section 202E(R)	0.0	2,390.0	394.4	198.4	0.0	0.0	0.0	592.7	0.0	0.0
			Subtotal		47.1	24,180.0	3,750.9	2,699.6	962.0	0.0	0.0	7,412.5	1,856.6	1,856.6
			Subtotal		47.1	24,180.0	3,750.9	2,699.6	962.0	0.0	0.0	7,412.5	1,856.6	1,856.6
			FFW	Veg_4Ltr Wlc_hgd	1.2	4.0	2.6	0.6	0.4	0.0	0.0	3.7	0.0	0.0
			Subtotal		1.2	314.0	51.9	48.7	31.0	0.0	0.0	128.3	0.0	0.0
			MCH	CSB Veg_4Ltr	13.4	700.0	207.9	108.5	70.0	0.0	0.0	386.4	0.0	0.0
			Subtotal		13.4	726.0	225.1	112.5	72.6	0.0	0.0	410.2	0.0	0.0
			MONET	W_HRWbk Veg_4Ltr	0.0	2,170.0	290.8	180.1	0.0	0.0	0.0	470.9	0.0	0.0
			MONETDF	W_HRWbk Section 202E(R)	0.0	5,090.0	839.9	422.5	0.0	0.0	0.0	1,262.3	0.0	0.0
			Subtotal		14.7	8,300.0	1,407.7	763.8	104.0	0.0	0.0	2,275.5	595.7	595.7
			Subtotal		14.7	8,300.0	1,407.7	763.8	104.0	0.0	0.0	2,275.5	595.7	595.7
			DA	Veg_4Ltr W_SW_bm	134.7	2,080.0	1,377.0	322.4	72.6	87.4	87.4	1,859.4	0.0	0.0
			Subtotal		134.7	19,240.0	3,899.5	1,746.7	671.9	808.9	808.9	7,126.9	0.0	0.0
			Subtotal		134.7	19,240.0	3,899.5	1,746.7	671.9	808.9	808.9	7,126.9	0.0	0.0
			DA	CSB W_HRWbk	2,500.0	12,400.0	3,682.8	1,922.0	682.1	996.6	996.6	7,283.5	0.0	0.0
			Subtotal		2,500.0	69,400.0	11,320.8	6,653.0	3,838.1	5,651.5	5,651.5	27,463.4	0.0	0.0
			DSC	DCost ICost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,185.4	0.0	0.0
			Subtotal		0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,185.4	0.0	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Ratio	Lit MTNs	US\$		(000s)	ITSH		Com/Prt	
							Conan	OFR		Value	Value	Value	Value
			QDC	ODCost	0.0	0.0	0.0	0.0	0.0	132.0	132.0	132.0	0.0
		Subtotal			2,500.0	69,400.0	11,320.8	6,653.0	3,838.1	7,475.3	29,287.2	0.0	0.0
		09/30/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.1	52.1
	Subtotal				2,500.0	69,400.0	11,320.8	6,653.0	3,838.1	7,475.3	29,287.2	52.1	52.1
	WFP/P8RO	03/01/02	OhtrEmer	CSB	0.0	500.0	148.5	77.5	33.2	47.3	306.5	0.0	0.0
			Reas_GS			750.0	281.2	116.2	49.9	70.9	518.3	0.0	0.0
			W_HRWbgd			2,570.0	388.1	398.4	170.8	243.0	1,200.3	0.0	0.0
			Subtotal		0.0	3,820.0	817.8	592.1	253.9	361.2	2,025.1	0.0	0.0
	Subtotal				0.0	3,820.0	817.8	592.1	253.9	361.2	2,025.1	0.0	0.0
	03/11/02	OhtrEmer	Veg_4Ltr		0.0	500.0	331.0	77.5	33.2	47.3	489.0	0.0	0.0
	09/30/02	Sec202e	Section 202E(E)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.7	12.7
	10/24/01	DSC	DCost		0.0	0.0	0.0	0.0	0.0	786.4	786.4	0.0	0.0
		ISC	ICost		0.0	0.0	0.0	0.0	0.0	276.1	276.1	0.0	0.0
		ODC	ODCost		0.0	0.0	0.0	0.0	0.0	4.2	4.2	0.0	0.0
		OhtrEmer	W_SW_bik		0.0	15,680.0	2,163.8	1,301.4	1,042.4	1,482.5	5,990.2	0.0	0.0
	Subtotal				0.0	15,680.0	2,163.8	1,301.4	1,042.4	2,549.2	7,056.9	6.0	6.0
	Subtotal				0.0	20,000.0	3,312.7	1,971.0	1,329.6	2,957.7	9,571.0	12.7	12.7
	WVUS	02/19/02	FPW	Veg_4Ltr	20.7	90.0	59.6	13.9	9.0	0.0	82.5	0.0	0.0
				Whi_bgd		1,480.0	235.3	229.4	148.0	0.0	612.7	0.0	0.0
		Subtotal			20.7	1,570.0	294.9	243.3	157.0	0.0	695.2	0.0	0.0
			MONET	W_HRWbik	0.0	4,240.0	568.2	351.9	0.0	0.0	920.1	0.0	0.0
			MONETDF	Veg_4Ltr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				W_HRWbik		400.0	66.0	33.2	0.0	0.0	99.2	0.0	0.0
			Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.2	44.2
	Subtotal				20.7	6,210.0	929.1	628.5	157.0	0.0	1,714.5	44.2	44.2
	Subtotal				20.7	6,210.0	929.1	628.5	157.0	0.0	1,714.5	44.2	44.2

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s) ITSH	Com/Frt		202e Value
							Comm	OFR		Value	Value	
Subtotal					2,880.1	215,880.0	35,819.5	21,324.4	8,690.6	11,241.8	77,076.3	5,363.7
Gambia	WFP	05/07/02	SF	CSB	163.4	300.0	89.1	46.5	0.0	0.0	135.6	0.0
		09/30/02	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	291.2
Subtotal					163.4	300.0	89.1	46.5	0.0	0.0	135.6	291.2
Subtotal					163.4	300.0	89.1	46.5	0.0	0.0	135.6	291.2
Ghana	ADRA CRS	08/17/01 09/07/01	FFW GR	SFBulgar SFSG Veg_4Ltr WSB	0.0 8.5 39.0 8.5	1,650.0 306.0 39.0 519.0	387.8 75.0 25.8 172.3	255.8 47.4 6.0 80.5	0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0	643.5 122.4 31.9 252.7	0.0 0.0 0.0 0.0
			MCH	Bulgar Veg_4Ltr WSB	4.5	253.0	53.6	39.2	0.0	0.0	92.8	0.0
						21.0	13.9	3.3	0.0	0.0	17.2	0.0
Subtotal					4.5	377.0	109.9	58.5	0.0	0.0	168.3	0.0
			MONETDF	W_NSDbik	0.0	3,530.0	547.1	293.0	0.0	0.0	840.1	0.0
			PCF	SFSG	40.0	431.0	110.5	69.9	0.0	0.0	180.4	0.0
				Veg_4Ltr		180.0	119.2	27.9	0.0	0.0	147.1	0.0
				WSB		543.0	223.2	84.2	0.0	0.0	307.3	0.0
Subtotal					40.0	1,174.0	452.8	182.0	0.0	0.0	634.8	0.0
			SF	Bulgar	222.0	1,047.0	222.0	162.3	0.0	0.0	384.2	0.0
				SFSG		3,163.0	774.9	490.3	0.0	0.0	1,265.2	0.0
				Veg_4Ltr		1,000.0	662.0	155.0	0.0	0.0	817.0	0.0
Subtotal					222.0	5,210.0	1,658.9	807.6	0.0	0.0	2,466.4	0.0
Subtotal					275.0	10,810.0	2,941.1	1,421.4	0.0	0.0	4,362.4	0.0
			GR	SFSG	6.8	110.0	26.9	17.1	0.0	0.0	44.0	0.0
				Veg_4Ltr		21.0	13.9	3.3	0.0	0.0	17.2	0.0
				WSB		182.0	74.8	28.2	0.0	0.0	103.0	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OPR Value	US\$ IFR Value	ITSH Value	Com/Frt Value	202e Value
							Value	Value					
			Subtotal		6.8	313.0	115.7	48.5	0.0	0.0	0.0	164.2	0.0
			MCH	Bulgar	4.2	472.0	100.1	73.2	0.0	0.0	0.0	173.2	0.0
				SFSG		42.0	10.3	6.5	0.0	0.0	0.0	16.8	0.0
				Veg_4Lir		21.0	13.9	3.3	0.0	0.0	0.0	17.2	0.0
				WSB		202.0	83.0	31.3	0.0	0.0	0.0	114.3	0.0
			Subtotal		4.2	737.0	207.3	114.2	0.0	0.0	0.0	321.5	0.0
			MONETDF	W_NSDbrik	0.0	8,500.0	1,317.5	705.5	0.0	0.0	0.0	2,023.0	0.0
				W_NShulk		9,570.0	1,368.5	794.3	0.0	0.0	0.0	2,162.8	0.0
			Subtotal		0.0	18,070.0	2,686.0	1,499.8	0.0	0.0	0.0	4,185.8	0.0
			PCF	SFSG	42.3	106.0	26.0	16.4	0.0	0.0	0.0	42.4	0.0
				Veg_4Lir		64.0	42.4	9.9	0.0	0.0	0.0	32.3	0.0
				WSB		376.0	154.5	58.3	0.0	0.0	0.0	212.8	0.0
			Subtotal		42.3	546.0	222.9	84.6	0.0	0.0	0.0	307.5	0.0
			SF	Bulgar	48.3	1,098.0	232.8	170.2	0.0	0.0	0.0	403.0	0.0
				SFSG		782.0	191.6	121.2	0.0	0.0	0.0	312.8	0.0
				Veg_4Lir		364.0	241.0	56.4	0.0	0.0	0.0	297.4	0.0
			Subtotal		48.3	2,244.0	665.3	347.8	0.0	0.0	0.0	1,013.2	0.0
			Subtotal		101.6	21,910.0	3,897.2	2,095.0	0.0	0.0	0.0	5,992.2	0.0
			Subtotal		376.6	32,720.0	6,838.2	3,516.4	0.0	0.0	0.0	10,354.6	0.0
			MONET	W_NShulk	0.0	4,500.0	643.5	373.5	0.0	0.0	0.0	1,017.0	0.0
		12/18/01	FFW	Veg_4Lir	177.5	300.0	198.6	46.5	0.0	0.0	0.0	245.1	0.0
		07/02/02	MCH	Lentils	38.4	200.0	66.8	31.0	0.0	0.0	0.0	97.8	0.0
		08/06/02		Lentils	38.4	100.0	33.4	15.5	0.0	0.0	0.0	48.9	0.0
		09/30/02	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	158.8
			Subtotal		254.3	600.0	298.8	93.0	0.0	0.0	0.0	391.8	158.8
			Subtotal		630.9	39,470.0	8,168.2	4,238.7	0.0	0.0	0.0	12,406.9	158.8

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	Comm		OFR		US\$ IFR		(000s) ITSSH		Com/Frt		202e		
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	
Guinea	ADKA	04/01/02	MONET	Veg_20L	0.0	1,210.0	772.0	187.6	0.0	0.0	0.0	0.0	0.0	959.5	0.0	0.0	0.0	0.0	
				Veg_20L	0.0	2,420.0	1,544.0	375.1	0.0	0.0	0.0	0.0	0.0	1,919.1	0.0	0.0	272.3	272.3	
	AFRCARE	11/05/01	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,919.1	272.3	272.3		
					0.0	2,420.0	1,544.0	375.1	0.0	0.0	0.0	0.0	1,919.1	0.0	1,919.1	272.3	272.3		
	Subtotal				0.0	2,420.0	1,544.0	375.1	0.0	0.0	0.0	0.0	1,919.1	0.0	1,919.1	272.3	272.3		
	OICI	12/20/01	MONET	Veg_20L	0.0	820.0	523.2	127.1	0.0	0.0	0.0	0.0	0.0	650.3	0.0	650.3	0.0	0.0	
				Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	130.0	130.0	130.0		
	Subtotal				0.0	820.0	523.2	127.1	0.0	0.0	0.0	0.0	0.0	650.3	0.0	650.3	150.0	150.0	
		WFP	08/06/02	SF	Rest_Y5	39.0	130.0	48.9	20.1	0.0	0.0	0.0	0.0	0.0	69.0	0.0	69.0	0.0	0.0
					DChst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	334.6	334.6	0.0	334.6	0.0	0.0
WFP/PRRO		12/11/01	DSC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	84.6	84.6	0.0	84.6	0.0	0.0	
				ODCost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.3	31.3	0.0	31.3	0.0	0.0	
			OthrEmer	Bulgar	0.0	4,000.0	848.0	620.0	0.0	0.0	0.0	0.0	508.0	508.0	1,976.0	1,976.0	0.0	0.0	
				CSB	0.0	350.0	104.0	54.2	0.0	0.0	0.0	0.0	44.5	44.5	202.7	202.7	0.0	0.0	
				Lentils		300.0	500.0	167.0	77.5	0.0	0.0	0.0	0.0	63.5	63.5	308.0	308.0	0.0	0.0
				Veg_4Ltr		300.0	198.6	46.5	0.0	0.0	0.0	0.0	38.1	38.1	283.2	283.2	0.0	0.0	
Subtotal					0.0	5,150.0	1,317.5	798.2	0.0	0.0	0.0	0.0	654.0	654.0	2,769.8	2,769.8	0.0	0.0	
Subtotal					0.0	5,150.0	1,317.5	798.2	0.0	0.0	0.0	0.0	1,104.5	1,104.5	3,220.3	3,220.3	0.0	0.0	
Subtotal					0.0	5,150.0	1,317.5	798.2	0.0	0.0	0.0	0.0	1,104.5	1,104.5	3,220.3	3,220.3	0.0	0.0	
Subtotal					0.0	5,150.0	1,317.5	798.2	0.0	0.0	0.0	0.0	1,104.5	1,104.5	3,220.3	3,220.3	0.0	0.0	
Subtotal					39.0	9,730.0	4,205.5	1,508.2	0.0	0.0	0.0	0.0	1,104.5	1,104.5	6,818.2	6,818.2	422.3	422.3	
	GuineaBn	09/30/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133.1	133.1	
				DChst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	166.7	166.7	0.0	166.7	0.0	0.0	
		12/05/01	DSC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34.2	34.2	0.0	34.2	0.0	0.0	
				ODCost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	81.8	81.8	0.0	81.8	0.0	0.0	
			OthrEmer	CSB	0.0	500.0	148.5	77.5	0.0	0.0	0.0	0.0	25.0	25.0	298.0	298.0	0.0	0.0	
				Rice_bgd	0.0	1,500.0	268.5	232.5	0.0	0.0	0.0	0.0	75.0	75.0	717.0	717.0	0.0	0.0	
	Subtotal				0.0	2,000.0	417.0	310.0	0.0	0.0	0.0	0.0	100.0	100.0	1,015.0	1,015.0	0.0	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OFR		US\$		(000s)		ITSH		Com/Frt		202e Value
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	
		Subtotal			0.0	2,000.0	417.0	310.0	188.0	382.7	1,297.7	0.0					1,297.7	0.0	
	Subtotal				0.0	2,000.0	417.0	310.0	188.0	382.7	1,297.7	133.1					1,297.7	133.1	
Subtotal					0.0	2,000.0	417.0	310.0	188.0	382.7	1,297.7	133.1					1,297.7	133.1	
Kenya	ADRA	11/20/01	MONET Sec202e	W_HRWbk Section 202E(R)	0.0	4,160.0	557.4	345.3	0.0	0.0	902.7	0.0					902.7	0.0	
		Subtotal			0.0	4,160.0	557.4	345.3	0.0	0.0	902.7	66.5					902.7	66.5	
	Subtotal				0.0	4,160.0	557.4	345.3	0.0	0.0	902.7	66.5					902.7	66.5	
	CARE CRS	02/07/02 08/12/02 11/08/01	MONET FFW LIGR	W_HRWbk W_HRWbk BeansPro CSB Veg_4Lrr	0.0 0.0 1.0 10.0 10.0	8,640.0 8,090.0 1,084.1 63.3 2,500.0	1,157.8 1,084.1 15.5 742.5 387.5	717.1 671.5 15.5 387.5 37.4	0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0	1,874.9 1,755.5 78.8 1,130.0 302.3	0.0 0.0 0.0 0.0 0.0				1,874.9 1,755.5 78.8 1,130.0 302.3	0.0 0.0 0.0 0.0 0.0	
	Subtotal				10.0	2,870.0	987.4	444.9	0.0	0.0	1,432.3	0.0					1,432.3	0.0	
			MCH	CSB	2.0	40.0	11.9	6.2	0.0	0.0	18.1	0.0					18.1	0.0	
			Subtotal	Veg_4Lrr	2.0	10.0	6.6	1.6	0.0	0.0	8.2	0.0					8.2	0.0	
						50.0	18.5	7.8	0.0	0.0	26.2	0.0					26.2	0.0	
			MONETDF Sec202e	W_HRWbk Section 202E(R)	0.0 0.0	19,360.0 0.0	2,594.2 0.0	1,606.9 0.0	0.0 0.0	0.0 0.0	4,201.1 105.3	0.0					4,201.1 105.3	0.0	
	Subtotal				13.0	22,380.0	3,663.5	2,075.0	0.0	0.0	5,738.5	105.3					5,738.5	105.3	
					13.0	30,470.0	4,747.5	2,746.4	0.0	0.0	7,494.0	105.3					7,494.0	105.3	
Hill		12/20/01	MONET Sec202e	W_HRWbk Section 202E(R)	0.0 0.0	4,380.0 0.0	586.9 0.0	363.5 0.0	0.0 0.0	0.0 0.0	930.5 121.8	0.0					930.5 121.8	0.0	
	Subtotal				0.0	4,380.0	586.9	363.5	0.0	0.0	930.5	121.8					930.5	121.8	
	Subtotal				0.0	4,380.0	586.9	363.5	0.0	0.0	930.5	121.8					930.5	121.8	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)	202e	
							Comm	IFR		Value	Value
	Subtotal				34.8	3,200.0	1808.9	496.0	0.0	0.0	1,304.9
	WFP	01/07/02	SF	BeansPho	140.0	450.0	284.9	69.8	0.0	0.0	354.6
		05/02/02	SF	Bulgar	1318.0	1,500.0	232.5	0.0	0.0	0.0	550.5
		08/30/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	307.3
	Subtotal				280.0	1,950.0	602.9	302.2	0.0	0.0	905.1
	WFP/PRRO	05/08/02	OhtrEmer	Bulgar	0.0	2,650.0	3561.8	410.8	0.0	336.6	1,309.1
		07/01/02	OhtrEmer	Veg_4Ltr	0.0	180.0	119.2	27.9	0.0	22.9	169.9
		12/11/01	DSC	DCasa	0.0	0.0	0.0	0.0	0.0	356.1	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	90.2	0.0
			QDC	ODCost	0.0	0.0	0.0	0.0	0.0	33.3	0.0
			OhtrEmer	Bulgar	0.0	2,000.0	424.0	310.0	0.0	254.0	988.0
				CSB	0.0	350.0	104.0	54.2	0.0	44.5	202.7
				Veg_4Ltr	0.0	300.0	198.6	46.5	0.0	38.1	283.2
	Subtotal				0.0	2,650.0	726.5	410.8	0.0	336.6	1,473.8
	Subtotal				0.0	2,650.0	726.5	410.8	0.0	816.1	1,953.5
	Subtotal				0.0	5,480.0	1,407.5	849.4	0.0	1,175.6	3,432.5
	Subtotal				314.8	10,630.0	2,819.2	1,647.7	0.0	1,175.6	5,642.5
	ADRA	US/08/02	MONET	Veg_blx	0.0	960.0	355.2	79.7	0.0	0.0	434.9
				W_HRWbik	0.0	6,400.0	857.6	331.2	0.0	0.0	1,188.8
				Wheat_Fl	0.0	1,120.0	261.0	173.6	0.0	0.0	434.6
	Subtotal				0.0	8,480.0	1,473.8	784.5	0.0	0.0	2,258.2
	Subtotal				0.0	8,480.0	1,473.8	784.5	0.0	0.0	2,258.2
	Subtotal	11/15/01	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	102.2
	Subtotal				0.0	8,480.0	1,473.8	784.5	0.0	0.0	2,258.2
	CARE	03/07/02	FFW	Commeal	5.0	2,970.0	623.7	460.4	0.0	0.0	1,084.0
		08/08/02	MONET	Veg_blx	0.0	780.0	288.6	64.7	0.0	0.0	353.3

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	ITSH Value	Com/Frt Value	202e Value
				W_HRWbik		5,200.0	696.8	431.6	0.0	0.0	1,128.4	0.0
				Wheat_FI		910.0	212.0	141.1	0.0	0.0	353.1	0.0
			Subtotal		0.0	6,890.0	1,197.4	637.4	0.0	0.0	1,834.8	0.0
			Subtotal		0.0	6,890.0	1,197.4	637.4	0.0	0.0	1,834.8	0.0
		11/15/01	FFW	Banashvy	5.0	190.0	114.0	29.4	0.0	0.0	143.4	0.0
				CSB		620.0	184.1	96.1	0.0	0.0	280.2	0.0
				Lemlis		190.0	63.5	29.4	0.0	0.0	93.9	0.0
				Veg_208L		120.0	68.2	18.6	0.0	0.0	86.8	0.0
			Subtotal		5.0	1,120.0	429.8	173.6	0.0	0.0	603.4	0.0
			Set202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77.6
			Subtotal		5.0	1,120.0	429.8	173.6	0.0	0.0	603.4	77.6
			Subtotal		10.0	10,980.0	2,250.9	1,271.3	0.0	0.0	3,522.2	77.6
	CR5	08/08/02	MONET	Veg_bik	0.0	1,260.0	466.2	104.6	0.0	0.0	370.8	0.0
				W_HRWbik		8,400.0	1,125.6	697.2	0.0	0.0	1,822.8	0.0
				Wheat_FI		1,470.0	342.5	227.8	0.0	0.0	570.4	0.0
			Subtotal		0.0	11,130.0	1,934.3	1,025.6	0.0	0.0	2,963.9	0.0
			Subtotal		0.0	11,130.0	1,934.3	1,025.6	0.0	0.0	2,963.9	0.0
		12/19/01	GR	SFBulgar	5.0	375.0	38.1	58.1	0.0	0.0	146.2	0.0
				Veg_4Lur		50.0	33.1	7.8	0.0	0.0	40.9	0.0
			Subtotal		5.0	425.0	121.2	65.9	0.0	0.0	187.1	0.0
			MCH	CSB	44.5	2,280.0	677.2	353.4	0.0	0.0	1,030.6	0.0
				SFBulgar		1,255.0	294.9	194.5	0.0	0.0	489.4	0.0
				Veg_4Lur		450.0	297.9	69.8	0.0	0.0	367.6	0.0
			Subtotal		44.5	3,985.0	1,270.0	617.7	0.0	0.0	1,887.7	0.0
			Set202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.4
			Subtotal		49.5	4,410.0	1,391.2	683.6	0.0	0.0	2,074.8	26.4

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recp	L17 MTNs	US\$			(000s)		
							Comm Value	OFR Value	IFR Value	ITSH Value	Com/Frt Value	202e Value
Subtotal	Subtotal	09/30/02	OPTRANS	OPTRANS	0.0	0.0	0.0	1,653.7	0.0	0.0	1,653.7	0.0
			Subtotal		2.1	16,940.0	3,480.9	1,653.7	1,848.2	1,917.6	8,900.3	0.0
			Section 202E(E)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.0
			Subtotal		2.1	16,940.0	3,480.9	1,653.7	1,848.2	1,917.6	8,900.3	43.0
			Subtotal		37.4	27,840.0	6,359.8	2,983.2	2,438.2	1,917.6	13,698.8	188.0
Mali	AFRCARE WFP	12/20/01	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	186.7
		05/07/02	FFW	Peas_GS	405.0	600.0	225.0	93.0	60.0	0.0	378.0	0.0
		07/29/02	FFW	Cornmeal	405.0	2,100.0	441.0	322.5	210.0	0.0	976.5	0.0
		09/30/02	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	295.0
		Subtotal			810.0	2,700.0	666.0	418.5	270.0	0.0	1,354.5	295.0
Subtotal	Subtotal	04/09/02	FFW	Rice_bgd w_SRWBgd	23.6	520.0	93.1	80.6	0.0	0.0	173.7	0.0
			Subtotal		23.6	3,020.0	413.1	468.1	0.0	0.0	881.2	0.0
			Subtotal		23.6	3,020.0	413.1	468.1	0.0	0.0	881.2	0.0
			SF	Peas_QW	76.3	200.0	48.0	31.0	0.0	0.0	79.0	0.0
			SF	Rice_bgd	9.0	220.0	39.4	34.1	0.0	0.0	73.5	0.0
Subtotal	Subtotal	09/30/02	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	336.5
			Section 202E(R)		108.8	3,440.0	500.5	533.2	0.0	0.0	1,033.7	356.5
			Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	383.5
			FFW	SFSG	0.0	35.0	8.6	5.4	0.0	0.0	14.0	0.0
			FFW	Veg_4Ltr	0.0	4.0	2.6	0.6	0.0	0.0	3.3	0.0
Subtotal	Subtotal	09/30/02	Section 202E(R)		0.0	12.0	4.9	1.9	0.0	0.0	6.8	0.0
			Section 202E(R)		0.0	51.0	16.2	7.9	0.0	0.0	24.1	0.0
			Subtotal		0.0	51.0	16.2	7.9	0.0	0.0	24.1	0.0
			Subtotal		16.8	783.0	191.8	121.4	0.0	0.0	313.2	0.0
			MCH	SFSG								

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		Com/Frt 202e	
							Comm Value	IFR Value	ITSH Value	Value	Value	Value
Mozambique	ADRA	08/09/02	Subtotal	Veg_4Ltr	16.8	186.0	123.1	28.8	0.0	0.0	152.0	0.0
				WSB			581.0	90.1	0.0	0.0	328.9	0.0
							1,550.0	240.3	0.0	0.0	794.0	0.0
	AFRCARE	08/09/02	Subtotal	W_HRWbik	0.0	5,360.0	718.2	444.9	0.0	0.0	1,165.1	0.0
				SFSG			192.0	29.8	0.0	0.0	76.8	0.0
				Veg_4Ltr			60.0	39.7	0.0	0.0	49.0	0.0
				WSB			127.0	52.2	0.0	0.0	71.9	0.0
							379.0	139.0	58.8	0.0	197.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
Mozambique	ADRA	08/09/02	Subtotal	W_HRWbik	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
	AFRCARE	08/09/02	Subtotal	Section 202E(R)	0.0	10,780.0	1,927.6	1,285.0	0.0	0.0	3,212.6	740.0
				W_HRWbik			1,180.0	158.1	0.0	0.0	256.1	0.0
				W_NSBulk			1,180.0	168.7	0.0	0.0	266.7	0.0
							2,360.0	326.9	0.0	0.0	522.7	0.0
ADRA	08/17/01	Subtotal		22.4	7,340.0	1,427.1	751.8	0.0	0.0	2,178.9	0.0	
						1,427.1	751.8	0.0	0.0	2,178.9	383.5	
											</	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		202c	
							Comm Value	OPR Value	IFR Value	ITFSH Value	Com/Frt Value	Value
	CARE	08/09/02	MONET	W_HRWhtk	0.0	2,680.0	359.1	222.4	0.0	0.0	581.6	0.0
				W_NSbulk		3,020.0	431.9	250.7	0.0	0.0	682.5	0.0
			Subtotal		0.0	5,700.0	791.0	473.1	0.0	0.0	1,264.1	0.0
		Subtotal	Sec202c	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	132.6
	Subtotal				0.0	5,700.0	791.0	473.1	0.0	0.0	1,264.1	132.6
		08/17/01	MONET	W_HRWhtk	0.0	6,360.0	852.2	527.9	0.0	0.0	1,380.1	0.0
					0.0	12,060.0	1,643.2	1,001.0	0.0	0.0	2,644.2	132.6
		08/09/02	MONET	W_NSbulk	0.0	1,790.0	256.0	148.6	0.0	0.0	404.5	0.0
F111	Subtotal		Sec202c	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	117.3
					0.0	1,790.0	256.0	148.6	0.0	0.0	404.5	117.3
		09/13/01	MONET	W_HRWhtk	0.0	4,780.0	540.5	396.7	0.0	0.0	1,037.3	0.0
					0.0	6,570.0	896.5	545.3	0.0	0.0	1,441.8	117.3
SCT	Subtotal	08/09/02	MONET	W_NSbulk	0.0	1,900.0	271.7	157.7	0.0	0.0	429.4	0.0
				W_HRWhtk	0.0	4,060.0	544.0	337.0	0.0	0.0	881.0	0.0
		08/17/01	MONET	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	425.2
		Subtotal	Sec202c		0.0	4,060.0	544.0	337.0	0.0	0.0	881.0	425.2
Subtotal	Subtotal				0.0	5,960.0	815.7	494.7	0.0	0.0	1,310.4	425.2
		06/11/02	FFW	BeansPto	120.0	500.0	316.5	77.5	0.0	0.0	394.0	0.0
		09/30/02	Sec202c	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	104.2
		Subtotal			120.0	500.0	316.5	77.5	0.0	0.0	394.0	104.2
WFP/IEFR	Subtotal	05/23/02	DA	BeansPto	400.0	1,280.0	810.2	0.0	0.0	185.3	995.6	0.0
				Corn, blk		8,000.0	760.0	0.0	0.0	1,158.4	1,918.4	0.0
				Veg_4Ltr		610.0	403.8	0.0	0.0	88.3	492.1	0.0
		Subtotal			400.0	9,890.0	1,974.1	0.0	0.0	1,432.1	3,406.1	0.0
DSC	ISC			DCost	0.0	0.0	0.0	0.0	0.0	289.7	289.7	0.0
				ICost	0.0	0.0	0.0	0.0	0.0	111.7	111.7	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OFR		US\$ IFR		(000s) ITSH		202e	
							Value		Value		Value		Value		Value	
Niger	Subtotal	09/30/01	ODC	ODCost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.2	27.2	0.0	0.0
			OPTRANS	OPTRANS	0.0	0.0	0.0	937.0	0.0	0.0	937.0	0.0	1,860.7	4,791.7	0.0	0.0
			Subtotal		400.0	9,890.0	1,974.1	937.0	0.0	0.0	1,860.7	4,791.7	23.8	23.8	0.0	0.0
	Subtotal	08/09/02	Section 202E(E)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			MONET	W_HRWbik	0.0	2,520.0	337.7	209.2	0.0	0.0	546.8	0.0	0.0	0.0	0.0	0.0
				W_NSbulk	0.0	5,390.0	770.8	447.4	0.0	0.0	1,218.1	0.0	0.0	0.0	0.0	0.0
	Subtotal			W_SRWbik	0.0	580.0	63.2	48.1	0.0	0.0	111.4	0.0	0.0	0.0	0.0	0.0
					0.0	8,490.0	1,171.7	704.7	0.0	0.0	1,876.3	0.0	0.0	0.0	0.0	0.0
			Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal	08/16/01			0.0	8,490.0	1,171.7	704.7	0.0	0.0	1,876.3	0.0	0.0	0.0	0.0	0.0
MONET			W_HRWbik	0.0	2,520.0	337.7	209.2	0.0	0.0	546.8	0.0	0.0	0.0	0.0	0.0	
			W_NSbulk	0.0	11,000.0	1,573.0	913.0	0.0	0.0	2,486.0	0.0	0.0	0.0	0.0	0.0	
Niger	Subtotal			W_SRWbik	0.0	2,420.0	263.8	200.9	0.0	0.0	464.6	0.0	0.0	0.0	0.0	0.0
			Subtotal		0.0	15,940.0	2,174.5	1,323.0	0.0	0.0	3,497.5	0.0	0.0	0.0	0.0	0.0
					0.0	15,940.0	2,174.5	1,323.0	0.0	0.0	3,497.5	0.0	0.0	0.0	0.0	0.0
	Subtotal	07/10/02			0.0	24,430.0	3,346.1	2,027.7	0.0	0.0	5,373.8	530.6	1,860.7	18,448.4	1,568.9	1,568.9
			MONET	Rice_bgd	0.0	1,490.0	266.7	230.9	111.3	0.0	609.4	0.0	0.0	0.0	0.0	0.0
				Veg_208L	0.0	1,140.0	647.5	176.7	85.5	0.0	909.7	0.0	0.0	0.0	0.0	0.0
	Subtotal				0.0	2,630.0	914.2	407.6	197.2	0.0	1,519.1	0.0	0.0	0.0	0.0	0.0
			Subtotal		0.0	2,630.0	914.2	407.6	197.2	0.0	1,519.1	0.0	0.0	0.0	0.0	0.0
					0.0	2,630.0	914.2	407.6	197.2	0.0	1,519.1	0.0	0.0	0.0	0.0	0.0
	Subtotal	10/11/01	FFW	SFBulgar	151.0	5,030.0	1,182.0	779.6	623.7	0.0	2,585.4	0.0	0.0	0.0	0.0	0.0
MONETDIF			Rice_bgd	0.0	7,830.0	1,401.6	1,213.7	712.2	0.0	3,327.5	0.0	0.0	0.0	0.0	0.0	
				0.0	2,360.0	1,340.5	365.8	236.0	0.0	1,942.3	0.0	0.0	0.0	0.0	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OFR		US\$ IFR		(000s) ITSH		Com/Frt		202e Value
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	
			Subtotal		22.0	1,692.0	546.1	262.3			296.1	0.0		0.0	1,104.5	0.0	
			MONETDF	Veg_4Lr	0.0	1,560.0	1,032.7	241.8			273.0	0.0		0.0	1,547.3	0.0	
			OCF1	BeansPro	7.0	183.0	115.8	28.4			32.0	0.0		0.0	176.2	0.0	
				CSB		170.0	50.3	26.4			29.8	0.0		0.0	106.6	0.0	
				Cornmeal		318.0	66.8	49.3			55.6	0.0		0.0	171.7	0.0	
				Veg_4Lr		30.0	19.9	4.7			5.2	0.0		0.0	25.8	0.0	
			Subtotal		7.0	701.0	253.0	108.7			122.7	0.0		0.0	484.3	0.0	
			Subtotal		0.0	0.0	0.0	0.0			0.0	0.0		0.0	0.0	0.0	399.7
			Subtotal		46.3	5,870.0	2,482.7	909.9			1,027.3	0.0		0.0	4,419.8	399.7	
			Subtotal		46.3	5,870.0	2,482.7	909.9			1,027.3	0.0		0.0	4,419.8	399.7	
			WFP	CSB	0.0	300.0	89.1	46.5			52.5	0.0		0.0	188.1	0.0	
			GR	Corn_bgl	150.0	670.0	86.4	103.8			117.2	0.0		0.0	307.5	0.0	
				Veg_4Lr		60.0	39.7	9.3			10.5	0.0		0.0	59.5	0.0	
			Subtotal		150.0	730.0	126.2	113.2			127.8	0.0		0.0	367.1	0.0	
			Subtotal		150.0	730.0	126.2	113.2			127.8	0.0		0.0	367.1	0.0	
			PFW	Cornmeal	20.0	1,100.0	231.0	170.5			192.5	0.0		0.0	594.0	0.0	
			Subtotal		0.0	0.0	0.0	0.0			0.0	0.0		0.0	0.0	224.0	
			GR	BeansPro	150.0	450.0	284.9	69.8			78.8	0.0		0.0	413.4	0.0	
			Subtotal		320.0	2,580.0	731.1	399.9			451.5	0.0		0.0	1,582.5	224.0	
			DSC	DCnt	0.0	0.0	0.0	0.0			0.0	0.0		0.0	363.5	0.0	
			ISC	ICnt	0.0	0.0	0.0	0.0			0.0	0.0		0.0	80.9	0.0	
			ODC	ODCst	0.0	0.0	0.0	0.0			0.0	0.0		0.0	1.6	0.0	
			OtherEner	Cornmeal	0.0	3,000.0	630.0	465.0			204.0	0.0		0.0	1,545.0	0.0	
			Subtotal		0.0	3,000.0	630.0	465.0			204.0	0.0		0.0	1,991.0	0.0	
			OtherEner	Peas_GW	0.0	2,000.0	480.0	310.0			136.0	0.0		0.0	1,090.0	0.0	
			OtherEner	Peas_YG	0.0	50.0	18.8	7.8			3.4	0.0		0.0	34.0	0.0	
			Subtotal		0.0	5,050.0	1,128.8	782.8			343.4	0.0		0.0	3,115.1	0.0	

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Resp	L17 MTNs	US\$		ITSH		Com/Pit 202e							
							IFR	Value	Value	Value	Value	Value						
Senegal	WFP	01/07/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Subtotal							0.0	0.0	0.0	0.0	46,394.1	0.0						
Senegal	WFP	05/02/02	MCH	Rice_bgd	107.4	2,000.0	0.0	0.0	0.0	0.0	2,081.2	0.0						

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Catg Recip	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	(000s) ITSH Value	Cont/Frt Value	202e Value
				Lentils		1,310.0	437.5	203.1	292.3	386.0	1,319.9	0.0
				NFDM		10.0	1.6	2.3	2.3	3.0	8.3	0.0
				Sorg_bgd		8,750.0	1,102.5	1,356.2	1,959.1	2,578.3	6,996.1	0.0
				Veg_20L		580.0	370.0	89.9	129.9	170.9	760.7	0.0
			Subtotal			12,010.0	2,331.9	1,861.5	2,689.1	3,538.9	10,421.4	0.0
			Sec202e			0.0	0.0	0.0	0.0	0.0	0.0	328.0
			Subtotal			12,010.0	2,331.9	1,861.5	2,689.1	3,538.9	10,421.4	328.0
						12,010.0	2,331.9	1,861.5	2,689.1	3,538.9	10,421.4	328.0
			CS	CSM		100.0	30.9	15.5	23.1	49.9	119.4	0.0
				Lentils		790.0	263.9	122.5	182.7	393.8	963.8	0.0
				Sorg_bgd		4,980.0	627.5	771.9	1,151.4	2,482.4	5,033.1	0.0
				Veg_20L		270.0	172.3	41.9	62.4	134.6	411.1	0.0
			Subtotal			6,140.0	1,094.5	951.7	1,419.6	3,060.6	6,526.4	0.0
			Sec202e			0.0	0.0	0.0	0.0	0.0	0.0	101.0
			Subtotal			6,140.0	1,094.5	951.7	1,419.6	3,060.6	6,526.4	101.0
						6,140.0	1,094.5	951.7	1,419.6	3,060.6	6,526.4	101.0
			Subtotal			6,140.0	1,094.5	951.7	1,419.6	3,060.6	6,526.4	101.0
			DA	CSB		5,885.4	1,188.0	465.0	138.6	1,408.6	3,200.2	0.0
				Lentils		5,000.0	1,670.0	620.0	173.2	1,760.7	4,223.9	0.0
				Sorg_bgd		15,500.0	1,933.0	1,937.5	537.1	5,458.2	9,885.8	0.0
				Sorg_bkt		10,000.0	1,010.0	830.0	346.5	3,521.3	5,707.8	0.0
				Veg_20L		1,090.0	693.4	168.9	37.8	383.8	1,286.0	0.0
				Veg_4Lr		910.0	602.4	141.1	31.5	320.4	1,095.5	0.0
				W_HRWbkt		8,000.0	1,072.0	564.0	277.2	2,817.1	4,830.3	0.0
				Wnt_bgd		5,000.0	795.0	0.0	173.2	1,760.7	2,728.9	0.0
			Subtotal			5,885.4	8,985.8	4,826.5	1,715.2	17,430.8	32,958.3	0.0
			DSC	DCost		0.0	0.0	0.0	0.0	6,383.0	6,383.0	0.0
			ISC	ICost		0.0	0.0	0.0	0.0	1,118.0	1,118.0	0.0
			ODC	ODCost		0.0	0.0	0.0	0.0	82.1	82.1	0.0
			Subtotal			5,885.4	8,985.8	4,826.5	1,715.2	25,013.9	40,541.4	0.0

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Resp.	Lit7 MTNs	Comm		US\$		(000s)		Com/Frt	
							Value	Value	IFR	Value	IFTSH	Value	Value	Value
		09/23/01	LICR	CSB	6.0	3,090.0	801.0	465.0	234.0	0.0	0.0	1,590.0	0.0	0.0
				Veg_4Ltr		300.0	198.6	46.5	34.5	0.0	0.0	279.6	0.0	0.0
			Subtotal		6.0	3,390.0	1,089.6	511.5	268.5	0.0	0.0	1,869.6	0.0	0.0
			MONETDI	Veg_4Ltr	0.0	1,970.0	1,304.1	305.4	226.6	0.0	0.0	1,836.1	0.0	0.0
				w HRWbgd		7,610.0	1,109.1	1,179.5	593.0	0.0	0.0	2,922.2	0.0	0.0
			Subtotal		0.0	9,580.0	2,453.2	1,484.9	820.1	0.0	0.0	4,758.3	0.0	0.0
			Subtotal		6.0	12,880.0	3,542.8	1,996.4	1,088.7	0.0	0.0	6,627.9	0.0	0.0
					6.0	12,880.0	3,542.8	1,996.4	1,088.7	0.0	0.0	6,627.9	397.2	0.0
			MONET	w HRWbgd	0.0	2,650.0	400.1	410.8	206.7	0.0	0.0	1,017.6	0.0	0.0
			Sec102c	Section 202(E)(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	135.6	0.0
			Subtotal		0.0	2,650.0	400.1	410.8	206.7	0.0	0.0	1,017.6	135.6	0.0
					0.0	2,650.0	400.1	410.8	206.7	0.0	0.0	1,017.6	135.6	0.0
			CRS	Corn_bgd	0.5	180.0	23.2	27.9	34.0	0.0	0.0	85.1	0.0	0.0
				Lentils		30.0	10.0	4.7	5.7	0.0	0.0	20.3	0.0	0.0
			Subtotal		0.5	210.0	6.6	1.6	1.8	0.0	0.0	10.0	0.0	0.0
					0.5	220.0	39.9	34.1	41.5	0.0	0.0	115.5	0.0	0.0
			Subtotal		0.5	220.0	39.9	34.1	41.5	0.0	0.0	115.5	0.0	0.0
					0.5	220.0	39.9	34.1	41.5	0.0	0.0	115.5	0.0	0.0
					0.5	220.0	39.9	34.1	41.5	0.0	0.0	115.5	0.0	0.0
		03/25/02	MONET	w HRWbgd	0.0	5,580.0	842.6	864.9	435.2	0.0	0.0	2,142.7	0.0	0.0
			Sec102c	Section 202(E)(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.9	0.0
			Subtotal		0.0	5,580.0	842.6	864.9	435.2	0.0	0.0	2,142.7	62.9	0.0
			Subtotal		0.0	5,580.0	842.6	864.9	435.2	0.0	0.0	2,142.7	62.9	0.0
		04/09/02	WFP	Blanklin	82.6	150.0	121.5	23.2	15.0	0.0	0.0	159.8	0.0	0.0
				Corn_bgd		2,600.0	335.4	403.0	260.0	0.0	0.0	998.4	0.0	0.0
			Subtotal		82.6	2,750.0	456.9	426.2	275.0	0.0	0.0	1,158.2	0.0	0.0
			Subtotal		82.6	2,750.0	456.9	426.2	275.0	0.0	0.0	1,158.2	0.0	0.0

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		US\$		US\$		202e Value
							Comm Value	OFR Value	IFR Value	ITSSH Value	Comm/Frt Value		
	Subtotal	Subtotal			82.6	2,750.0	456.9	426.2	275.0	0.0	1,158.2	0.0	
		08/07/02	SF	CSB	10.0	50.0	14.8	7.8	5.0	0.0	27.6	0.0	
		09/30/02	Sec202e	Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	363.3	0.0	
					92.6	2,800.0	471.8	434.0	280.0	0.0	1,185.8	363.3	
	WFP/PRO	Subtotal			0.0	0.0	0.0	0.0	0.0	0.0	392.5	0.0	
		08/08/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	0.0	127.3	0.0	
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	12.2	0.0	
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	0.0	773.3	0.0	
	Subtotal	Subtotal			546.0	8,150.0	1,711.5	1,263.2	587.8	773.3	4,335.8	0.0	
			PRO(E)	Commutal	546.0	8,150.0	1,711.5	1,263.2	587.8	1,305.3	4,867.8	0.0	
					546.0	8,150.0	1,711.5	1,263.2	587.8	1,305.3	4,867.8	0.0	
					546.0	8,150.0	1,711.5	1,263.2	587.8	1,305.3	4,867.8	0.0	
	WFP/PRO	Subtotal			546.0	8,150.0	1,711.5	1,263.2	587.8	1,305.3	4,867.8	0.0	
		01/04/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	0.0	72.7	0.0	
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	15.8	0.0	
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.0	
	Subtotal	Subtotal			0.0	1,000.0	210.0	155.0	68.0	82.0	515.0	0.0	
			OtherEmer	Commutal	0.0	1,000.0	210.0	155.0	68.0	170.8	603.8	0.0	
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	0.0	758.7	0.0	
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	200.8	0.0	
	Subtotal	Subtotal			0.0	2,710.0	569.1	420.1	249.3	246.6	1,485.0	0.0	
			OtherEmer	Commutal	0.0	2,710.0	569.1	420.1	249.3	1,238.6	2,477.1	0.0	
					0.0	2,710.0	569.1	420.1	249.3	1,238.6	2,477.1	0.0	
					0.0	2,710.0	569.1	420.1	249.3	1,238.6	2,477.1	0.0	
	03/11/02	Subtotal			0.0	0.0	0.0	0.0	0.0	0.0	255.3	0.0	
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	0.0	56.7	0.0	
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	0.0	1,876.1	0.0	
	Subtotal	Subtotal			0.0	5,300.0	551.2	439.9	382.2	502.8	2,196.1	0.0	
			OtherEmer	Commutal	0.0	5,300.0	551.2	439.9	382.2	822.8	2,196.1	0.0	
					0.0	5,300.0	551.2	439.9	382.2	822.8	2,196.1	0.0	
					0.0	5,300.0	551.2	439.9	382.2	822.8	2,196.1	0.0	
	09/13/01	Subtotal			0.0	6,800.0	707.2	564.4	625.6	618.7	2,515.9	0.0	
			OtherEmer	Commutal	0.0	6,800.0	707.2	564.4	625.6	291.2	1,849.6	0.0	
			Pass_GW		0.0	3,200.0	768.0	496.0	294.4	291.2	1,849.6	0.0	
			Subtotal		0.0	10,000.0	1,475.2	1,060.4	920.0	909.9	4,365.5	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	QFR Value	USS IFR	(000s) ITSH	Com/Frt Value	202e Value
		Subtotal			0.0	10,000.0	1,475.2	1,050.4	920.0	909.9	4,365.5	0.0
		09/30/02	Sect202e	Section 202E(F)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	140.0
	Subtotal	12/10/01	Other Emer	Commod	0.0	1,500.0	315.0	232.5	138.0	136.5	822.0	0.0
					0.0	20,510.0	3,120.5	2,307.8	1,757.5	3,278.6	10,464.4	140.0
	WYUUS	01/25/02	MONET Sect202e	W_JHRWhg Section 202E(R)	0.0	2,700.0	407.7	418.5	210.6	6.0	1,036.8	0.0
					0.0	0.0	0.0	0.0	0.0	0.0	0.0	53.7
	Subtotal				0.0	2,700.0	407.7	418.5	210.6	6.0	1,036.8	53.7
	Subtotal				0.0	2,700.0	407.7	418.5	210.6	0.0	1,036.8	53.7
Subtotal					645.0	55,490.0	10,536.9	7,720.8	4,608.0	4,583.9	27,459.5	1,152.7
WAR	CBS	12/28/01	GR	Corr_hgd Lemils	4.5	340.0	43.9	52.7	0.0	0.0	96.6	0.0
						20.0	6.7	3.1	0.0	0.0	9.8	0.0
				Veg_4Lrr		40.0	26.5	6.2	0.0	0.0	32.7	0.0
				WSB		320.0	131.5	49.6	0.0	0.0	181.1	0.0
			Subtotal		4.5	720.0	208.5	111.6	0.0	0.0	320.1	0.0
			MONETDF Sect202e	Veg_208L Section 202E(R)	0.0	1,180.0	670.2	182.9	0.0	0.0	853.1	0.0
					0.0	0.0	0.0	0.0	0.0	0.0	0.0	199.0
	Subtotal				4.5	1,900.0	878.8	294.5	0.0	0.0	1,173.3	199.0
	Subtotal				4.5	1,900.0	878.8	294.5	0.0	0.0	1,173.3	199.0
Subtotal					4.5	1,900.0	878.8	294.5	0.0	0.0	1,173.3	199.0
Zambia	WFP	03/05/02	MCH	Peak GS	337.1	1,000.0	375.0	155.0	170.0	0.0	700.0	0.0
		09/16/02	Sect202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	186.6
		10/11/01	MCH	BeantPro	337.1	170.0	107.6	26.4	28.9	0.0	162.9	0.0
	Subtotal				674.2	1,170.0	482.6	181.3	198.9	0.0	862.9	186.6

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip.	L17 MTNs	Comm		US\$ (000s)		Com/Pct Value	202e Value		
							Value	OFR Value	IFR Value	ITFSH Value				
Zimbabwe	WFP/IEFR	03/23/02	DA	Com_btk	1,288.6	8,500.0	807.5	0.0	235.2	1,054.8	2,097.6	0.0		
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	84.1	84.1	0.0		
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	65.8	65.8	0.0		
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	13.0	13.0	0.0		
			OPTRANS	OPTRANS	0.0	0.0	0.0	705.5	0.0	705.5	0.0	0.0		
	Subtotal				1,288.6	8,500.0	807.5	705.5	235.2	1,217.8	2,965.9	0.0		
	Subtotal	09/30/02	Sec202e	Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.4	
					1,288.6	8,500.0	807.5	705.5	235.2	1,217.8	2,965.9	13.4		
					DSC	DCost	0.0	0.0	0.0	0.0	0.0	155.6	155.6	0.0
					ISC	ICost	0.0	0.0	0.0	0.0	0.0	107.7	107.7	0.0
ODC					ODCost	0.0	0.0	0.0	0.0	0.0	10.1	10.1	0.0	
Subtotal	09/30/02	OthrEmer	Com_bgl	0.0	5,000.0	645.0	775.0	83.0	530.0	2,035.0	0.0			
				0.0	5,000.0	645.0	775.0	85.0	803.4	2,308.4	0.0			
				0.0	3,000.0	387.0	465.0	51.0	318.0	1,221.0	0.0			
				0.0	450.0	284.9	69.8	7.7	47.7	409.9	0.0			
				0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.2			
Subtotal	12/11/01	OthrEmer	Veg_4Ltr	0.0	310.0	205.2	48.0	5.3	32.9	291.4	0.0			
				0.0	8,760.0	1,522.1	1,357.8	148.9	1,202.0	4,238.8	45.2			
				1,962.8	18,438.0	2,812.2	2,244.7	583.0	2,419.7	8,059.6	345.1			
				558.0	2,100.0	1,329.3	325.5	199.5	132.1	1,982.4	0.0			
				440.0	130.7	68.2	41.8	26.8	267.5	0.0				
Subtotal	03/21/02	OthrEmer	Section 202(E)	0.0	8,470.0	1,778.7	1,312.8	804.6	516.7	4,412.9	0.0			
				0.0	8,890.0	2,071.4	1,378.0	844.5	542.3	4,836.2	0.0			
				0.0	220.0	145.6	34.1	20.9	13.4	214.1	0.0			
				558.0	20,120.0	5,455.7	3,118.6	1,911.4	1,227.3	11,713.0	0.0			
				0.0	0.0	0.0	0.0	0.0	496.0	496.0	0.0			
Subtotal	03/21/02	ODC	ODCost	0.0	0.0	0.0	0.0	0.0	303.8	303.8	0.0			
				0.0	0.0	0.0	0.0	0.0	534.0	534.0	0.0			
				558.0	20,120.0	5,455.7	3,118.6	1,911.4	1,227.3	11,713.0	0.0			
				0.0	0.0	0.0	0.0	0.0	496.0	496.0	0.0			
				0.0	0.0	0.0	0.0	0.0	534.0	534.0	0.0			

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	(000s) IFSH Value	Com/Frt Value	202e Value
	Subtotal	09/10/02	Sect202e	Nation 2021(H)	588.0	20,120.0	5,455.7	3,118.6	0.0	0.0	0.0	68.4
	WVUN	03/23/02	DA	Beauskin Beauskto	75.0	700.0	567.0	108.5	45.5	86.0	13,046.8	68.4
				CSB		920.0	582.4	142.6	59.8	113.0	897.0	0.0
				SFCM		5,400.0	1,603.8	0.0	351.0	440.8	2,395.6	0.0
				Veg_41rr		12,150.0	2,830.9	1,883.2	789.8	1,492.0	6,996.0	0.0
						540.0	157.5	83.7	35.1	65.3	542.6	0.0
	Subtotal				75.0	19,710.0	5,941.6	2,218.1	1,281.2	2,198.0	11,638.8	0.0
	OPTRANS			OPTRANS	0.0	0.0	0.0	837.0	0.0	0.0	837.0	0.0
	Sect202e			Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	193.4
	Subtotal				75.0	19,710.0	5,941.6	3,055.1	1,281.2	2,198.0	12,475.8	193.4
	Subtotal				75.0	19,710.0	5,941.6	3,055.1	1,281.2	2,198.0	12,475.8	193.4
Subtotal					633.0	39,830.0	11,397.3	6,173.6	3,192.6	4,759.1	25,572.6	261.8
Region total: Region: Asia Alphans	WFP/IEFR	03/11/02	DA	CSB Lemills Veg_41rr WSB w_sw_btk	24,854.4	1,103,650.0	226,222.2	132,252.2	47,635.5	136,475.7	542,585.3	18,637.0
					9,885.0	3,000.0	891.0	465.0	269.7	223.8	1,849.3	0.0
						33,860.0	11,309.2	5,248.3	3,044.0	2,526.0	22,127.5	0.0
						24,010.0	15,894.6	3,721.6	2,158.5	1,791.2	21,565.8	0.0
						3,000.0	1,233.0	465.0	269.7	223.8	2,191.5	0.0
						110,300.0	15,221.4	9,154.9	9,916.0	8,218.4	42,520.7	0.0
	Subtotal				9,885.0	174,170.0	44,549.3	19,054.8	15,657.9	12,993.1	92,255.0	0.0
	DSC			DCost:	0.0	0.0	0.0	0.0	0.0	5,868.0	5,868.0	0.0
	ISC			ICost:	0.0	0.0	0.0	0.0	0.0	2,692.5	2,692.5	0.0
	ODC			ODCost	0.0	0.0	0.0	0.0	0.0	701.4	701.4	0.0
	Subtotal				9,885.0	174,170.0	44,549.3	19,054.8	15,657.9	22,255.0	101,516.9	0.0
	Sect202e			Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	639.1
	DA	09/30/02 10/19/01		CSD	7,500.0	3,980.0	1,182.1	616.9	273.8	392.3	2,465.1	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip.	Lit7 MTNs	Comm		US\$ IFR		(000s) ITSH		Com/Pri	202e Value
							Value		Value		Value			
Bangladesh	WFP	02/13/03 06/06/03 09/13/01 09/30/02	FFW	Lentils	7,200.0	7,200.0	2,404.8	1,116.0	495.4	709.6	4,725.8	0.0		
				Peas_Y5	560.0	560.0	210.6	86.8	38.5	2,055.2	2,391.1	0.0		
				Peas_YW	560.0	560.0	134.4	86.8	38.5	55.2	314.9	0.0		
				Veg_4Ltr	3,900.0	3,900.0	2,581.8	604.5	268.3	384.4	3,839.0	0.0		
				WSB	1,500.0	1,500.0	616.5	232.5	103.2	147.8	1,100.0	0.0		
	Subtotal			W_SW_bk	91,000.0	91,000.0	12,558.0	7,553.0	9,112.0	8,969.0	38,192.0	0.0		
					7,500.0	108,700.0	19,688.1	10,296.5	10,329.8	12,713.5	53,027.8	0.0		
				DSC	0.0	0.0	0.0	0.0	0.0	3,496.2	3,496.2	0.0		
				ISC	0.0	0.0	0.0	0.0	0.0	1,431.8	1,431.8	0.0		
					7,500.0	108,700.0	19,688.1	10,296.5	10,329.8	17,641.5	57,955.8	0.0		
Subtotal						17,385.0	282,870.0	64,237.4	29,351.2	25,987.6	39,896.4	159,472.7	629.1	
Bangladesh	WFP	02/13/03 06/06/03 09/13/01 09/30/02	FFW	W_SW_bk	1,430.0	18,000.0	2,484.0	1,494.0	0.0	0.0	3,978.0	0.0		
				CSB	1,430.0	1,600.0	475.2	248.0	0.0	0.0	732.2	0.0		
				W_SW_bk	0.0	14,500.0	2,001.0	1,203.5	0.0	0.0	3,204.5	0.0		
				Section 202E(K)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,691.2		
					2,860.0	34,100.0	4,960.2	2,945.5	0.0	0.0	7,905.7	1,691.2		
	Subtotal			Peas_Y5	88.1	720.0	270.7	111.6	0.0	0.0	382.3	0.0		
				Veg_4Ltr	360.0	360.0	238.3	55.8	0.0	0.0	294.1	0.0		
				W_HRWegd	11,970.0	11,970.0	1,807.5	1,855.3	0.0	0.0	3,662.8	0.0		
					88.1	13,050.0	2,316.5	2,022.8	0.0	0.0	4,359.3	0.0		
				MONETDF	W_HRWbk	0.0	54,050.0	7,242.7	4,485.1	0.0	0.0	11,728.9	0.0	
Subtotal				88.1	67,100.0	9,559.2	6,508.9	0.0	0.0	16,068.1	0.0			
				88.1	67,100.0	9,559.2	6,508.9	0.0	0.0	16,068.1	0.0			
Subtotal							2,948.1	101,200.0	14,519.4	9,454.1	0.0		23,973.8	1,691.2

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Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	US\$		(000s)	Com/Frt		202e Value
							Comm	OPR		Value	Value	
Indonesia	Subtotal	Subtotal	Subtotal		350.1	16,415.0	4,215.4	2,544.3	0.0	0.0	6,759.7	0.0
					967.8	56,180.0	15,468.8	8,391.1	0.0	0.0	23,859.9	0.0
					967.8	56,180.0	15,468.8	8,391.1	0.0	0.0	23,859.9	1,368.7
	WFP	01/15/02 03/09/02	MCH MCH	CSB CSD	0.0	5,000.0	1,485.0	775.0	0.0	0.0	2,260.0	0.0
					2,606.6	10,000.0	2,970.0	1,550.0	0.0	0.0	4,520.0	0.0
					2,606.6	15,000.0	4,455.0	2,325.0	0.0	0.0	6,780.0	0.0
	Subtotal	Subtotal	Subtotal		10,432.8	205,520.0	65,527.1	30,728.8	0.0	0.0	96,255.9	1,368.7
					5.3	2,330.0	417.1	361.1	0.0	0.0	778.2	0.0
					6.1	190.0	78.1	29.4	0.0	0.0	107.5	0.0
CAMS	Subtotal	Subtotal	Subtotal		11.7	2,520.0	495.2	390.6	0.0	0.0	885.8	0.0
					11.7	2,520.0	495.2	390.6	0.0	0.0	885.8	0.0
					18.5	4,740.0	848.5	734.7	0.0	0.0	1,381.2	0.0
	CAMS	10/18/01	FFW GR	Rice_bgd WSB	16.5	150.0	61.6	23.2	0.0	0.0	84.9	0.0
					35.0	4,890.0	910.1	758.0	0.0	0.0	1,668.1	0.0
					35.0	4,890.0	910.1	758.0	0.0	0.0	1,668.1	0.0
	Subtotal	Subtotal	Subtotal		6.1	1,350.0	241.7	209.2	0.0	0.0	450.9	0.0
					6.1	1,440.0	301.2	223.2	0.0	0.0	524.4	0.0
					19.0	360.0	148.0	55.8	0.0	0.0	203.8	0.0
	Subtotal	Subtotal	Subtotal		25.1	1,800.0	449.2	279.0	0.0	0.0	728.2	0.0
MCH	Subtotal	Subtotal	Subtotal		25.1	1,800.0	449.2	279.0	0.0	0.0	728.2	0.0
					4.5	1,278.0	228.8	198.1	0.0	0.0	426.9	0.0
					3.0	172.0	30.8	26.7	0.0	0.0	57.5	0.0
	MCH	06/12/01	FFW GR	Rice_bgd Rice_bgd	4.5	1,278.0	228.8	198.1	0.0	0.0	426.9	0.0
					3.0	172.0	30.8	26.7	0.0	0.0	57.5	0.0
					10,432.8	205,520.0	65,527.1	30,728.8	0.0	0.0	96,255.9	1,368.7
	Subtotal	Subtotal	Subtotal		5.3	2,330.0	417.1	361.1	0.0	0.0	778.2	0.0
					6.1	190.0	78.1	29.4	0.0	0.0	107.5	0.0
					11.7	2,520.0	495.2	390.6	0.0	0.0	885.8	0.0
CAMS	Subtotal	Subtotal	Subtotal		11.7	2,520.0	495.2	390.6	0.0	0.0	885.8	0.0
					18.5	4,740.0	848.5	734.7	0.0	0.0	1,381.2	0.0
					16.5	150.0	61.6	23.2	0.0	0.0	84.9	0.0
	CAMS	10/18/01	FFW GR	Rice_bgd WSB	35.0	4,890.0	910.1	758.0	0.0	0.0	1,668.1	0.0
					35.0	4,890.0	910.1	758.0	0.0	0.0	1,668.1	0.0
					6.1	1,350.0	241.7	209.2	0.0	0.0	450.9	0.0
	Subtotal	Subtotal	Subtotal		6.1	1,440.0	301.2	223.2	0.0	0.0	524.4	0.0
					19.0	360.0	148.0	55.8	0.0	0.0	203.8	0.0
					25.1	1,800.0	449.2	279.0	0.0	0.0	728.2	0.0
	Subtotal	Subtotal	Subtotal		25.1	1,800.0	449.2	279.0	0.0	0.0	728.2	0.0
					4.5	1,278.0	228.8	198.1	0.0	0.0	426.9	0.0
					3.0	172.0	30.8	26.7	0.0	0.0	57.5	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		OPR		US\$		(000s)		Com/Prt		
							Value	Value	Value	Value	IFR	Value	Value	Value	Value		
Lao	WFP	03/11/02 03/09/02 09/30/02	Subtotal	Veg_4Ltr	75.0	30.0	19.9	4.7	0.0	0.0	0.0	0.0	0.0	0.0	24.5	0.0	
							144.7	85.2	0.0	0.0	0.0	0.0	0.0	0.0	230.0	0.0	
							28.8	10.8	0.0	0.0	0.0	0.0	0.0	0.0	39.6	0.0	
							173.5	96.1	0.0	0.0	0.0	0.0	0.0	0.0	269.6	0.0	
							3,560.0	964.9	551.8	0.0	0.0	0.0	0.0	1,516.7	0.0		
							27,800.0	5,586.3	4,309.0	0.0	765.8	0.0	10,661.1	0.0			
Lao	WFP	03/11/02 03/09/02 09/30/02	Subtotal	CSB	0.0	750.0	222.8	116.2	75.0	0.0	0.0	0.0	0.0	0.0	414.0	0.0	
							53.5	27.9	18.0	0.0	0.0	0.0	0.0	0.0	99.4	0.0	
							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	186.7	0.0
							276.2	144.2	93.0	0.0	0.0	0.0	0.0	0.0	513.4	186.7	
							276.2	144.2	93.0	0.0	0.0	0.0	0.0	0.0	513.4	186.7	
							930.0	276.2	144.2	93.0	0.0	0.0	0.0	513.4	186.7		
Nepal	WFP/PRRO	09/13/01	Subtotal	Lentils Veg_4Ltr	0.0	540.0	180.4	83.7	19.4	3.9	0.0	0.0	0.0	287.3	0.0		
							152.3	35.6	8.2	1.6	0.0	0.0	0.0	0.0	197.8	0.0	
							332.6	119.3	27.6	5.5	0.0	0.0	0.0	0.0	485.1	0.0	
							332.6	119.3	27.6	5.5	0.0	0.0	0.0	0.0	485.1	0.0	
							332.6	119.3	27.6	5.5	0.0	0.0	0.0	0.0	485.1	0.0	
							770.0	332.6	119.3	27.6	5.5	0.0	0.0	485.1	0.0		
Nepal	WFP/PRRO	09/30/02 12/05/01	Subtotal	Section 202E(E) DCost ICost Rice_hgd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.2	0.0	
							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	111.6	0.0	
							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.1	0.0	
							805.5	697.5	161.2	32.2	0.0	0.0	0.0	0.0	1,696.4	0.0	
							805.5	697.5	161.2	32.2	0.0	0.0	0.0	0.0	1,696.4	0.0	
							4,500.0	805.5	161.2	32.2	0.0	0.0	0.0	1,696.4	0.0		
Nepal	WFP/PRRO	09/30/02 12/05/01	Subtotal	Section 202E(E) DCost ICost Rice_hgd	0.0	0.0	1,138.1	816.9	188.8	208.4	0.0	0.0	0.0	2,352.2	32.2	0.0	
							1,138.1	816.9	188.8	208.4	0.0	0.0	0.0	0.0	2,352.2	32.2	0.0
							1,138.1	816.9	188.8	208.4	0.0	0.0	0.0	0.0	2,352.2	32.2	0.0
							1,138.1	816.9	188.8	208.4	0.0	0.0	0.0	0.0	2,352.2	32.2	0.0
							1,138.1	816.9	188.8	208.4	0.0	0.0	0.0	0.0	2,352.2	32.2	0.0
							5,270.0	1,138.1	816.9	188.8	208.4	0.0	0.0	2,352.2	32.2	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s) ITISH	Com/Fri		202e Value
							IFR	Value		Value	Value	
Pakistan	WFP	03/12/02	FFW	Veg_4Ltr	540.0	700.0	0.0	108.5	0.0	571.9	0.0	0.0
		09/30/02	Sec:202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	86.4	0.0
		12/06/01	SF	W_SW_bin	540.0	10,000.0	0.0	830.0	0.0	2,300.0	0.0	0.0
	Subtotal				1,080.0	10,700.0		938.5	0.0	2,871.9	86.4	
	WFP/IFR	07/02/02	DA	Lentils	343.0	1,530.0	0.0	237.2	0.0	88.7	856.9	0.0
				Veg_4Ltr	1,500.0	232.5	0.0	993.0	0.0	87.0	1,312.5	0.0
			Subtotal		343.0	3,030.0		1,504.0	0.0	175.7	2,149.4	0.0
			DSC	DCust	0.0	0.0	0.0	0.0	0.0	49.7	49.7	0.0
			ISC	ICust	0.0	0.0	0.0	0.0	0.0	60.5	60.5	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	3.0	3.0	0.0
	Subtotal				343.0	3,030.0		1,504.0	0.0	288.9	2,262.6	0.0
	Subtotal				343.0	3,030.0		1,504.0	0.0	288.9	2,262.6	0.0
Sri Lanka	WFP	03/06/02	MCH	CSB	41.5	250.0	0.0	38.8	0.0	0.0	113.0	0.0
		06/06/02	MCH	CSB	41.5	200.0	0.0	31.0	0.0	0.0	90.4	0.0
		06/14/02	MCH	CSB	41.5	500.0	0.0	148.5	0.0	0.0	226.0	0.0
		08/06/02	MCH	Lentils	41.5	290.0	0.0	96.9	0.0	0.0	141.8	0.0
		09/30/02	Sec:202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	80.0	80.0
	Subtotal				166.0	1,240.0		379.0	0.0	571.2	80.0	
	WFP/PRRO	09/30/02	Sec:202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	19.7	0.0
		12/10/01	DSC	DCust	0.0	0.0	0.0	0.0	0.0	59.8	59.8	0.0
			ISC	ICust	0.0	0.0	0.0	0.0	0.0	18.4	18.4	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	7.2	7.2	0.0
			Other/Emar	Rec_hyd	0.0	2,000.0	0.0	310.0	0.0	0.0	668.0	0.0
	Subtotal				0.0	2,000.0	0.0	310.0	0.0	85.4	753.4	0.0
	Subtotal				0.0	2,000.0	0.0	310.0	0.0	85.4	753.4	19.7

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		Com/Frt		202e Value
							IFR	Value	IFTS	Value	Value	Value	
Subtotal					166.0	3,240.0	737.0	502.2	0.0	85.4	1,324.6	99.7	
Region total:	Asia				32,997.3	642,960.0	156,171.8	77,086.9	26,269.5	41,244.9	300,773.0	3,387.4	
Region: Europe	WFP/PRRO	05/08/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	56.8	56.8	0.0	
Armenia			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	23.9	23.9	0.0	
			OthrEmer	Lentils	0.0	300.0	100.2	46.5	14.1	12.3	173.1	0.0	
				Veg_4Ltr	0.0	200.0	132.4	31.0	9.4	8.2	181.0	0.0	
				Wheat_Fl	0.0	1,000.0	233.0	155.0	47.0	41.0	476.0	0.0	
			Subtotal		0.0	1,500.0	465.6	232.5	70.5	61.5	830.1	0.0	
			Subtotal		0.0	1,500.0	465.6	232.5	70.5	142.2	910.8	0.0	
		09/10/02	Sect202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.1	
Subtotal					0.0	1,500.0	465.6	232.5	70.5	142.2	910.8	17.1	
Subtotal					0.0	1,500.0	465.6	232.5	70.5	142.2	910.8	17.1	
Azerbaij	WFP/PRRO	05/08/02	OthrEmer	Peas_GW	0.0	500.0	120.0	77.5	48.0	15.0	260.5	0.0	
				Wheat_Fl	0.0	2,000.0	466.0	310.0	192.0	60.0	1,028.0	0.0	
			Subtotal		0.0	2,500.0	586.0	387.5	240.0	75.0	1,288.5	0.0	
			Subtotal		0.0	2,500.0	586.0	387.5	240.0	75.0	1,288.5	0.0	
		12/03/01	DSC	DCost	0.0	0.0	0.0	0.0	0.0	121.4	121.4	0.0	
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	58.1	58.1	0.0	
			OthrEmer	Wheat_Fl	0.0	1,500.0	349.5	232.5	144.0	45.0	771.0	0.0	
			Subtotal		0.0	1,500.0	349.5	232.5	144.0	224.5	950.5	0.0	
			Subtotal		0.0	4,000.0	935.5	620.0	384.0	299.5	2,239.0	0.0	
Subtotal					0.0	4,000.0	935.5	620.0	384.0	299.5	2,239.0	0.0	
Balkans	WFP/IEFR	02/07/02	DP	Wheat_Fl	485.0	3,000.0	699.0	465.0	16.0	294.3	1,474.3	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Catg Recip	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	(000s) ITSH Value	Com/Prt Value	202e Value
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	202.7	202.7	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	50.6	50.6	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	10.3	10.3	0.0
			Subtotal		485.0	3,000.0	699.0	465.0	16.0	557.9	1,737.9	0.0
		09/30/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.1
	Subtotal				485.0	3,000.0	699.0	465.0	16.0	557.9	1,737.9	10.1
Subtotal					-485.0	3,000.0	699.0	465.0	16.0	557.9	1,737.9	10.1
Tajikist	WFP/IFR	09/30/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	117.5
		11/08/01	DA	Wheat_FI	1,160.0	35,000.0	8,155.0	5,425.0	3,325.0	1,400.0	18,305.0	0.0
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	1,060.6	1,060.6	0.0
			ODC	ICost	0.0	0.0	0.0	0.0	0.0	516.9	516.9	0.0
			Subtotal		1,160.0	35,000.0	8,155.0	5,425.0	3,325.0	2,977.5	19,882.5	0.0
					1,160.0	35,000.0	8,155.0	5,425.0	3,325.0	2,977.5	19,882.5	117.5
Subtotal					1,160.0	35,000.0	8,155.0	5,425.0	3,325.0	2,977.5	19,882.5	117.5
	WFP/PRRO	09/13/01	DSC	DCost	0.0	0.0	0.0	0.0	0.0	287.8	287.8	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	165.3	165.3	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	138.7	138.7	0.0
			OtherEmer	Wheat_FI	328.5	5,000.0	1,165.0	775.0	475.0	200.0	2,615.0	0.0
			Subtotal		328.5	5,000.0	1,165.0	775.0	475.0	791.8	3,306.8	0.0
		09/30/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	106.8
		12/05/01	OtherEmer	Wheat_FI	0.0	6,000.0	1,398.0	930.0	570.0	240.0	3,138.0	0.0
			Subtotal		328.5	11,000.0	2,563.0	1,705.0	1,045.0	1,031.8	6,344.8	106.8
Subtotal					1,488.5	46,000.0	10,718.0	7,130.0	4,370.0	4,009.3	26,227.3	224.2
Region total: Europe					1,973.5	54,500.0	12,818.1	8,447.5	4,840.5	5,008.9	31,115.0	251.3
Region: L Am&Car					0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.0
Bolivia	ADRA	09/19/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.0
		12/21/01	FFW	CSB	9.2	143.0	42.5	22.2	14.3	0.0	78.9	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	US\$		(000s)		Com/Frt Value	202e Value
								OFR	IFR	ITSH	Value		
				Lentils		132.0	44.1	20.5	132.7	0.0	77.8	0.0	0.0
				Peas_GW		143.0	34.3	22.2	14.3	0.0	70.8	0.0	0.0
				SFBulgar		50.0	11.8	7.8	5.0	0.0	34.5	0.0	0.0
				WSB		150.0	61.6	23.2	15.0	0.0	99.9	0.0	0.0
				Wheat_FI	9.2	669.0	155.9	103.7	66.9	0.0	326.5	0.0	0.0
			Subtotal			1,287.0	350.2	199.5	123.7	0.0	678.4	0.0	0.0
			MCH	CSB	2.4	377.0	112.0	58.4	37.7	0.0	208.1	0.0	0.0
				Lentils		138.0	46.1	21.4	13.8	0.0	81.3	0.0	0.0
				Peas_GW		187.0	44.9	29.0	18.7	0.0	92.6	0.0	0.0
			Subtotal	Wheat_FI	2.4	351.0	81.8	54.4	35.1	0.0	171.3	0.0	0.0
						1,051.0	284.7	163.2	105.3	0.0	553.2	0.0	0.0
				Wheat_FI	0.0	5,660.0	1,318.8	877.3	566.0	0.0	2,762.1	0.0	0.0
			Subtotal		11.6	8,002.0	1,953.7	1,240.0	800.0	0.0	3,993.7	0.0	0.0
						11.6	8,002.0	1,953.7	1,240.0	0.0	3,993.7	160.0	0.0
	CARE	09/19/02 12/05/01	Sec202c FFW	Section 202E(F)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	0.0
				CSB	7.7	71.0	21.1	11.0	7.1	0.0	39.2	0.0	0.0
				Lentils		42.0	14.0	6.5	4.2	0.0	24.7	0.0	0.0
				Peas_GW		120.0	28.8	18.6	12.0	0.0	59.4	0.0	0.0
				SFBulgar		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Wheat_FI		434.0	101.1	67.3	43.4	0.0	211.8	0.0	0.0
			Subtotal		7.7	667.0	165.0	103.4	66.7	0.0	335.1	0.0	0.0
			MCH	CSB	7.7	709.0	210.6	109.9	70.9	0.0	391.4	0.0	0.0
				Lentils		168.0	56.1	26.0	16.8	0.0	99.0	0.0	0.0
				Peas_GW		660.0	144.0	93.0	66.0	0.0	297.0	0.0	0.0
				Wheat_FI	7.7	2,343.0	612.5	363.2	234.3	0.0	1,209.9	0.0	0.0
			Subtotal			2,343.0	612.5	363.2	234.3	0.0	1,209.9	0.0	0.0
			MONETDF	Wheat_FI	0.0	8,960.0	2,087.7	1,388.8	896.0	0.0	4,372.5	0.0	0.0
					15.5	11,970.0	2,865.2	1,855.4	1,197.0	0.0	5,917.5	0.0	0.0
			Subtotal		15.5	11,970.0	2,865.2	1,855.4	1,197.0	0.0	5,917.5	200.0	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		US\$		(000s)		Conf/Frt	
							Value	Value	IFR	Value	ITSH	Value	Value	Value
1111		02/27/02	FFW	CSB	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Lentils		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Pess_GW		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				SFBalgar		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				WSB		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Wheat_FI		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Subtotal	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			MCH	CSB	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Lentils		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Pess_GW		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			Subtotal	Wheat_FI	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Subtotal		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			MONEYDIF	Wheat_FI	0.0	1,850.0	431.1	286.8	185.0	0.0	0.0	902.8	0.0	0.0
				Subtotal	21.2	1,850.0	431.1	286.8	185.0	0.0	0.0	902.8	0.0	0.0
			Sec202e	Section 202e(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	240.0
				Subtotal	21.2	1,850.0	431.1	286.8	185.0	0.0	0.0	902.8	0.0	240.0
			PCI	Balgar	2.5	20.0	4.2	3.1	2.0	0.0	0.0	9.3	0.0	0.0
				CSB		23.0	6.8	3.6	2.3	0.0	0.0	12.7	0.0	0.0
				Lentils		41.0	13.7	6.4	4.1	0.0	0.0	24.1	0.0	0.0
		02/28/02	FFW	WSB	20.0	8.2	3.1	2.0	0.0	0.0	0.0	13.3	0.0	0.0
				Wheat_FI	111.0	25.9	17.2	11.1	11.1	0.0	0.0	54.2	0.0	0.0
				Subtotal	2.5	215.0	58.8	35.5	21.5	0.0	0.0	113.7	0.0	0.0
			MCH	CSB	2.6	97.0	33.8	15.0	9.7	0.0	0.0	53.5	0.0	0.0
				Lentils		29.0	9.7	4.5	2.9	0.0	0.0	17.1	0.0	0.0
				Wheat_FI		109.0	25.4	16.9	10.9	0.0	0.0	53.2	0.0	0.0
			Subtotal	Section 202e(R)	2.6	235.0	63.9	36.4	23.5	0.0	0.0	123.8	0.0	0.0
				Subtotal		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.9
				Subtotal	5.1	450.0	122.7	69.8	45.0	0.0	0.0	237.5	0.0	49.9

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	Lit7 MT/15	Comm		OFR		US\$		(000s)		Com/Frt		202s	
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value		
Subtotal																		
SCF		01/04/02	FFW	CSB	5.1	450.0	122.7	69.8			45.0	0.0			237.5	49.9		
				Lentils	24.0	383.0	113.8	59.4			38.3	0.0			211.4	0.0		
				Peanut		383.0	127.9	59.4			38.3	0.0			225.6	0.0		
				WGB		382.0	91.7	59.2			38.2	0.0			189.1	0.0		
				WGB		770.0	316.5	119.3			77.0	0.0			512.8	0.0		
Subtotal				Wheat_Fl		1,921.0	447.6	297.8			192.1	0.0			937.5	0.0		
					24.0	3,439.0	1,097.4	595.1			333.9	0.0			2,076.4	0.0		
MCH				CSB	13.5	717.0	212.9	111.1			71.7	0.0			395.8	0.0		
				Lentils		287.0	95.9	44.5			28.7	0.0			169.0	0.0		
				Peanut		358.0	85.9	55.5			35.8	0.0			177.2	0.0		
				Wheat_Fl		719.0	167.5	111.5			71.9	0.0			350.9	0.0		
				Subtotal		13.5	2,081.0	562.3	322.6			208.1	0.0			1,097.9	0.0	
Subtotal			MONETDF	Wheat_Fl	0.0	6,460.0	1,505.2	1,001.3			646.0	0.0			3,157.5	0.0		
					37.5	12,380.0	3,164.8	1,918.9			1,238.0	0.0			6,321.8	0.0		
Subtotal																		
09/19/02		Sect202s		Section 202(E)	0.0	0.0	0.0	0.0			0.0	0.0			0.0	200.0		
					37.5	12,380.0	3,164.8	1,918.9			1,238.0	0.0			6,321.8	200.0		
WFP		01/15/12	FFW	W_HRW_High	625.0	3,000.0	451.0	465.0			300.0	0.0			1,218.0	0.0		
				W_HRW_High	625.0	3,000.0	426.0	249.0			300.0	0.0			975.0	0.0		
04/09/02		Sect202s		Section 202(E)	0.0	0.0	0.0	0.0			0.0	0.0			0.0	192.0		
					1,250.0	6,000.0	879.0	714.0			600.0	0.0			2,192.0	192.0		
Subtotal																		
Subtotal					1,340.9	40,650.0	9,416.5	6,084.9			4,065.0	0.0			19,566.2	1,041.9		
Ecuador	WFP	26/06/02	MCH	W_HRW_High	1.0	5,000.0	755.0	775.0			0.0	0.0			1,530.0	0.0		
				Section 202(E)	0.0	0.0	0.0	0.0			0.0	0.0			0.0	54.7		
Subtotal																		
Subtotal					1.0	5,000.0	755.0	775.0			0.0	0.0			1,530.0	54.7		

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	Comm		OFR		US\$		(000s)		ITSH		Com/Frt		202e Value
							Value	Value	Value	Value	IFR	Value	Value	Value	Value	Value	Value	Value	
Guatemala	CARE	03/25/02	DR	BeansBkt	3,900.0	30.0	26.1	4.7	0.0	0.0	0.0	17.5	48.2	0.0					
				CSB		60.0	17.8	9.3	0.0	0.0	0.0	35.0	62.1	0.0					
				Rice_bkgd		40.0	7.2	6.2	0.0	0.0	0.0	23.3	36.7	0.0					
				Veg_4Ltr		20.0	13.2	3.1	0.0	0.0	0.0	11.7	28.0	0.0					
				Subtotal	3,900.0	150.0	64.3	23.2	0.0	0.0	0.0	87.5	175.0	0.0					
	Subtotal	Subtotal	Subtotal	Subtotal	3,900.0	150.0	64.3	23.2	0.0	0.0	0.0	87.5	175.0	0.0					
				CSB	27.6	80.0	23.8	12.4	0.0	0.0	0.0	0.0	36.2	0.0					
				Rice_bkgd		150.0	26.9	23.2	0.0	0.0	0.0	0.0	50.1	0.0					
				SFBulgar		170.0	40.0	26.4	0.0	0.0	0.0	0.0	66.3	0.0					
				Subtotal	27.6	400.0	90.6	62.0	0.0	0.0	0.0	0.0	152.6	0.0					
	MONETDF	06/18/02	MONETDF	Corn_bkt	0.0	3,000.0	285.0	249.0	0.0	0.0	0.0	0.0	534.0	0.0					
				SoymealB		1,950.0	388.1	161.8	0.0	0.0	0.0	0.0	549.9	0.0					
				Subtotal	0.0	4,950.0	673.0	410.9	0.0	0.0	0.0	0.0	1,083.9	0.0					
				Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	311.1					
				Subtotal	0.0	4,950.0	673.0	410.9	0.0	0.0	0.0	0.0	1,083.9	311.1					
	MCH	09/21/01	MCH	CSB	27.6	920.0	273.2	142.6	0.0	0.0	0.0	0.0	415.8	0.0					
				Rice_bkgd		570.0	102.0	88.3	0.0	0.0	0.0	0.0	190.4	0.0					
				SFBulgar		140.0	32.9	21.7	0.0	0.0	0.0	0.0	54.6	0.0					
				Veg_208L		190.0	107.9	29.4	0.0	0.0	0.0	0.0	137.4	0.0					
				Veg_20L		60.0	38.3	9.3	0.0	0.0	0.0	0.0	47.6	0.0					
	Subtotal	Subtotal	Subtotal	Subtotal	27.6	1,880.0	554.4	291.4	0.0	0.0	0.0	0.0	845.8	0.0					
				Subtotal	27.6	1,880.0	554.4	291.4	0.0	0.0	0.0	0.0	845.8	0.0					
	Subtotal	12/04/01	MONETDF	SoymealB	0.0	8,490.0	1,689.5	704.7	0.0	0.0	0.0	0.0	2,394.2	0.0					
				Subtotal	3,955.1	15,870.0	3,071.8	1,492.3	0.0	0.0	0.0	87.5	4,651.4	311.1					
				Subtotal	3,955.1	15,870.0	3,071.8	1,492.3	0.0	0.0	0.0	87.5	4,651.4	311.1					
	CRS	03/25/02	DR	BeansPro	21.8	600.0	379.8	93.0	0.0	0.0	0.0	0.0	67.8	540.5	0.0				
				CSB		620.0	184.1	96.1	0.0	0.0	0.0	70.0	330.3	0.0					
				Subtotal	21.8	620.0	184.1	96.1	0.0	0.0	0.0	70.0	330.3	0.0					
				Subtotal	21.8	620.0	184.1	96.1	0.0	0.0	0.0	70.0	330.3	0.0					
				Subtotal	21.8	620.0	184.1	96.1	0.0	0.0	0.0	70.0	330.3	0.0					

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	Lit7 MTNs	Comm		OFR		US\$		(000ts)		Com/Frt		202e	
							Value		Value		Value		Value		Value		Value	
				Rice_bgd		670.0	119.9	103.8	0.0	75.7	299.4	0.0	75.7	299.4	0.0			
				Veg_20L		30.0	19.1	4.7	0.0	3.4	27.2	0.0	3.4	27.2	0.0			
				Veg_4Ltr		50.0	33.1	7.8	0.0	5.7	46.5	0.0	5.7	46.5	0.0			
			Subtotal		21.8	1,970.0	736.1	305.4	0.0	222.5	1,264.0	0.0	222.5	1,264.0	0.0			
		Subtotal			21.8	1,970.0	736.1	305.4	0.0	222.5	1,264.0	0.0	222.5	1,264.0	0.0			
		08/18/02	MONETDIF	Corn_blk	0.0	4,220.0	400.9	350.3	0.0	0.0	751.2	0.0	0.0	751.2	0.0			
				SoymealB		890.0	177.1	73.9	0.0	0.0	251.0	0.0	0.0	251.0	0.0			
			Subtotal		0.0	5,110.0	578.0	424.1	0.0	0.0	1,002.1	0.0	0.0	1,002.1	0.0			
			Sec202e		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			207.6
		Subtotal			0.0	5,110.0	578.0	424.1	0.0	0.0	1,002.1	0.0	0.0	1,002.1	0.0			207.6
		09/26/01	IFW	BeansBk	18.0	158.0	137.3	24.5	0.0	0.0	161.8	0.0	0.0	161.8	0.0			
				Rice_bgd		304.0	54.4	47.1	0.0	0.0	101.5	0.0	0.0	101.5	0.0			
			Subtotal		18.0	119.0	75.9	18.4	0.0	0.0	94.4	0.0	0.0	94.4	0.0			
						581.0	267.6	90.1	0.0	0.0	357.7	0.0	0.0	357.7	0.0			
			MCH	BeansBk	72.0	252.0	219.0	39.1	0.0	0.0	238.1	0.0	0.0	238.1	0.0			
				CSB		560.0	156.3	86.8	0.0	0.0	253.1	0.0	0.0	253.1	0.0			
				Rice_bgd		486.0	87.0	75.3	0.0	0.0	162.3	0.0	0.0	162.3	0.0			
				Veg_20L		191.0	121.9	29.6	0.0	0.0	151.5	0.0	0.0	151.5	0.0			
			Subtotal		72.0	1,495.0	594.2	230.8	0.0	0.0	825.0	0.0	0.0	825.0	0.0			
						90.0	2,070.0	861.8	320.9	0.0	1,182.7	0.0	0.0	1,182.7	0.0			
		Subtotal																
		12/04/01	MONET	SoymealB	0.0	110.0	21.9	9.1	0.0	0.0	31.0	0.0	0.0	31.0	0.0			
			MONETDIF	Corn_bk	0.0	4,220.0	400.9	350.3	0.0	0.0	751.2	0.0	0.0	751.2	0.0			
				SoymealB		1,010.0	201.0	83.8	0.0	0.0	284.8	0.0	0.0	284.8	0.0			
			Subtotal		0.0	5,230.0	601.9	434.1	0.0	0.0	1,036.0	0.0	0.0	1,036.0	0.0			
			Subtotal		0.0	5,340.0	623.8	443.2	0.0	0.0	1,067.0	0.0	0.0	1,067.0	0.0			
		Subtotal			111.8	14,490.0	2,799.7	1,493.6	0.0	222.5	4,515.7	0.0	222.5	4,515.7	0.0			

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		202e	
							Comm Value	IFR Value	IFRSH Value	Com/Frt Value	Value	Value
SCT		01/25/02	DR	BeansPro	3.1	20.0	12.7	3.1	0.0	22.5	38.2	0.0
				CSB		40.0	11.9	6.2	0.0	44.9	63.0	0.0
				Rice_bgd		30.0	5.4	4.7	0.0	33.7	43.7	0.0
			Subtotal	Veg_4Ltr	3.1	10.0	6.6	1.6	0.0	11.2	19.4	0.0
						100.0	36.5	15.5	0.0	112.3	164.3	0.0
						100.0	36.5	15.5	0.0	112.3	164.3	0.0
		06/18/02	MONETDIF	Corn_bik	0.0	4,900.0	465.5	406.7	0.0	0.0	872.2	0.0
				SoymealB	0.0	1,670.0	332.3	138.6	0.0	0.0	470.9	0.0
				Subtotal		6,570.0	797.8	545.3	0.0	0.0	1,343.1	0.0
			Subtotal	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	632.9
					0.0	6,570.0	797.8	545.3	0.0	0.0	1,343.1	632.9
		07/08/02	FFW	BeansPro	11.3	36.0	22.8	5.6	0.0	0.0	28.4	0.0
				Rice_bgd		137.0	24.5	21.2	0.0	0.0	45.8	0.0
				Veg_20L		17.0	10.8	2.6	0.0	0.0	13.5	0.0
			Subtotal		11.3	196.0	58.2	29.5	0.0	0.0	87.6	0.0
			MCH	BeansPro	10.8	14.0	8.9	2.2	0.0	0.0	11.0	0.0
				CSB		650.0	187.1	97.7	0.0	0.0	284.8	0.0
				Rice_bgd		53.0	9.5	8.2	0.0	0.0	17.7	0.0
			Subtotal	Veg_20L	10.8	13.0	8.3	2.0	0.0	0.0	10.3	0.0
						716.0	213.8	110.1	0.0	0.0	323.8	0.0
			Subtotal		22.2	906.0	271.9	139.5	0.0	0.0	411.4	0.0
		09/21/01	FFW	BeansPro	25.9	495.0	313.3	76.7	0.0	0.0	390.1	0.0
				Rice_bgd		913.0	163.4	141.5	0.0	0.0	304.9	0.0
				Veg_20L		46.0	29.4	7.1	0.0	0.0	36.5	0.0
			Subtotal		25.9	1,454.0	506.1	225.4	0.0	0.0	731.5	0.0
			MCH	BeansPro	2.7	75.0	47.5	11.6	0.0	0.0	59.1	0.0
				CSB		120.0	35.6	18.6	0.0	0.0	54.2	0.0
				Rice_bgd		137.0	24.5	21.2	0.0	0.0	45.8	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)		Com/Fri	
							Comm	IFR	ITSH	Value	Value	Value
			Subtotal	Veg_20L		14.0	8.9	2.2	0.0	0.0	17.1	0.0
					2.7	346.0	116.6	53.6	0.0	0.0	170.2	0.0
			Subtotal		28.6	1,800.0	622.7	279.0	0.0	0.0	901.7	0.0
			Subtotal	MONET	SoymealB	60.0	11.9	5.0	0.0	0.0	16.9	0.0
				MONETDF	Corn_bik	2,400.0	229.9	200.9	0.0	0.0	430.8	0.0
					SoymealB	2,990.0	595.0	248.2	0.0	0.0	843.2	0.0
			Subtotal			5,410.0	824.9	449.0	0.0	0.0	1,273.9	0.0
			Subtotal			5,470.0	836.9	454.0	0.0	0.0	1,290.9	0.0
			Subtotal		53.9	14,840.0	2,565.8	1,433.4	0.0	112.3	4,111.4	632.9
			DR	BeansBik		20.0	17.4	3.1	0.0	8.0	28.4	0.0
				CSB		100.0	29.7	15.5	0.0	39.8	85.0	0.0
				Rice_bgd		40.0	7.2	6.2	0.0	15.9	29.3	0.0
			Subtotal			30.0	19.9	4.7	0.0	11.9	36.5	0.0
						190.0	74.1	29.4	0.0	75.6	179.2	0.0
			Subtotal			190.0	74.1	29.4	0.0	75.6	179.2	0.0
			MONETDF	Corn_bik		2,000.0	190.0	166.0	0.0	0.0	356.0	0.0
				SoymealB		2,190.0	435.8	181.8	0.0	0.0	617.6	0.0
			Subtotal			4,190.0	625.8	347.8	0.0	0.0	973.6	0.0
			Sec202e	Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	431.0
			Subtotal			0.0	0.0	0.0	0.0	0.0	973.6	431.0
			FFW	BeansBik		58.0	50.4	9.0	0.0	0.0	59.4	0.0
			MCH	BeansBik		202.0	175.5	31.3	0.0	0.0	206.8	0.0
			Subtotal			260.0	225.9	40.3	0.0	0.0	266.2	0.0
			FFW	BeansBik		383.0	332.8	59.4	-0.0	0.0	392.2	0.0
				Rice_bgd		260.0	46.5	40.3	0.0	0.0	86.8	0.0
				Veg_4Ltr		76.0	50.3	11.8	0.0	0.0	62.1	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm Value	OFR Value	US\$ IPR Value	ITSH Value	Com/Frt Value	202e Value
			Subtotal		17.0	719.0	429.7	111.5	0.0	0.0	541.1	0.0
			MCH	BeansBtk	55.0	497.0	431.9	77.0	0.0	0.0	508.9	0.0
				CSB		1,490.0	442.5	230.9	0.0	0.0	673.5	0.0
				Rice_bgd		720.0	128.9	111.6	0.0	0.0	340.5	0.0
				Veg_4Ltr		494.0	327.0	76.6	0.0	0.0	403.6	0.0
			Subtotal		55.0	3,201.0	1,330.3	496.2	0.0	0.0	1,826.5	0.0
			Subtotal		72.0	3,920.0	1,760.0	607.6	0.0	0.0	2,367.6	0.0
		12/04/01	MONET	Corn_btk	0.0	1,730.0	164.3	143.6	0.0	0.0	307.9	0.0
				SoybeanB		2,210.0	439.8	183.4	0.0	0.0	623.2	0.0
			Subtotal		0.0	3,940.0	604.1	327.0	0.0	0.0	931.2	0.0
			Subtotal		0.0	3,940.0	604.1	327.0	0.0	0.0	931.2	0.0
	Subtotal				169.6	12,500.0	3,290.0	1,352.2	0.0	75.6	4,717.8	431.0
	TECHSRV	03/25/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.9
	WFP	02/07/02	FFW	Corn_bgd	42.0	1,600.0	206.4	248.0	0.0	0.0	454.4	0.0
		06/11/02	CSB			1,000.0	297.0	155.0	0.0	0.0	452.0	0.0
				Corn_bgd		2,400.0	309.6	372.0	0.0	0.0	681.6	0.0
			Subtotal		42.0	3,400.0	606.6	527.0	0.0	0.0	1,131.6	0.0
			Subtotal		42.0	3,400.0	606.6	527.0	0.0	0.0	1,131.6	0.0
		09/24/01	OhtrReg	Corn_bgd	0.0	2,000.0	238.0	310.0	0.0	0.0	568.0	0.0
		09/30/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2
		10/11/01	OhtrReg	Corn_bgd	0.0	1,700.0	219.3	263.5	0.0	0.0	482.8	0.0
	Subtotal				84.0	8,700.0	1,290.3	1,348.5	0.0	0.0	2,638.8	3.2
		06/03/02	DA	BeansBtk	18.6	120.0	104.3	18.6	0.0	7.8	130.7	0.0
				CSB		360.0	106.9	52.8	0.0	23.4	186.2	0.0
				Corn_bgd		490.0	63.2	76.0	0.0	31.9	171.1	0.0
				Veg_4Ltr		70.0	46.3	10.8	0.0	4.6	61.8	0.0
	Subtotal				18.6	1,040.0	320.8	161.2	0.0	67.7	549.6	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	Comm Value	OPR Value	US\$ IFR Value	ITSH Value	Com/Frt Value	202e Value
			DSC	DCost	0.0	0.0	0.0	0.0	0.0	17.6	17.6	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	15.1	15.1	0.0
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0
		Subtotal			18.6	1,040.0	320.8	161.2	0.0	100.8	582.7	0.0
		09/30/02	Section 202e		0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
		Subtotal			18.6	1,040.0	320.8	161.2	0.0	100.8	582.7	3.5
	WFP/PRRO	02/04/02	DSC	DCost	0.0	0.0	0.0	0.0	0.0	6.4	6.4	0.0
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	7.9	7.9	0.0
			Other Emer	Beans Blk	0.0	250.0	217.2	38.8	0.0	16.4	272.4	0.0
		Subtotal			0.0	250.0	217.2	38.8	0.0	30.7	286.7	0.0
		Subtotal			0.0	250.0	217.2	38.8	0.0	30.7	286.7	0.0
Subtotal					4,393.0	67,690.0	13,555.6	7,319.7	0.0	629.4	21,504.6	1,652.3
Haiti	CARE	01/15/02	FFW	Beans Pro	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				SFBulgur		0.0	0.0	0.0	0.0	0.0	0.0	0.0
			Subtotal	Veg_4Ltr	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
							0.0	0.0	0.0	0.0	0.0	0.0
			MCH	Beans Pro	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Lentils		0.0	0.0	0.0	0.0	0.0	0.0	0.0
				SFBulgur		0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Veg_4Ltr		0.0	0.0	0.0	0.0	0.0	0.0	0.0
			Subtotal	WSB		150.0	61.6	23.2	0.0	0.0	84.9	0.0
					19.3	150.0	61.6	23.2	0.0	0.0	84.9	0.0
			MONETDF	W_HRWalk	0.0	16,490.0	2,209.7	1,368.7	0.0	0.0	3,578.3	0.0
				W_NSI00k		5,480.0	793.6	494.8	0.0	0.0	1,236.3	0.0
			Subtotal		0.0	21,970.0	2,993.3	1,823.5	0.0	0.0	4,816.8	0.0
			SF	Lentils	36.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rctip	L17 MTNs	US\$		ITSH	202e	
							IFR	Value		Value	Value
			Subtotal	SFBulgar Veg_4Ltr	36.5	0.0	0.0	0.0	0.0	0.0	0.0
		Subtotal			56.2	22,120.0	3,054.9	1,846.8	0.0	4,901.7	0.0
		08/02/02	DA	Bulgar Lentils	108.5	1,000.0	212.0	155.0	0.0	157.3	0.0
				SFBulgar		610.0	203.7	94.5	0.0	96.0	0.0
				Veg_4Ltr		2,260.0	531.1	350.3	0.0	355.6	0.0
			Subtotal		108.5	4,160.0	1,138.8	644.8	0.0	282.6	0.0
		Subtotal			108.5	4,160.0	1,138.8	644.8	0.0	2,438.2	0.0
		09/25/02	Sen202e	Section 202(E)	0.0	0.0	0.0	0.0	0.0	0.0	24.3
					164.7	26,280.0	4,193.8	2,491.6	0.0	654.6	24.3
	CRS	01/04/02	GR	Cornmeal	11.0	249.0	52.3	38.6	0.0	0.0	90.9
				Lentils		231.0	77.2	35.8	0.0	0.0	113.0
				SFBulgar		283.0	66.5	43.9	0.0	0.0	110.4
				Veg_4Ltr		94.0	62.2	14.6	0.0	0.0	76.8
				WSB		179.0	73.6	27.8	0.0	0.0	101.3
			Subtotal		11.0	1,036.0	331.8	180.6	0.0	0.0	492.3
			MCI	Lentils	24.0	714.0	238.5	110.7	0.0	0.0	349.1
				SFBulgar		752.0	176.7	116.6	0.0	0.0	393.3
				Veg_4Ltr		312.0	207.2	48.5	0.0	0.0	255.7
				WSB		667.0	274.1	103.4	0.0	0.0	377.5
			Subtotal		24.0	2,446.0	896.5	379.1	0.0	0.0	1,275.7
			MONETDF	W_HRWbolk	0.0	9,980.0	1,337.3	828.3	0.0	0.0	2,165.7
				W_NSbolk		3,320.0	474.6	275.6	0.0	0.0	750.3
			Subtotal		0.0	13,300.0	1,812.1	1,103.9	0.0	0.0	2,916.0
			OCFI	Cornmeal	9.0	197.0	41.4	30.5	0.0	0.0	71.9
				Lentils		121.0	40.4	18.8	0.0	0.0	59.2

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recp	L17 MTNs	Comm Value	OFR Value	US\$ IFR Value	ITSH Value	Com/Frt Value	202e Value
		03/06/02	MCH	Veg_4Ltr	47.2	300.0	198.6	46.5	0.0	0.0	245.1	0.0
		04/09/02	MCH	Bulgar	47.2	700.0	148.4	108.5	0.0	0.0	256.9	0.0
		05/03/02	MCH	CSB	47.2	1,000.0	297.0	155.0	0.0	0.0	452.0	0.0
		05/09/02	MCH	Lemils	47.2	100.0	33.4	15.5	0.0	0.0	48.9	0.0
		09/30/02	Subtotal	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	139.1	0.0
					283.2	2,450.0	900.4	379.8	0.0	0.0	1,280.2	159.1
		01/04/02	MCH	Lemils	17.9	364.0	121.6	56.4	0.0	0.0	178.0	0.0
			SFBulgar			1,209.0	284.1	187.4	0.0	0.0	471.5	0.0
			Veg_4Ltr			283.0	187.3	43.9	0.0	0.0	231.2	0.0
			WCSB			640.0	263.0	99.2	0.0	0.0	362.2	0.0
			Subtotal		17.9	2,496.0	856.1	386.9	0.0	0.0	1,243.0	0.0
			MONETDIF	W_HRWalk	0.0	17,680.0	2,369.1	1,467.4	0.0	0.0	3,836.6	0.0
			Subtotal	W_NSault	0.0	5,880.0	840.8	488.0	0.0	0.0	1,328.9	0.0
						23,560.0	3,210.0	1,955.5	0.0	0.0	5,165.4	0.0
			SF	Lemils	10.5	96.0	32.1	14.9	0.0	0.0	46.9	0.0
				SFBulgar		331.0	77.8	51.3	0.0	0.0	129.1	0.0
				Veg_4Ltr		47.0	31.1	7.3	0.0	0.0	38.4	0.0
			Subtotal		10.5	474.0	141.0	73.5	0.0	0.0	214.4	0.0
			Subtotal		28.4	26,530.0	4,207.0	2,415.8	0.0	0.0	6,622.8	0.0
			Subtotal		28.4	26,530.0	4,207.0	2,415.8	0.0	0.0	6,622.8	0.0
			Subtotal		612.4	83,160.0	14,405.9	8,008.0	0.0	654.6	23,128.4	183.4
			FFW	BeansRed	5.0	354.0	232.6	54.9	0.0	0.0	287.4	0.0
				CSB		344.0	102.2	53.3	0.0	0.0	155.5	0.0
				Rec_bgd		699.0	125.1	108.3	0.0	0.0	233.5	0.0
				Veg_4Ltr		351.0	232.4	54.4	0.0	0.0	286.8	0.0
			Subtotal		5.0	1,748.0	692.2	270.9	0.0	0.0	963.2	0.0
			MCH	BeansRed	7.0	476.0	312.7	73.8	0.0	0.0	386.5	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Rec'd	L17 MTNs	Comm		OFR		US\$		(000s)		TTS\$		Com/Frt	
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value
Nicaragua	ADRA	08/01/02	FFW	CSB		426.0	126.5	66.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	192.6	0.0	0.0
				Cornmeal		270.0	56.7	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	98.5	0.0	0.0
				Rice_bgd		361.0	64.6	56.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120.6	0.0	0.0
				Veg_4Ltr		289.0	191.3	44.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	236.1	0.0	0.0
				Subtotal	7.0	1,822.0	751.9	282.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,034.3	0.0	0.0
		07/17/02	MONETDF	W_NSbulk		0.0	8,100.0	1,158.3	672.3	0.0	0.0	0.0	0.0	0.0	0.0	1,830.6	0.0	0.0
				Subtotal	12.0	11,670.0	2,602.4	1,225.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,828.1	0.0	0.0
		06/10/02	MCH	W_NSbulk		0.0	6,000.0	858.0	498.0	0.0	0.0	0.0	0.0	0.0	0.0	1,356.0	0.0	0.0
				Subtotal	12.0	17,670.0	3,460.4	1,723.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,184.1	0.0	0.0
				BeansRed		68.8	200.0	131.4	31.0	0.0	0.0	0.0	0.0	0.0	0.0	162.4	0.0	0.0
				CSB		200.0	59.4	31.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	90.4	0.0	0.0
				Corn_bgd		3,200.0	412.8	496.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	908.8	0.0	0.0
				Subtotal	68.8	3,600.0	603.6	558.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,161.6	0.0	0.0
Nicaragua	ADRA	08/02/02	MCH	CSB		68.8	200.0	59.4	31.0	0.0	0.0	0.0	0.0	0.0	0.0	90.4	0.0	0.0
				Section 202E(R)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Subtotal	137.6	3,800.0	663.0	589.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,252.0	0.0	0.0
		08/01/02	FFW	CSB		146.6	21,470.0	4,123.4	2,312.7	0.0	0.0	0.0	0.0	0.0	0.0	6,436.1	0.0	0.0
				Lemils		1.9	140.0	41.6	21.7	0.0	0.0	0.0	0.0	0.0	0.0	63.3	0.0	0.0
				Rice_bgd		220.0	73.5	34.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	107.6	0.0	0.0
				Veg_4Ltr		40.0	26.5	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.7	0.0	0.0
				Subtotal	1.9	620.0	180.9	96.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	277.0	0.0	0.0
		08/16/01	MONETDF	W_NSbulk		0.0	3,330.0	516.1	226.4	0.0	0.0	0.0	0.0	0.0	0.0	792.5	0.0	0.0
				Subtotal	1.9	3,950.0	697.1	372.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,069.6	0.0	0.0
				BeansRed		2.2	410.0	269.4	63.5	0.0	0.0	0.0	0.0	0.0	0.0	332.9	0.0	0.0
				Subtotal	2.2	410.0	269.4	63.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	332.9	0.0	0.0
				Subtotal	146.6	21,470.0	4,123.4	2,312.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,436.1	0.0	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	Comm		US\$		(000s)		202e	
							Value	Value	IFR	Value	ITSH	Value	Value	Value
			Subtotal	CSB		435.0	129.2	67.4	0.0	0.0	0.0	0.0	196.6	0.0
				Rice_bgd		340.0	60.9	52.7	0.0	0.0	0.0	0.0	113.6	0.0
				Veg_4Ltr		102.0	67.5	15.8	0.0	0.0	0.0	0.0	83.3	0.0
					2.2	1,287.0	517.0	199.5	0.0	0.0	0.0	0.0	726.4	0.0
			MCH	CSB		995.0	295.5	154.2	0.0	0.0	0.0	0.0	449.7	0.0
				Veg_4Ltr		118.0	78.1	18.3	0.0	0.0	0.0	0.0	96.4	0.0
					5.1	1,113.0	373.6	172.5	0.0	0.0	0.0	0.0	546.1	0.0
			Subtotal											
				MONETDF		0.0	5,540.0	792.2	459.8	0.0	0.0	0.0	1,252.0	0.0
					7.3	7,940.0	1,692.8	831.8	0.0	0.0	0.0	0.0	2,524.6	0.0
					9.2	11,890.0	2,389.9	1,204.3	0.0	0.0	0.0	0.0	3,594.2	0.0
			Subtotal	CSB		310.0	92.1	48.0	0.0	0.0	0.0	0.0	140.1	0.0
				Lentils		500.0	167.0	77.5	0.0	0.0	0.0	0.0	244.5	0.0
				Rice_bgd		500.0	89.5	77.5	0.0	0.0	0.0	0.0	167.0	0.0
				Veg_4Ltr		90.0	59.6	13.9	0.0	0.0	0.0	0.0	73.5	0.0
					4.2	1,400.0	408.1	217.0	0.0	0.0	0.0	0.0	625.1	0.0
			Subtotal	MONETDF		0.0	3,320.0	514.6	275.6	0.0	0.0	0.0	790.2	0.0
					4.2	4,720.0	922.8	492.6	0.0	0.0	0.0	0.0	1,415.3	0.0
			Subtotal	BeansRed		360.0	236.5	55.8	0.0	0.0	0.0	0.0	292.3	0.0
				CSB		224.0	66.5	34.7	0.0	0.0	0.0	0.0	101.2	0.0
				Rice_bgd		360.0	64.4	53.8	0.0	0.0	0.0	0.0	120.2	0.0
				Veg_4Ltr		66.0	43.7	10.2	0.0	0.0	0.0	0.0	53.9	0.0
					4.5	1,010.0	411.2	156.6	0.0	0.0	0.0	0.0	567.7	0.0
			Subtotal	MONETDF		0.0	705.0	209.7	109.4	0.0	0.0	0.0	319.1	0.0
					5.2	104.0	68.8	16.1	0.0	0.0	0.0	0.0	85.0	0.0
			Subtotal	CSB		810.0	278.5	125.5	0.0	0.0	0.0	0.0	494.1	0.0
				Veg_4Ltr										
					5.2									
			Subtotal	MONETDF		0.0	4,980.0	712.1	413.3	0.0	0.0	0.0	1,125.5	0.0
					9.7	6,890.0	1,401.8	695.4	0.0	0.0	0.0	0.0	2,097.3	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$			(000s)		
							Comm Value	OFR Value	IFR Value	ITSH Value	Com/Pt Value	202e Value
	Subtotal				13.8	11,520.0	2,324.6	1,188.0	0.0	0.0	3,512.6	0.0
	PCI	07/25/02	FFW	CSB Lentils	20.8	310.0	92.1	48.0	0.0	0.0	140.1	0.0
				Rice_bgd		500.0	167.0	77.5	0.0	0.0	244.5	0.0
				Veg_4Ltr		500.0	89.5	77.5	0.0	0.0	167.0	0.0
						90.0	59.6	13.9	0.0	0.0	73.5	0.0
	Subtotal				20.8	1,400.0	408.1	217.0	0.0	0.0	625.1	0.0
			MONETDF	W_NSDbtk	0.0	3,330.0	516.1	276.4	0.0	0.0	792.5	0.0
	Subtotal				20.8	4,730.0	924.3	493.4	0.0	0.0	1,417.7	0.0
		08/16/01	FFW	BeansRed	7.5	210.0	138.0	32.5	0.0	0.0	170.5	0.0
				CSB		144.0	42.8	22.3	0.0	0.0	65.1	0.0
				Rice_bgd		150.0	26.9	23.2	0.0	0.0	50.1	0.0
				Veg_4Ltr		28.0	18.5	4.3	0.0	0.0	22.9	0.0
	Subtotal				7.5	532.0	226.1	82.5	0.0	0.0	308.6	0.0
			MCH	CSB	3.5	336.0	99.8	52.1	0.0	0.0	151.9	0.0
				Veg_4Ltr		32.0	21.2	5.0	0.0	0.0	26.1	0.0
	Subtotal				3.5	368.0	121.0	57.0	0.0	0.0	178.0	0.0
			MONETDF	W_NSbtk	0.0	5,900.0	843.7	489.7	0.0	0.0	1,333.4	0.0
	Subtotal				11.0	6,800.0	1,190.8	629.2	0.0	0.0	1,820.0	0.0
	Subtotal				31.8	11,450.0	2,115.1	1,122.6	0.0	0.0	3,237.7	0.0
	SCF	08/01/02	MONET	W_NSDbtk	0.0	3,330.0	516.1	276.4	0.0	0.0	792.5	0.0
		08/16/01	FFW	BeansRed	0.6	178.0	117.0	27.6	0.0	0.0	144.5	0.0
				CSB		56.0	16.6	8.7	0.0	0.0	25.3	0.0
				Rice_bgd		169.0	30.2	26.2	0.0	0.0	56.5	0.0
				Veg_4Ltr		19.0	12.6	3.0	0.0	0.0	15.5	0.0
	Subtotal				0.6	422.0	176.4	65.4	0.0	0.0	241.8	0.0
			MCH	CSB	6.0	574.0	170.5	89.0	0.0	0.0	259.4	0.0
				Veg_4Ltr		100.0	66.2	15.5	0.0	0.0	81.7	0.0
	Subtotal				6.0	674.0	236.7	104.5	0.0	0.0	341.1	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Relp	L17 MTNs	Comun		OFR		US\$		(000s)		Com/FT		202e Value
							Value	Value	Value	Value	IFR Value	ITSH Value			Value	Value	
			MONETDF PCF	W_NSbulk	0.0	5,970.0	853.7	495.5	0.0	0.0	0.0	0.0	0.0	0.0	1,349.2	0.0	0.0
				BeansRed	3.1	32.0	21.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	26.0	0.0	0.0
				CSB		20.0	5.9	3.1	0.0	0.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0
				Corn_bgd		60.0	7.7	9.3	0.0	0.0	0.0	0.0	0.0	0.0	17.0	0.0	0.0
				Rice_bgd		31.0	5.5	4.8	0.0	0.0	0.0	0.0	0.0	0.0	10.3	0.0	0.0
				Veg_4Ltr		11.0	7.3	1.7	0.0	0.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0
				Subtotal	3.1	154.0	47.5	23.9	0.0	0.0	0.0	0.0	0.0	0.0	71.4	0.0	0.0
				Subtotal	9.7	7,220.0	1,314.3	689.3	0.0	0.0	0.0	0.0	0.0	0.0	2,003.6	0.0	0.0
				Subtotal	9.7	10,550.0	1,830.5	965.7	0.0	0.0	0.0	0.0	0.0	0.0	2,796.1	0.0	0.0
				Subtotal	42.0	2,500.0	322.5	387.5	0.0	0.0	0.0	0.0	0.0	0.0	710.0	0.0	0.0
	WFP	07/02/02 08/07/02 09/30/02	MCH MCH Sec202e	Cord_bgd	42.0	1,360.0	175.4	210.8	0.0	0.0	0.0	0.0	0.0	0.0	386.2	0.0	171.9
				Corn_bgd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	171.9
				Section 202E(R)	84.0	3,860.0	497.9	598.3	0.0	0.0	0.0	0.0	0.0	0.0	1,096.2	171.9	171.9
				Subtotal	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	824.8	0.0	0.0
				Subtotal	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	898.9	0.0	0.0
				Subtotal	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.0	18.0
				Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Section 202E(E)	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	898.9	18.0	18.0
				Subtotal	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	898.9	18.0	18.0
				Subtotal	0.0	2,000.0	384.0	310.0	0.0	0.0	0.0	0.0	0.0	0.0	898.9	18.0	18.0
Peru	ADRA	05/30/02 11/20/01	MONET FEW	Veg_bulk	0.0	2,150.0	795.5	178.4	0.0	0.0	0.0	0.0	0.0	0.0	974.0	0.0	0.0
				BeansPro	13.5	774.0	489.9	120.0	0.0	0.0	0.0	0.0	0.0	0.0	609.9	0.0	0.0
				CSB		683.0	202.8	105.9	0.0	0.0	0.0	0.0	0.0	0.0	308.7	0.0	0.0
				Veg_20L		284.0	181.2	44.0	0.0	0.0	0.0	0.0	0.0	0.0	225.2	0.0	0.0
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9
				Subtotal	148.4	51,350.0	9,542.0	5,388.9	0.0	0.0	0.0	0.0	0.0	0.0	15,135.7	189.9	189.9

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		(000s)	ITSH		Com/Frt Value	202e Value
							Comm Value	OFR Value		Value	Value		
			Subtotal		13.5	1,741.0	874.0	269.9	0.0	0.0	0.0	1,143.8	0.0
			MCH	BeansPro	37.3	1,016.0	643.1	157.5	0.0	0.0	0.0	800.6	0.0
				CSB		897.0	266.4	139.0	0.0	0.0	0.0	405.4	0.0
			Subtotal	Veg_20L	37.3	496.0	316.4	76.9	0.0	0.0	0.0	393.3	0.0
						2,409.0	1,226.0	373.4	0.0	0.0	0.0	1,599.4	0.0
			MONETDf	Veg_bik	0.0	9,020.0	3,337.4	748.7	0.0	0.0	0.0	4,086.1	0.0
				W_HRWbik		7,930.0	1,062.6	658.2	0.0	0.0	0.0	1,720.8	0.0
			Subtotal		0.0	16,950.0	4,400.0	1,406.8	0.0	0.0	0.0	5,806.9	0.0
			Subtotal		50.8	21,100.0	6,500.0	2,050.1	0.0	0.0	0.0	8,550.1	0.0
			Subtotal		50.8	23,250.0	7,295.5	2,228.6	0.0	0.0	0.0	9,524.0	0.0
			MONET	Veg_bik	0.0	2,150.0	795.5	178.4	0.0	0.0	0.0	974.0	0.0
			MONET	Veg_bik	0.0	7,670.0	2,837.9	636.6	0.0	0.0	0.0	3,474.5	0.0
				W_HRWbik		7,770.0	1,041.2	644.9	0.0	0.0	0.0	1,686.1	0.0
			Subtotal		0.0	15,440.0	3,879.1	1,281.5	0.0	0.0	0.0	5,160.6	0.0
			Subtotal		0.0	15,440.0	3,879.1	1,281.5	0.0	0.0	0.0	5,160.6	0.0
			Subtotal		0.0	17,590.0	4,674.6	1,460.0	0.0	0.0	0.0	6,134.6	0.0
			MONET	Veg_bik	0.0	2,150.0	795.5	178.4	0.0	0.0	0.0	974.0	0.0
			FFW	Lentils	20.9	1,447.0	483.3	224.3	0.0	0.0	0.0	707.6	0.0
				Veg_20L		720.0	459.4	111.6	0.0	0.0	0.0	571.0	0.0
				Wheat_Fl		1,447.0	337.1	224.3	0.0	0.0	0.0	561.4	0.0
			Subtotal		20.9	3,614.0	1,279.8	560.2	0.0	0.0	0.0	1,840.0	0.0
			MCH	Lentils	20.1	903.0	301.6	140.0	0.0	0.0	0.0	441.6	0.0
				Veg_20L		90.0	57.4	13.9	0.0	0.0	0.0	71.4	0.0
				Wheat_Fl		1,083.0	252.3	167.9	0.0	0.0	0.0	420.2	0.0
			Subtotal		20.1	2,076.0	611.4	321.8	0.0	0.0	0.0	933.1	0.0
			MONETDf	Veg_bik	0.0	8,450.0	3,126.5	701.4	0.0	0.0	0.0	3,827.8	0.0

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recp.	L17 MTNs	Centm		OFR		US\$		(000s)		IFR		Com/Frt		202e Value
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	
			Subtotal	W_HRWbik	0.0	8,570.0	1,148.4	711.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,859.7	0.0	
						17,020.0	4,274.9	1,412.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,687.5	0.0	
		Subtotal			41.0	22,710.0	6,166.1	2,294.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,460.7	0.0	
	Subtotal				41.0	24,860.0	6,961.6	2,473.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,434.6	0.0	
	CRS	01/29/02	MONET	Veg_bik	0.0	1,390.0	514.3	115.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	629.7	0.0	
			Subtotal	W_HRWbik	0.0	1,410.0	188.9	117.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	306.0	0.0	
					0.0	2,800.0	703.2	232.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	935.6	0.0	
	Subtotal				0.0	2,800.0	703.2	232.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	935.6	0.0	
	Subtotal				0.0	2,800.0	703.2	232.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	935.6	0.0	
	PRISMA	08/14/02	MONET	Veg_bik	0.0	2,150.0	785.5	178.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	974.0	0.0	
		11/08/01	MCH	CSB	119.9	2,710.0	804.9	420.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,224.9	0.0	
				Lennis		1,900.0	634.6	294.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	929.1	0.0	
			Subtotal	Veg_20L	119.9	1,630.0	1,039.9	232.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,292.6	0.0	
						6,240.0	2,479.4	967.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,446.6	0.0	
			MONETDF	Veg_bik	0.0	8,410.0	3,111.7	698.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,809.7	0.0	
				W_HRWbik		9,880.0	1,323.9	820.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,144.0	0.0	
			Subtotal		0.0	18,290.0	4,435.6	1,518.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,953.7	0.0	
	Subtotal				119.9	24,530.0	6,915.0	2,485.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,400.3	0.0	
	Subtotal				119.9	26,680.0	7,710.5	2,663.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,374.2	0.0	
	TECHSRV	01/29/02	MONET	Veg_bik	0.0	940.0	347.8	78.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	425.8	0.0	
			Subtotal	W_HRWbik	0.0	950.0	127.3	78.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	206.2	0.0	
					0.0	1,890.0	475.1	156.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	632.0	0.0	
	Subtotal				0.0	1,890.0	475.1	156.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	632.0	0.0	
	Subtotal				0.0	1,890.0	475.1	156.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	632.0	0.0	

Region/ Country	Sponsor	Date Approved	Category	Commodity	Catg Rec'd	L17 MTNs	Comm		OFR		US\$		(000s)		Com/Prt	
							Value	Value	Value	Value	Value	Value	Value	Value	Value	Value
Subtotal					211.7	97,070.0	27,820.5	9,214.6	0.0	0.0	37,035.1	0.0	0.0	0.0	37,035.1	0.0
Region total	L. Arab&Car				6,857.0	366,390.0	79,618.9	39,163.7	4,065.0	1,488.9	124,336.1	3,195.8				
Region, N. E&E	WFP/PRRO	05/08/02	OhirEmer	Wheat_Fl	0.0	2,000.0	466.0	310.0	0.0	182.7	958.7	0.0				
Algeria		09/10/02	Sec202e	Section 202E(E)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.3				
		12/06/01	DSC	DCost	0.0	0.0	0.0	0.0	0.0	36.6	36.6	0.0				
			ISC	ICost	0.0	0.0	0.0	0.0	0.0	51.4	51.4	0.0				
			ODC	ODCost	0.0	0.0	0.0	0.0	0.0	3.4	3.4	0.0				
			OhirEmer	Wheat_Fl	0.0	2,000.0	466.0	310.0	0.0	182.7	958.7	0.0				
Subtotal					0.0	2,000.0	466.0	310.0	0.0	274.1	1,050.1	0.0				
Subtotal					0.0	4,000.0	932.0	620.0	0.0	456.8	2,008.8	23.3				
Subtotal					0.0	4,000.0	932.0	620.0	0.0	456.8	2,008.8	23.3				
Egypt	WFP	03/07/02	FFW	Veg_4Lr	145.6	380.0	251.6	58.9	0.0	0.0	310.5	0.0				
				Wheat_Fl		2,550.0	594.1	393.2	0.0	0.0	989.4	0.0				
			Subtotal		145.6	2,930.0	845.7	454.1	0.0	0.0	1,299.9	0.0				
Subtotal					145.6	2,930.0	845.7	454.1	0.0	0.0	1,299.9	0.0				
		04/09/02	FFW	Peas_YS	145.7	600.0	225.6	93.0	0.0	0.0	318.6	0.0				
				Veg_4Lr		130.0	86.1	20.1	0.0	0.0	106.2	0.0				
				Wheat_Fl		5,450.0	1,269.8	844.8	0.0	0.0	2,114.6	0.0				
			Subtotal		145.7	6,180.0	1,581.5	957.9	0.0	0.0	2,539.4	0.0				
Subtotal					145.7	6,180.0	1,581.5	957.9	0.0	0.0	2,539.4	0.0				
		09/10/02	Sec202e	Section 202E(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.0				
Subtotal					291.2	9,110.0	2,427.2	1,412.0	0.0	0.0	3,839.3	160.0				

Region/ Country	Sponsor	Date Approved	Category	Commodity	Categ Recip	L17 MTNs	US\$		ITSH	202e		
							IFR	Value		Value	Value	
Subtotal					291.2	9,110.0	2,427.2	1,412.0	0.0	0.0	3,839.3	160.0
Yemen	WFP	04/09/02	FFW	WSB	49.1	250.0	102.8	38.8	0.0	0.0	141.5	0.0
		05/02/02	FFW	Veg_4Ltr	49.1	200.0	132.4	31.0	0.0	0.0	163.4	0.0
		06/11/02	FFW	Veg_4Ltr	49.1	110.0	72.8	17.1	0.0	0.0	89.9	0.0
		09/30/02	Sec202e	Section 202e(R)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	174.7
Subtotal					147.3	560.0	308.0	86.8	0.0	0.0	394.8	174.7
Subtotal					147.3	560.0	308.0	86.8	0.0	0.0	394.8	174.7
Region total:	N East				438.5	13,670.0	3,667.2	2,118.8	0.0	456.8	6,242.8	358.0
Region: Unalloc	UNALLOC	01/31/02	PREPO	Lentils	0.0	150.0	50.1	0.0	0.0	0.0	50.1	0.0
				Rice_hyd		80.0	14.3	0.0	0.0	0.0	14.3	0.0
				Veg_20L		1,090.0	638.0	0.0	0.0	0.0	638.0	0.0
			Subtotal		0.0	1,230.0	702.4	0.0	0.0	0.0	702.4	0.0
					0.0	1,230.0	702.4	0.0	0.0	0.0	702.4	0.0
		05-17/02	PREPO	BeansPro	0.0	1,090.0	690.0	0.0	0.0	0.0	690.0	0.0
		07/11/02	PREPO	BeansPro	0.0	2,500.0	1,582.5	0.0	0.0	0.0	1,582.5	0.0
				Lentils		2,000.0	668.0	0.0	0.0	0.0	668.0	0.0
				Veg_4Ltr		1,630.0	1,079.1	0.0	0.0	0.0	1,079.1	0.0
				WSB		3,000.0	1,233.0	0.0	0.0	0.0	1,233.0	0.0
			Subtotal		0.0	9,130.0	4,562.6	0.0	0.0	0.0	4,562.6	0.0
					0.0	9,130.0	4,562.6	0.0	0.0	0.0	4,562.6	0.0
		08-14/02	PREPO	CSB	0.0	2,100.0	621.7	0.0	0.0	0.0	621.7	0.0
				Cornmeal		35,000.0	7,350.0	0.0	0.0	0.0	7,350.0	0.0
				Lentils		2,000.0	668.0	0.0	0.0	0.0	668.0	0.0
				Sorg_hyd		30,000.0	3,780.0	0.0	0.0	0.0	3,780.0	0.0
				Veg_4Ltr		1,460.0	926.8	0.0	0.0	0.0	926.8	0.0
			Subtotal		0.0	70,500.0	13,348.5	0.0	0.0	0.0	13,348.5	0.0

P.L. 480 TITLE II INTERNAL TRANSPORTATION

Mr. Bonilla: What was the cost of internal transportation during fiscal year 2002, and what is the estimate for 2003?

Response: Internal transportation totaled \$268,000,000 in FY 2002. While still early in the fiscal year, our estimate of internal transportation for FY 2003 is \$300,000,000.

P.L. 480 TITLE II EXTERNAL TRANSPORTATION

Mr. Bonilla: What was the cost of external transportation during fiscal year 2002, and what is the estimate for 2003?

Response: External (ocean) transportation totaled \$259,000,000 in FY 2002. While still early in the fiscal year, our estimate of external transportation for FY 2003 is \$292,000,000.

SCHOOL LUNCH PROGRAM

Mr. Bonilla: Please describe the school lunch program provided under Title II, and estimate the number of children involved in this program during calendar year 2002?

Response: In FY 2002, Title II food resources-supported educational activities implemented by PVOs and the World Food Program (WFP) in a number of country programs throughout the world. These programs integrate U.S. food resources with other government and donor-funded programs to provide school lunches and improve the quality of education. The PVOs and WFP reported that during FY 2002, Title II development commodities provided school lunches impacting approximately 2,914,100 children through their programs. Selected commodities are provided to individual schools, which organize the preparation and distribution of the meals with the assistance of parent/community volunteer groups. The commodities supplied by Title II, often supplemented by commodities supplied by the parents, are either prepared for a breakfast or lunch meal served at the school or given to the students as a ration to take home. Each school administration provides the record keeping and management of the program. During FY 2002, PVOs and WFP had school feeding/school education programs in Burkina Faso, Benin, Cameroon, Cape Verde, Chad, Gambia, Ghana, Guinea, Kenya, Liberia, Mauritania, Uganda, India, Laos, Pakistan, and Haiti.

P.L. 480 TITLES I, II AND III

Mr. Bonilla: During fiscal year 2002, what agreements were signed under Title III and in what amounts?

Response: No agreements were signed under Title III in fiscal year 2002.

Mr. Bonilla: How much was carried over from Titles I, II and III from fiscal year 2002 to fiscal year 2003?

Response: The following amounts were carried over from fiscal year 2002 to 2003: \$47.5 million in Title I subsidy funds, \$7.7 million in Title I ocean freight differential funds, \$140.4 million in Title II funds, and \$437,275 in Title III funds.

Mr. Bonilla: Please list all transfers among titles I, II and III for fiscal year 2002 and to date in fiscal year 2003.

Response: In fiscal year 2002, \$505,636 in Title I subsidy budget authority, and \$81,108 in Title I OFD budget authority were transferred to Title II to carry out Farmer-to-Farmer programs. For fiscal year 2003, there have been no transfers completed to date. However, we plan to transfer \$24.4 million in Title I subsidy budget authority and \$4.9 million in Title I OFD budget authority to the Title II grant account to carry out emergency food aid programs. In addition, \$577,079 from the Title I subsidy budget authority and \$124,977 from the Title I OFD budget authority will be transferred to the Title II grant account to carry out the Farmer-to-Farmer program.

SECTION 416(B) AND FOOD FOR PROGRESS TRANSPORTATION COSTS

Mr. Bonilla. Please update the table in last year's hearing record showing the transportation costs for 416(b) and Food for Progress in fiscal years 2001 and 2002 and the estimates for fiscal years 2003 and 2004

Response. [The information follows:]

**SECTION 416(B) AND FOOD FOR PROGRESS TRANSPORTATION COSTS,
FY 2001-2002 AND ESTIMATES FOR FY 2003-2004
(In Millions of Dollars)**

Fiscal Year	2001	2002	2003	2004
Section 416(b)	200.9	110.9	25.9	6.7
Food for Progress 1/	38.6	31.0	60.8	61.9
Total	239.5	141.9	86.7	68.6

Note: Transportation costs in this table include ocean freight, and in the case of landlocked countries, inland transportation to the recipient country. Ocean freight differential costs are also included.

1/ Transportation costs for Food for Progress include costs incurred for shipping CCC purchased agricultural commodities as well as shipping agricultural commodities purchased with Title I funds

DAIRY EXPORT INCENTIVE PROGRAM

Mr. Bonilla: What was the cost of the DEIP in fiscal year 2002, and what are the estimates for fiscal years 2003 and 2004?

Response: For fiscal year 2002, total bonuses awarded under the DEIP were \$54.6 million. The budget assumes a program level of \$36 million for fiscal year 2003 and \$57 million for fiscal year 2004.

Mr. Bonilla: Please provide a list of the countries that participated in the DEIP program and the amount of product they received in fiscal year 2002.

Response: [The information follows:]

**FY 2002
DEIP Program**

Non-Fat Dry Milk

	<u>Metric Tons</u>	<u>Value</u>
Asia and Former Soviet Union	30,331	\$22,135,955.00
Africa and Middle East	1,608	691,475.00
Caribbean, Central and South America	53,312	30,855,979.00
Total	85,251	\$53,683,409.00

Cheese

	<u>Metric Tons</u>	<u>Value</u>
Africa and Middle East	44	\$22,000.00
Caribbean, Central and South America	1,178	909,775.00
Total	1,222	\$931,775.00

SECTION 416(b) COMMODITIES

Mr. Bonilla: Please list the total amount of section 416(b) commodities donated, by fiscal year, since fiscal year 1996. Please estimate the market value of those commodities for each fiscal year.

Response: [The information follows:]

FY 1997 - FY 2003

SECTION 416(B) FOREIGN DONATION PROGRAM
TOTAL TONNAGE/VALUE

Year	Metric Tons	Thousand Dollars
FY 1997	--	--
FY 1998	--	--
FY 1999	5,407,089	\$739,020
FY 2000	3,145,090	501,503
FY 2001	3,038,730	629,989
FY 2002	1,641,850	410,016
FY 2003 1/	60,000	105,840
TOTAL	13,292,759	\$2,386,368

Note: The values above do not include transportation or administrative costs.

1/ FY 2003 figures are from FY 2004 President's Budget Estimates.

INTERNATIONAL FOOD SHOWS

Mr. Bonilla: What international or national food shows were sponsored by FAS during fiscal year 2002, and what shows are currently scheduled for fiscal years 2003 and 2004? Also indicate the location, dates, and purpose of each show.

Response: There are several ways in which USDA supports trade shows. In the list of shows that follows, we include domestic and international shows, which we sponsored or endorsed as well as shows where we promoted an American Café event.

When we "endorse" a show, we create an informal partnership with a private sector entity. This means that we work with an organizer (usually owner or officially appointed agent of the show) on putting a U.S. Pavilion together. USDA has no financial commitment, only staff time and minor expenses related to a show. We usually

assist the organizer in the recruitment of companies and providing market information on this end, and briefing and counseling to companies on the other end. Approximately 95% of our shows are "endorsed." On our home page when we indicate, "USDA supported," it generally means that we "endorse" the show.

When we "sponsor" a show, we take a financial risk by renting the space, putting the pavilion package together ourselves (with the use of government funds and contractors) and selling it to U.S. companies. Our aim is 100% cost recovery, which is not always feasible. We only sponsor a few shows each year.

The Trade Show Office developed "The American Café" concept to assist companies market their products overseas. It was created to fulfill the need to attract potential exporters to international trade shows in countries that are less attractive for trade because of various reasons, i.e., distance, economic situation or lack of knowledge of its trade potential. The American Café offers the unique opportunity for exposure in an overseas arena to small and medium food and beverage producers that may not participate under normal conditions. This is also an option for agribusiness that are not currently financially able to participate in an international show, but are export ready in terms of ability to meet the demand of potential importers. The American Café spotlights U.S. products at international shows within the U.S. Pavilion. It can double as the business lounge which is used traditionally at trade shows. The attendees can conduct small informal meetings within the Café while tasting products. U.S. companies can send their products at minimal cost and their sample products will be prepared and distributed by FAS staff to potential importers and distributors.

Below are the lists of shows we have supported or plan to support by fiscal year

FY 2002 Shows

ANUGA, Cologne, Germany, October 2001: The largest food and beverage event in the world.

Grocery Innovations, Toronto, Canada, October 2001: Canada's largest trade show directed to the retail food industry.

Abastur, Mexico City, Mexico, October 2001: The most important trade event for the hotel, restaurant and hospitality industry in Mexico City's metropolitan area.

Dietexpo, Paris, France, October 2001: Dietexpo is one of the leading European trade only shows for health and natural food products.

Food Ingredients Europe, London, England, November 2001: The largest food ingredients exhibition in Europe.

Americas Food and Beverage Show, Miami, Florida, November 2001: The largest and only food and beverage exhibition for the Americas.

Food Ingredients Russia, Moscow, Russia, November 2001: The largest food ingredients exhibition in Russia.

Fruit Logistica, Berlin, Germany, January 2002: One of the most important trade events in Europe for the fresh produce, nut, dried fruit and horticultural industries.

Prodexpo, Moscow, Russia, February 2002: The largest trade exhibition of its kind in Russia for the restaurant, foodservice, supermarket, and food processing sectors.

BioFach, Nuremberg, Germany, February 2002: The most important event for the organic industry in Europe.

Canadian Food & Beverage Show, Toronto, Canada, February 2002: A trade-only food service show sponsored by the Canadian Hotel and Restaurant Association for food and beverage products.

Alimentaria, Barcelona, Spain, March 2002: The largest food exposition held biennially in the Iberian Peninsula.

Salima, Brno, Czech Republic, March 2002: This annual show is by far the largest food show in the Czech Republic and also attracts buyers from Poland, Hungary, Slovakia, and other countries in the region.

AAHAR, New Delhi, India, March 2002: Largest food show in India providing an unparalleled venue to reach Indian food buyers.

Foodex, Tokyo, Japan, March 2002: The largest food and beverage show for making contacts in Japan

ANTAD, Guadalajara, Mexico, March 2002: This is Mexico's biggest and most prestigious food and supermarket show. All key importers and distributors servicing the retail food and beverage sector of Mexico attend this event.

New World/U.S. Export Showcase, Seoul, Korea, March 2002: Unites exporters from four countries (USA, Australia, New Zealand, and Canada) in a bid to attract a larger group of Korean importers to meet U.S. companies not currently exporting to Korea.

Gastro, Helsinki, Finland, March 2002: Finland's leading trade fair for the catering, restaurant and hotel sector.

Food Ingredients China, Shanghai, China, April 2002: A leading annual food processing trade show

Food & Hotel Asia, Singapore, April 2002: This event is an excellent platform to explore business opportunities in Asia and beyond.

Great American Food Show, Manila, Philippines, April 2002: This food and beverage show is an opportunity to tap one of the most promising export markets for U.S. retail and food service products.

European Seafood Exhibition, Brussels, Belgium, April 2002: The premier vehicle for U.S. firms wanting to make contacts with European buyers and enter the seafood market.

U.S. Food Export Showcase, Chicago, Illinois, May 2002: Sponsored by the National Association of State Departments of Agriculture (NASDA), the annual Showcase features state pavilions of small and mid-sized food manufacturers exhibiting products from their state which are ready for markets around the world.

American Food Fair, Chicago, Illinois, May 2002: NASDA's American Food Fair joins the National Restaurant Association to represent, educate, and promote the \$336 billion U.S. restaurant and hospitality marketplace.

Agrobalt, Vilnius, Lithuania, May 2002: Agrobalt is the largest agro-industrial fair in the Baltics.

Interzoo, Nuremberg, Germany, May 2002: A leading international trade-only fair for pet food and supplies.

International Food Ingredients and Additives Exhibition, Tokyo, Japan, May 2002: This event is the largest of its kind in Japan, showcasing food ingredients, additives, equipment, and supplies from companies from all over the world.

SIAL China, Shanghai, China, May 2002: An international exhibition for food, beverages, wines, and spirits that is one of the largest food service shows in China.

Eurokosher, Paris, France, June 2002: Eurokosher is the only exhibition in Europe that is solely dedicated to kosher food and beverage products.

Exphotel, Cancun, Mexico, June 2002: The most complete and important trade event for food and beverage products in the Yucatan Peninsula and the Caribbean.

American Café Casablanca, Morocco, June 2002: Specifically arranged forum to bring exporters and importers/buyers together in a business friendly environment via displays, sampling of products, and one-on-one meetings.

Food & Hotel South China, Guangzhou, China, June 2002: An event held in China's fastest-growing and wealthiest region.

Polagra Food, Poznan, Poland, September 2002: Polagra Food is the largest food show in Central and Eastern Europe.

Health Ingredients Europe, Paris, France, September 2002: The only exhibition and conference solely dedicated to the health food ingredients industry in Europe in 2002.

EXPO USA, Santo Domingo, Dominican Republic, September 2002: This show is a unique opportunity to promote products and services in the Dominican Republic.

World Food, Moscow, Russia, September 2002: World Food Moscow is the second largest food and equipment shows held in Russia.

FY 2003 Shows

Abastur, Mexico City, Mexico, October 2002: The most important trade event for the hotel, restaurant and hospitality industry in Mexico City's metropolitan area.

Health Ingredients Japan, Tokyo, Japan, October 2002: The leading exhibition in Japan for food ingredients in health foods, functional foods, nutraceuticals and organic foods.

SIAL, Paris, France, October 2002: One of the two largest food shows in Europe (held biennially) that has been operational since 1964.

Grocery Innovations, Toronto, Canada, October 2002: Canada's largest trade show directed to the retail food industry.

Foodapest, Budapest, Hungary, November 2002: This show is a gathering point for food importers in Hungary and across Central Europe.

Americas Food & Beverage Show, Miami, Florida, December 2002: The largest and only food and beverage exhibition for the Americas.

International Food & Drink Exhibition, Athens, Greece, February 2003: Greece is hosting the 2004 Summer Olympic Games and needs to double its food supply to meet demand. This is the largest food show in Greece.

Prodexpo, Moscow, Russia, February 2003, American Café: The largest trade exhibition of its kind in Russia for the restaurant, foodservice, supermarket, and food processing sectors.

BioFach, Nuremberg, Germany, February 2003: The most important event for the organic industry in Europe.

Canadian Food & Beverage Show, Toronto, Canada February 2003: A trade-only food service show sponsored by the Canadian Hotel and Restaurant Association for food and beverage products.

Gulf Food Show, Dubai, United Arab Emirates (Sponsored), February 2003. This is the largest international food show in the Middle East. Professionals visit the Gulf Food Show from many European, African and Asian countries. Importers, wholesales retailers hotels, restaurants and manufacturers attend this show.

AAHAR, New Delhi, India, March 2003: Largest food show in India providing an unparalleled venue to reach Indian food buyers.

Foodex, Tokyo, Japan, March 2003: The largest food and beverage show for making contacts in Japan.

Antad, Guadalajara, Mexico, March 2003: This is Mexico's biggest and most prestigious food and supermarket show. All key importers and distributors servicing the retail food and beverage sector of Mexico attend this event.

Food and Hotel Korea, Seoul, Korea, March 2003: The best venue ever to introduce new food products to the dynamic Korean market. It is the first truly "trade only" international food exhibition in Korea.

Hostex, Johannesburg, South Africa, March 2003, American Café: This show is the leading food and catering hospitality showcase in the region.

International Food & Drink Exhibition, London, United Kingdom, March 2003:

The International Food and Drink Exhibition is the UK's largest and most important trade show in the food and drink sector. IFE is an opportunity for U.S. exporters to meet with a full spectrum of UK trade, including wholesalers, retailers, manufacturers, and the food service industry.

SIAM Montreal, Montreal, Canada, April 2003: The show will be held in the second largest city in Canada which is also the second largest French-speaking city in the world and the commercial center for Quebec Province.

Food and Hotel Indonesia, Jakarta, Indonesia, April 2003: Food & Hotel Indonesia is Indonesia's only international exhibition and conference for equipment, food, beverages, and services that support Indonesia's strong tourism industry.

SIAM China, Shanghai, China, April 2003: An international exhibition for food, beverages, wines, and spirits that is one of the largest food service shows in China.

U.S. Food Export Showcase, Chicago, Illinois, May 2003: Sponsored by the National Association of State Department of Agriculture (NASDA), the annual Showcase features state pavilions of small and mid-sized food manufacturers exhibiting products from their state which are ready for markets around the world.

European Seafood Exposition, Brussels, Belgium, May 2003: The premier vehicle for U.S. firms wanting to make contacts with European buyers and enter the seafood market.

Hofex, Hong Kong, May 2003: An excellent venue to increase visibility of U.S. products in the growing and yet highly price-competitive Asian market. The show organizers have an excellent reputation and will be increasing efforts throughout the Asian market to recruit buyers, with particular emphasis on China.

American Food Fair, Chicago, Illinois, May 2003: NASDA's American Food Fair joins the National Restaurant Association to represent, educate and promote the \$336 billion U.S. restaurant and hospitality marketplace.

Polfish, Gdansk, Poland, May 2003: Polfish (held biennially in odd years) is the largest fish products and fish processing show in Poland and Central-Eastern Europe.

Alimentec, Bogota, Colombia, Summer 2003: This is a specialized fair for the food industry, including processed food products and beverages, and food equipment and services.

World's Finest Foods, Mandaluyong, Philippines, June 2003: The best show in the Philippines for the food and beverage industry.

Exphotel, Cancun, Mexico, June 2003: This is the most complete and important trade event for food and beverage products in the Yucatan Peninsula and the Caribbean.

International Food Ingredients & Additives (IFIA), Tokyo, Japan, June 2003. This event is the largest of its kind in Japan, showcasing food ingredients, additives, equipment, and supplies from companies from all over the world.

American Café, Lagos, Nigeria, June 2003: This American Café will be targeted for U.S. products with sales potential as identified by the Post.

The 6TH Great American Food Fest, Cairo, Egypt, September 2003: FAS/Cairo has organized an American Food Festival annually to increase sales of U.S. products. FAS/Cairo plans to organize a pavilion for all U.S. products that exist in the Egyptian market during the fest. Recognizing the potential of the market, we added this activity to our show plan for September 2002 but had to cancel due to heightened political problems in the Middle East that lead to boycotting of U.S. products and problems for importers. The post is considering doing an American Café before or after Gulf Food 2003.

ABRAS/SIAL Mercosur 2003, Rio de Janeiro, Brazil, September 2003: The largest food and beverage show in Latin America.

World Food Moscow, Russia, September 2003: World Food Moscow is the second largest food and equipment shows held in Russia.

Expo USA, Santo Domingo, Dominican Republic, September 2003. This show is a unique opportunity to promote products and services in the Dominican Republic.

FY 2004 Shows

Abasur, Mexico City, Mexico, October 2003: This is the most important trade event for the hotel, restaurant and hospitality industry in the Mexico City's metropolitan area.

Health Ingredients Japan, Tokyo, Japan, October 2003: This is the leading exhibition in Japan for food ingredients for health foods, functional foods, nutraceuticals and organic foods.

ANUGA, Cologne, Germany, October 2003: ANUGA is the largest food and beverage event in the world.

Food Ingredients Central & Eastern Europe, Moscow, Russia, November 2003: The largest food ingredients show in Russia. It is the best venue for U.S. food ingredients companies to establish trade contact with Russian importers.

Americas Food and Beverage Show, Miami, Florida, December 2003: The largest and only food and beverage exhibition for the Americas.

Indian Food & Wine Show (IFOWS), New Delhi, India, January 2004: Of the various new shows featuring wine and spirits that have come up in the last two years in India, IFOWS seems to be a better managed show and attracts very good media.

Canadian Food & Beverage Show, Toronto, Canada, February 2004: A trade-only food service show sponsored by the Canadian Hotel and Restaurant Association for food and beverage products.

BioFach, Nuremberg, Germany, February 2004: The most important event for the organic industry in Europe.

Prodexpo, Moscow, Russia, February 2004, American Café: The largest trade exhibition of its kind in Russia for the restaurant, foodservice, supermarket, and food processing sectors.

Alimentaria, Barcelona, Spain, March 2004: The largest food expo in the Iberian Peninsula.

Foodex Japan, Tokyo, Japan, March 2004: The largest food and beverage show for making contacts in Japan.

AAHAR, New Delhi, India, March 2004: Largest food show in India providing an unparalleled venue to reach Indian food buyers.

Antad, Guadalajara, Mexico, March 2004: This is Mexico's biggest and most prestigious food and supermarket show. All key importers and distributors servicing the retail food and beverage sector of Mexico attend this event.

Food and Hotel Korea, Seoul, Korea, March 2004: Food & Hotel Korea 2003 promises to be the best venue ever to introduce new food products to the dynamic Korean market. It is the first truly "trade only" international food exhibition in Korea.

Food & Hotel Asia, Singapore, April 2004: An excellent platform to explore business opportunities in Asia and beyond.

Vinitaly, Verona, Italy, Endorsement Tentative, April 2004: Europe's largest international wine and spirits show.

U.S. Food Export Showcase, Chicago, Illinois, May 2004: Sponsored by the National Association of State Department of Agriculture (NASDA), the annual Showcase features state pavilions of small and mid-sized food manufacturers exhibiting products from their state which are ready for markets around the world.

American Food Fair - Chicago, Illinois, May 2004: NASDA's American Food Fair joins the National Restaurant Association to represent, educate and promote the \$336 billion U.S. restaurant and hospitality marketplace.

European Seafood Exposition, Brussels, Belgium, May 2004: The premier vehicle for U.S. firms wanting to make contacts with European buyers and enter the seafood market.

International Food, Drink & Hospitality Exhibition, Warsaw, Poland, May 2004:

The first edition of this show will take place in Warsaw in May 2003. Post has proposed to participate with an information booth, as this event could attract a lot of potential importers/distributors.

Eurokosher, Paris, France, June 2004: Eurokosher is the only exhibition in Europe that is solely dedicated to kosher food and beverage products.

World's Finest Foods, Mandaluyong, Philippines, June 2004: The best show in the Philippines for the food and beverage industry.

Exphotel, Cancun, Mexico, June 2004: This is the most complete and important trade event for food and beverage products in the Yucatan Peninsula and the Caribbean.

Food & Hotel South China, Guangzhou, China, June 2004: This show is in China's fastest-growing and wealthiest region.

American Café, Casablanca, Morocco, June 2004: Post and the TSO have worked together on a focused American Café, organized around bringing buyers and sellers together.

International Food Ingredients & Additives (IFIA), Tokyo, Japan, June 2004: This event is the largest of its kind in Japan, showcasing food ingredients, additives, equipment, and supplies from companies from all over the world.

Food and Hotel Africa, Johannesburg, South Africa, September 2004, American Café:

This show targets the food and hospitality sector in an emerging market. Exhibitors are manufacturers and suppliers of all types of food, beverages, bakery and confectionery products and convenience foods.

World Food Moscow, Russia, September 2004: World Food Moscow is the second largest food and equipment shows held in Russia.

Expo USA, Santo Domingo, Dominican Republic, September 2004: This show is a unique opportunity to promote products and services in the Dominican Republic.

AGRICULTURAL TRADE OFFICES

Mr. Bonilla. Please list for the record the location of the Agricultural Trade Offices (ATO) and indicate the numbers of FAS and foreign nationals assigned to each ATO.

Response: The location of FAS overseas trade offices and the number of Americans and foreign nationals assigned to those offices is as follows:

AGRICULTURAL TRADE OFFICES

LOCATION FY 2003 On-Board Employees

	<u>AMERICAN</u>	<u>FSN</u>
SAO PAULO, Brazil	1	3
BEIJING, China	1	0
SHANGHAI, China	2	0
GUANGZHOU, China	1	0
HONG KONG	2	1
JAKARTA, Indonesia	1	0
TOKYO, Japan	2	3
OSAKA, Japan	1	2
SEOUL, Korea	2	2
MEXICO CITY, Mexico	2	2
MONTERREY, Mexico	1	0
MANILA, Philippines	1	0
MOSCOW, Russia	1	0
RIYADH, Saudi Arabia	1	1
TAIPEI, Taiwan	1	0
DUBAI, U.A.E.	1	3
CARIBBEAN BASIN, USA	3	0
TOTAL	24	17

LANDSAT

Mr. Bonilla: How much did you receive from the CCC during fiscal year 2002 for the purchase of LANDSAT data, and what are your plans for fiscal years 2003 and 2004?

Response: In FY 2002, CCC funding for satellite imagery and related services totaled \$3.25 million. Funding for this activity in FY 2003 and FY 2004 is expected to continue at the FY 2002 level.

LANGUAGE TRAINING

Mr. Bonilla: How much did you spend on language training during fiscal year 2002 and what are your estimates for 2003 and 2004?

Response: During fiscal year 2002, \$389,123 was spent on language training. For both fiscal years 2003 and 2004, the budget includes \$497,000 for foreign language training.

Mr. Bonilla: During fiscal year 2002, how many FAS employees were enrolled in language training, by language?

Response: There were 42 employees enrolled in language training during fiscal year 2002. A list of languages with the number of employees is provided for the record.

[The information follows:]

FAS EMPLOYEES IN LANGUAGE TRAINING

<u>LANGUAGE</u>	<u>FY 2002</u>
ARABIC	2
CHINESE	6
DUTCH	1
FRENCH	2
GERMAN	1
HINDU	1
INDONESIAN	2
JAPANESE	5
KOREAN	2
POLISH	2
PORTUGUESE	1
RUSSIAN	3
SPANISH	7
THAI	2
TURKISH	2
TAGALOG	2
URDU	1
TOTAL	42

FAS CONFERENCES

Mr. Bonilla: What FAS conferences took place in fiscal year 2002 and where were they held?

Response: FAS held one conference during fiscal year 2002. The CMP Marketing Seminar was held in Washington, D.C. The cost for the two-day conference totaled \$1,800. The purpose of the conference was market development and FAS strategic planning.

FAS MANAGEMENT RETREATS

Mr. Bonilla: Has FAS held any employee management retreats during the past 12 months, and if so, where and what was the cost?

Response: FAS held 3 employee management retreats during the last 12 months. These retreats were held at an off-site location in the Washington, D.C. area. Two "Manager's only" retreats had no direct cost to FAS; the third retreat had a total cost of \$2,800. These retreats focused on leadership training and team building.

REPRESENTATION

Mr. Bonilla: During fiscal year 2002, how much of the representation allowance was used in Washington and how much was used overseas?

Response: Of the \$158,000 available for representational activities in fiscal year 2002, \$129,000 was used by overseas offices and \$27,000 was used for Washington activities.

COCHRAN FELLOWSHIP PROGRAM

Mr. Bonilla: How many students, and from what countries, were selected to participate in the Cochran Program during fiscal year 2002?

Response: During FY 2002, 968 individuals from 72 countries were selected and trained as follows:

Asia – 170 participants from 9 countries

China	58	Malaysia	13	South Korea	7
India	13	Pakistan	1	Thailand	18
Indonesia	13	Philippines	20	Vietnam	27

East Europe – 182 participants from 16 countries

Albania	1	Federal Rep. of Yugoslavia	8	Poland	35
Bosnia	11	Hungary	7	Romania	11
Bulgaria	15	Latvia	24	Slovakia	7
Croatia	12	Lithuania	4	Slovenia	8
Czech Republic	12	Macedonia	1	Turkey	11
Estonia	15				

Latin America/Caribbean – 268 participants from 18 countries

Argentina	8	Costa Rica	13	Nicaragua	4
Bolivia	2	Ecuador	12	Panama	13
Brazil	29	El Salvador	6	Paraguay	8
Caribbean	35	Guatemala	14	Peru	20
Chile	14	Honduras	8	Uruguay	10
Colombia	31	Mexico	29	Venezuela	12

Sub-Saharan Africa – 136 participants from 13 countries

Botswana	5	Kenya	14	Senegal	2
Burkina Faso	1	Mozambique	10	South Africa	38
Cote d'Ivoire	4	Namibia	9	Tanzania	5
Ethiopia	1	Nigeria	36	Uganda	8
Ghana	4				

North Africa & the Middle East – 57 participants from 5 countries

Algeria	2	Oman	6	Yemen	15
Morocco	10	Tunisia	24		

New Independent States – 155 participants from 11 countries

Armenia	11	Kyrgyzstan	7	Turkmenistan	6
Azerbaijan	5	Moldova	13	Ukraine	6
Georgia	6	Russia	45	Uzbekistan	27
Kazakhstan	14	Tajikistan	8		

Mr. Bonilla: What is the status of the 2003 program? How many students will be selected and what countries will be involved?

Response: Cochran Fellowship Program staff are currently conducting interviews for the FY 2003 Program. We anticipate selecting and training approximately 1,100 participants during FY 2003 from the following countries.

Asia

China	Malaysia	South Korea
India	Pakistan	Thailand
Indonesia	Philippines	Vietnam

East Europe

Albania	Hungary	Romania
Bosnia	Latvia	Serbia
Bulgaria	Lithuania	Slovakia
Croatia	Macedonia	Slovenia
Czech Republic	Montenegro	Turkey
Estonia	Poland	

Latin America/Caribbean

Argentina	Costa Rica	Nicaragua
Bolivia	Ecuador	Panama
Brazil	El Salvador	Paraguay
Caribbean	Guatemala	Peru
Chile	Honduras	Uruguay
Colombia	Mexico	Venezuela

Sub-Saharan Africa

Botswana	Lesotho	Senegal
Cote d'Ivoire	Mozambique	South Africa
Ghana	Namibia	Tanzania
Kenya	Nigeria	Uganda

North Africa & the Middle East

Algeria	Lebanon	Tunisia
Egypt	Morocco	Yemen
Jordan	Oman	

New Independent States

Armenia	Kyrgyzstan	Turkmenistan
Azerbaijan	Moldova	Ukraine
Georgia	Russia	Uzbekistan
Kazakhstan	Tajikistan	

Mr. Bonilla: Is there a carryover in this program?

Response: Yes, there is carryover in both participants and funding. This is the normal course of action in training programs, as some Fellows selected in the current fiscal year must, for scheduling reasons, be trained in the following year. FY 2002 carryover is approximately \$190,000.

Mr. Bonilla: What is the current estimate of AID reimbursable funding for fiscal years 2003 and 2004? How much was reimbursed in fiscal year 2002?

Response: The current estimate for AID reimbursable funding for fiscal years 2003 and 2004 is \$47.6 million each fiscal year. The actual amount reimbursed for fiscal year 2002 was \$50.5 million.

BINATIONAL AGRICULTURAL RESEARCH AND DEVELOPMENT FUND

Mr. Bonilla: What is the total amount of U.S. funding provided to the United States-Israel Binational Agricultural Research and Development Fund (BARD) and in what years were the funds provided?

Response: In FY 1979, the U.S. contributed \$40 million for the BARD endowment. In FY 1985 another \$15 million was provided. These amounts were matched by the Government of Israel, creating a total endowment of \$110 million. In 1993, agreement was reached to provide an additional \$2.5 million per year from each side, not to increase the endowment, but rather as direct support for additional research grants each year. There were Congressional appropriations in support of BARD exceeding \$2 million in fiscal years 1994 through 1996 that provided this extra funding, but the amount has dwindled in recent years. In 1997 it dropped to \$2 million, then to \$500 thousand in 1998. Since that time, the basic yearly allocation has been \$400,000. ARS supplemented the Congressional appropriation with \$400,000 in FY 1999, \$320,000 in FY 2000, and \$390,000 in FY 2001. The ARS budget has not included funds for BARD since 2002; however, in FY 2002, Congress provided an additional \$120,000 (\$520,000 total). The Israelis each year have approved a commitment at the \$2.5 million level, but since the U.S. no longer provides funding at that level, the Israelis only have matched whatever funds the U.S. provides.

Mr. Bonilla: What research grants were awarded by BARD during fiscal year 2002?

Response: In FY 2002, 25 research grants, totaling \$8,767,000, were approved by BARD. The projects are listed below.

- 1) The dynamics of off-farm employment, farm size, and farm structure - \$200,000
- 2) A mid-IR based soil nitrate sensor for real-time applications - \$331,000
- 3) Rapid detection of food borne pathogens and non-pathogens in fresh produce using FT-IRS and Raman spectroscopy - \$401,000
- 4) The effect of lactic acid bacteria silage inoculants on the ruminal ecosystem, fiber digestibility and animal performance - \$301,000
- 5) Enhancement of development of broilers and poults by *in ovo* feeding - \$266,000
- 6) Control of bovine anaplasmosis: cytokine enhancement of vaccine efficacy - \$320,000
- 7) Inland mariculture of reef corals amenable for the ornamental trade - \$344,000
- 8) Mutual effects of hexose phosphorylation enzymes and phosphorus on plant development - \$396,000
- 9) DNA transfer by *Agrobacterium*: a cooperative interaction of ssDNA, virulence proteins, and plant host factors - \$410,000
- 10) Regulation of plants lateral organs, shape and size by the KANADI-mediated signaling pathway - \$300,000
- 11) Molecular, biochemical and genetic dissection of the regulatory role of casein kinase 2 in lysine catabolism in plants - \$326,000
- 12) Functional genomics of citral biosynthesis in aromatic plants: pathway elucidation and applications - \$315,000
- 13) Genomic approach to the improvement of fruit quality in melon (*Cucumis melo*) and related cucurbit crops - \$360,000
- 14) Saturation mutagenesis in tomato: an integrated infrastructure for functional genomics - \$400,000
- 15) Exploring mechanisms involved in grape bud dormancy: Large-scale analysis of expression reprogramming following controlled dormancy induction and dormancy release - \$448,000
- 16) Enhancement of avocado pollination and productivity: an interdisciplinary approach - \$376,000
- 17) Molecular interactions of TYLCV capsid protein during assembly of viral particles - \$384,000
- 18) Optimizing nematode management by defining natural chemical bases of behavior - \$360,000
- 19) Rationally designed insect neuropeptide agonists and antagonists: application for the characterization of the pyrokinin/Pban mechanisms of action in insects - \$307,000
- 20) Potentiation of pest control by insect immunosuppression - \$352,000
- 21) Modulation of pathogenicity of postharvest pathogens by environmental pH - \$359,000
- 22) Prolonged bitter taste in agricultural food products: mechanisms and inhibition using a multi disciplinary approach - \$380,000

- 23) Understanding the hardening syndrome of potato (*Solanum tuberosum* L.) tuber tissue to eliminate textural defects in fresh and fresh-peeled/cut products - \$400,000
- 24) Physical processes affecting microbial habitats and activity in unsaturated agricultural soils - \$391,000
- 25) Improving nutrient availability in alkaline coal combustion by-products amended with composted animal manures - \$340,000

OCEAN FREIGHT DIFFERENTIAL COSTS FOR FOOD AID PROGRAMS

Mr. Bonilla: What is the total USDA/CCC spent on maritime costs for each of the past five years for food aid programs? How much was paid by USDA/CCC and how much was paid by MARAD?

Response: [The information follows:]

OCEAN FREIGHT DIFFERENTIAL COSTS FOR FOOD AID PROGRAMS [in millions of dollars]

Fiscal Year	Total OFD Costs	MARAD Costs	USDA/CCC Costs
1997	71.7	15.8	55.9
1998	59.3	18.6	40.7
1999	184.8	61.0	123.8
2000	252.3	83.3	169.0
2001	260.2	85.9	174.3
2002 *	157.1	51.8	105.3
Total	985.4	316.4	669.0

Note: OFD costs are included for Section 416(b), Food for Progress, and P.L. 480 titles I, II, and III.

* Preliminary. All documents may not have been received for fiscal year 2002.

FOREIGN MARKET DEVELOPMENT PROGRAM

Mr. Bonilla: Please update the table in last year's hearing record of actual and estimated costs for the Foreign Market Development program.

Response: [The information follows:]

**Cooperator Program
(\$Millions)**

	2001 Actual	<u>PROGRAM YEAR</u>		2004 Estimate
		2002 Estimate	2003 Estimate	
Marketing Plans	\$33.5	\$33.5*	\$38.0	\$40.0
Program Availability:				
Carryover Balance from Prior Year	\$11.9	\$8.6	\$10.7	\$8.3
New Allocation	<u>\$27.5</u>	<u>\$34.5</u>	<u>\$34.5</u>	<u>\$34.5</u>
Total Available	\$39.4	\$43.1	\$45.2	\$42.8
Less:				
Actual Cash Expended	\$30.8	\$30.7	\$8.6	\$0.0
Accrued Expenditures	\$0.0	\$1.7	\$28.3	\$38.8
Carryover Balance to Following Year	\$8.6	\$10.7	\$8.3	\$4.0

*Marketing programs for fiscal year 2002 were submitted based on a funding availability of \$27.5 million. An additional \$7 million was made available through the Farm Security and Rural Investment Act late in the fiscal year. That amount was allocated to Cooperators for use in their 2003 marketing plans.

Mr. Bonilla: Please update the tables in last year's hearing record identifying each participant in the FMD/Cooperator program in FY 2001, the overseas location of each participant, the total U.S. contribution to each and a breakdown of that contribution into categories such as travel, housing, office expenses, etc. If the full U.S. contribution has not been made for that year, please provide estimates of the full contribution.

Response. [The information follows]:

2001 Foreign Market Development Contributions by Cost Category

Cooperator	Compensation & Allowances	Consumer Promotion	Contractor Fees	International Travel	Rent & Supplies	Sales & Trade Relations	Shows	Technical Assistance	Trade Promotion	Grand Total
American Forest & Paper Association	\$1,074,526			\$260,894	\$427,415		\$451,195	\$474,279	\$198,362	\$2,886,671
American Peanut Council	\$165,960	\$263,775	\$8,004	\$127,996	\$116,949	\$28,347	\$1,763	\$1,658,819	\$166,321	\$2,537,923
American Seafood Institute		\$39,231								\$39,231
American Seed Trade Association	\$507,045		\$78,916		\$60,798		\$880	\$3,353	\$31,513	\$682,405
American Sheep Industry Association	\$52,158				\$45,883			\$285,419	\$31,227	\$434,687
American Soybean Association	\$300,001				\$774,335	\$55,079		\$752,962	\$3,048,617	\$11,486,040
California Agricultural Export Council	\$12,000			\$3,000					\$3,917	\$18,917
Cotton Council International	\$813,547		\$5,289,027	\$581,667	\$436,446	\$26,294		\$84,393	\$246,226	\$2,188,373
Leather Industries of America	\$74,500			\$557,500	\$31,840		\$285,405			\$949,045
Mohair Council of America	\$39,743			\$2,050						\$41,793
National Dry Bean Council	\$36,810		\$47,645	\$51,000	\$7,012			\$8,881	\$1,451	\$152,799
National Hay Association			\$21,580					\$95,000	\$22,755	\$139,535
National Renderers Association	\$203,338			\$124,535	\$83,971	\$1,149		\$466,064	\$6,261	\$885,318
National Sunflower Association	\$96,682		\$15,667	\$32,597	\$21,716	\$1,014		\$452,338	\$12,530	\$632,544
North American Millers Association	\$121,139			\$32,348	\$4,039					\$157,526
U.S. Dairy Export Council	\$450,690			\$72,793	\$169,795	\$4,500	\$55,809	\$400,671		\$1,154,258
U.S. Grains Council	\$1,815,496			\$2,276,357	\$419,793	\$38,413		\$1,882,177		\$6,432,256
U.S. Hide, Skin and Leather Assoc	\$168,451			\$52,398			\$23,763			\$244,612
U.S. Livestock Genetics			\$108,934	\$707,569	\$3,126	\$20,290	\$42,909	\$50,043	\$71,619	\$1,004,490
U.S. Meat Export Federation	\$1,235,531		\$548	\$994	\$224,726			\$91,111		\$1,591,873
U.S. Wheat Associates	\$2,472,323	\$38,963		\$480,008	\$1,134,602	\$49,194		\$2,077,763	\$950,578	\$7,164,468
USA Dry Pea and Lentil Council	\$50,568			\$6,676	\$19,846			\$122,111		\$199,201
USA Poultry and Egg Export Council	\$182,551			\$529,085				\$234,221	\$868,942	\$1,814,799
USA Rice Federation	\$257,768		\$14,112	\$121,259	\$606,753				\$1,962,014	\$2,965,047
Grand Total	\$10,130,627	\$341,968	\$5,584,432	\$6,723,262	\$5,148,489	\$231,460	\$861,714	\$9,139,605	\$7,642,334	\$45,803,890

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Mr. Bonilla: Please provide a table for FY 2002 listing all participants in the FMD/Cooperator Program together with all U.S. contributions received or estimated, if necessary, from the FMD/Cooperator funds and from the Market Promotion/Market Access Program.

Response: [The information follows]:

Foreign Market Development Cooperator Program Total Contributions

Cooperator	<u>FY 2002 Contributions</u>	
	FMD	MAP
American Forest & Paper Association	\$2,049,351	\$2,901,362
American Peanut Council	\$2,535,000	\$945,346
American Seed Trade Association	\$680,000	\$11,500
American Sheep Industry Association	\$430,000	\$359,913
American Soybean Association	\$12,133,255	\$3,060,807
California Agricultural Export Council	\$19,000	\$239,726
Cotton Council International	\$3,211,279	\$11,034,578
Leather Industries of America	\$950,000	
Mohair Council of America	\$50,021	\$61,747
National Dry Bean Council	\$152,891	\$276,897
National Hay Association	\$139,000	
National Renderers Association	\$887,102	\$186,135
National Sunflower Association	\$464,586	\$471,182
North American Millers Association	\$158,000	
U.S. Dairy Export Council	\$1,155,000	\$3,950,000
U.S. Grains Council	\$6,162,303	\$1,196,111
U.S. Hide, Skin and Leather Association	\$240,909	
U.S. Livestock Genetics	\$1,062,736	\$1,279,838
U.S. Meat Export Federation	\$1,752,995	\$9,744,930
U.S. Wheat Associates	\$6,960,902	\$2,650,000
USA Dry Pea and Lentil Council	\$199,200	\$218,338
USA Poultry and Egg Export Council	\$1,474,860	\$2,210,966
USA Rice Federation	<u>\$2,965,000</u>	<u>\$1,888,886</u>
	\$45,833,390	\$42,688,262

REIMBURSEMENTS TO STATE DEPARTMENT

Mr. Bonilla: Please describe the program under which the Department reimburses the Department of State for certain expenses overseas and update the table that appears in last year's hearing record

Response: FAS, as well as other foreign affairs agencies, rely on the Department of State to provide in-country administrative support services including such functions as fiscal, personnel, building maintenance, motor pool, and security. Agencies receiving these services reimburse State through the International Cooperative Administrative Support Services (ICASS) program.

FAS COST SUMMARY
REIMBURSEMENTS TO STATE DEPARTMENT
(\$000)

FISCAL YEAR

2002 Actual	\$8,460
2003 Estimate	\$9,137
2004 Estimate	\$9,731

FAS BUYOUTS

Mr. Bonilla: Did FAS exercise any buyout authority in FY 2002?

Response: FAS did not exercise any buyout authority in FY 2002.

FOOD SECURITY COMMODITY RESERVE

Mr. Bonilla: Was there any activity involving the Food Security Commodity Reserve in fiscal year 2002 and fiscal year 2003 to date?

Response: During FY 2002, two releases of wheat from the Trust were authorized. In June, 275,000 metric tons of wheat were released. In August, a second release of 300,000 metric tons of wheat was authorized. In both releases, the wheat was swapped for other commodities (including corn, cornmeal, sorghum, bulgur, vegetable oil, and beans) to be used for the Southern Africa food security crisis. After the second release, the Trust was reduced to about 2.0 million metric tons.

Regarding the second release, only 248,370 metric tons were actually removed from storage. The U.S. Agency for International Development requested USDA to cease the sales of wheat at this amount, versus the 300,000 metric tons authorized, since the price of wheat had gone up and further sales were not necessary to purchase commodities sufficient to reach their goal.

As of the date of the hearing, no release was authorized for FY 2003. However, a memo is being prepared for the Secretary's signature which would authorize the release of 200,000 metric tons of wheat from the Trust. This wheat would be used to respond to the food security crisis in Africa, particularly the Horn of Africa. Because of the magnitude of emergency food aid needs this year, additional releases are possible.

COUNTRIES GRADUATING FROM FOOD AID PROGRAMS

Mr. Bonilla: Have any countries graduated from food aid to GSM programs in the past 12 months?

Response: No countries have graduated from food aid to GSM in the past year.

EUROPEAN UNION NEGOTIATIONS

Mr. Bonilla: What is the status of negotiations with the EU for an increase in the quota levels for meat treated with growth hormones?

Response: We are pursuing a resolution of this matter with the EU. The EU maintains additional technical requirements, such as its residue testing procedures, that continue to inhibit U.S. exports of beef not treated with hormones. We are discussing these technical issues with the EU so that we can take advantage of any additional quota for U.S. exports of beef that may be negotiated.

CHINA WTO ACCESSION

Mr. Bonilla: Has China's accession to the WTO affected U.S. agricultural imports and exports?

Response: The first full year of China's membership in the WTO produced mixed results for bilateral agricultural trade. While China made agreed tariff reductions, and some U.S. agricultural products, such as beef, almonds, and citrus, experienced dramatic increases in sales, serious problems were encountered on many other fronts. Key problems arose with regard to China's new biotechnology regulations, which severely limited soybean imports for the first four or five months of 2002. The administration of TRQs on bulk agricultural commodities and the application of sanitary and phytosanitary measures and inspection requirements resulted in impeded market access for many U.S. agricultural products, particularly soybeans, wheat, corn, cotton, vegetable oils, poultry and pork. While some of these problems could be attributed to China's unfamiliarity with the relevant WTO agreements or the requirements of specific accession commitments, others appear to have been driven by protectionist pressures within China. Although a solution appears near at hand with regard to China's biotechnology regulations, and soybean trade with China is proceeding at a brisk pace, there has been limited progress on other issues, notably TRQs. U.S. exports of the TRQ affected products were well below industry expectations for the first year of accession.

Total U.S. agricultural, fish and forestry product exports to China in CY2002 topped \$2.3 billion, a nearly 6 percent increase over the previous year. Meanwhile, U.S. agricultural imports from China in 2002 were up over 26 percent from the preceding year, to reach a record \$2.9 billion. Several product categories (e.g., fresh and processed fruits and vegetables and value-added wood products) fueled the overall increase in U.S. imports. These increases, however, were not attributable to China's entry to the WTO, as access conditions for China to the U.S. market were not affected by the accession.

P.L. 480 TITLE I LOCAL CURRENCY

Mr. Bonilla: How much of your Title I sales in fiscal years 2002 and 2003 was for local currency and what do you expect for FY 2004?

Response: USDA did not approve any local currency sales under Title I in FY 2002. In FY 2003 and FY 2004 all concessional sales will be denominated in dollars as well.

MARKET ACCESS COMPLIANCE

Mr. Bonilla: How much do you estimate USDA will spend on market compliance in FY2003?

Response: Between our overseas offices, our commodity analysts and our trade policy staff, FAS devotes about 80 FTEs to monitoring compliance with trade agreements and enforcing U.S. trade agreement rights

FACILITY GUARANTEE PROGRAM

Mr. Bonilla: Are you forecasting any activities in the Facilities Guarantee Program for FY 2003 and 2004?

Response: In fiscal year 2003, USDA has made available \$223.8 million under the Facilities Guarantee Program. To date, there has been no activity under the program. We expect to continue, however, to structure a fiscal year 2004 program to accommodate potential activity.

BILL EMERSON HUMANITARIAN TRUST

Mr. Bonilla: What commodities were released from the Bill Emerson Humanitarian Trust (the Trust) in FY 2002? What activities do you forecast for FY 2003 and FY 2004?

Response: During FY 2002, two releases of wheat from the Trust were authorized. In June, 275,000 metric tons of wheat were released. In August, a second release of 300,000 metric tons of wheat was authorized. In both releases, the wheat was swapped for other commodities (including corn, cornmeal, sorghum, bulgur, vegetable oil, and beans) to be used for the Southern Africa food security crisis. After the second release, the Trust was reduced to about 2.0 million metric tons.

Regarding the second release, only 248,370 metric tons were actually released. The U.S. Agency for International Development requested USDA to cease the sales of wheat at this amount, versus the 300,000 metric tons authorized, since the price of wheat had gone up and further sales were not necessary to purchase commodities sufficient to reach their goal.

As of the date of this hearing, a memo is being prepared for the Secretary's signature which would authorize the release of 200,000 metric tons of wheat from the Trust during fiscal year 2003. This wheat will be used to respond to the food security crisis in the Horn of Africa. Other releases from the Trust are possible this year based on the extent of global food aid needs.

The use of the Trust in fiscal year 2004 will depend on emergency food aid needs, funding availability for U.S. food aid efforts, and commodity availability under P.L. 480.

Mr. Bonilla: Please update the Committee on which commodities make up the current supply in the Bill Emerson Humanitarian Trust?

Response: There are currently approximately 2.0 million metric tons of wheat in the Trust. However, the law provides substantial flexibility to exchange wheat for other commodities.

EXPORT CREDIT GUARANTEE PROGRAMS

Mr. Bonilla: Of the \$5 billion available for short-term credit guarantee programs, how much do you actually expect to use in fiscal year 2003?

Response: The President's Budget assumes that about \$3.4 billion of guarantees under the GSM-102 export credit guarantee program will be issued for all of fiscal year 2003. As of February 7, 2003, exporter applications received under this program totaled \$1.1 billion.

Mr. Bonilla: Please update the table that appears in last year's hearing record concerning the use of funds in the past 5 years.

Response: [The information follows:]

Announced Allocations		Export Applications
Fiscal Year	GSM-102 (mil. \$)	Received (mil. \$)
1998	5,793	3,963
1999	5,121	2,955
2000	4,550	2,928
2001	4,653	2,959
2002	4,581	2,936

FOREIGN CURRENCY ACCOUNTS

Mr. Bonilla: Please provide a list of all countries where the FAS or attaches have foreign currency accounts and the current dollar value of each account.

Response: FAS has Section 108 foreign currency accounts for seven countries: Costa Rica, Dominican Republic, Guatemala, Jamaica, Morocco, Sri Lanka, and Tunisia.

On February 1, 2003, the dollar value for each was as follows:

Costa Rica	\$1,648,450
Dominican Republic	\$5,386,781
Guatemala	\$28,677
Jamaica	\$3,959,789
Morocco	\$4,292,600
Sri Lanka	\$1,603,450
Tunisia	\$9,712,690

Mr. Bonilla: For what purposes are you using these funds now? Please cite the authority in law that permits use of these currencies.

Response: Section 108 foreign currencies are used for activities that are intended to result in the development, maintenance, and expansion of long-term export markets for U.S. agricultural products and foster and encourage the development of private enterprise institutions and infrastructure in developing countries.

Section 416 of the Agricultural Trade Development and Assistance Act of 1954, as amended, 7 U.S.C. 1736g-3, authorizes the Secretary to use local currencies, generated under pre-1990 Title I agreements, for market development and agricultural technical assistance activities. "Section 108" refers to section 108 of P.L. 480 as added by section 1111(h) of the Food Security Act of 1985, P.L. 99-198.

SHIPPING OF P.L. 480 TITLE I COMMODITIES

Mr. Bonilla: Were you able to carryout in fiscal years 2001 and 2002 the P.L. 480 Title I program policy of requiring Title I recipient countries to arrange and pay for shipping commodities after discharge?

Response: Under the P.L. 480 Title I program for fiscal year 2001 and 2002 recipient countries arranged and paid for all costs after discharge.

TRANSFER OF FUNDS FROM P.L. 480 TITLE II TO TITLE III

Mr. Bonilla: Under current law, the USDA may transfer up to 15 percent of P.L. 480 - Title II funds to Title III. Has the USDA transferred any funds from Title II to Title III in fiscal year 2003? If so, how much?

Response: No funds have been transferred from Title II to Title III in fiscal year 2003.

GLOBAL FOOD FOR EDUCATION INITIATIVE

Mr. Bonilla: What is the status of the Global Food for Education pilot program? Who is participating in that program?

Response: The Global Food for Education pilot program was launched in FY 2001 and carried out over a 2-year period. Under this program USDA provided about 800,000 tons of U.S. commodities to support 48 programs in 38 countries. The pilot reached approximately 7 million children in a wide range of school feeding programs. This program was administered through the World Food Program, 14 private voluntary organizations and one national government (Dominican Republic).

SECTION 416(b) COMMODITIES

Mr. Bonilla: Please provide a table for the record showing the level of 416(b) activity for each of fiscal years 1997-2003. Please provide a breakdown by commodity.

Response: [The information follows:]

FY 1997 - FY 2003
SECTION 416(B) FOREIGN DONATION PROGRAM
METRIC TONS

Year	NFDM/ WDM 1/	Bulgar	Wheat/ Flour 2/	Corn/CSB/ Cornmeal 3/	Rice	Soybeans	Soyoil	Soymeal	Pulses	Undesignated	Total
FY 1997	--	--	--	--	--	--	--	--	--	--	--
FY 1998	--	--	--	--	--	--	--	--	--	--	--
FY 1999	22,952	67,680	5,057,217	259,240	--	--	--	--	--	--	5,407,089
FY 2000	26,120	20,500	2,571,190	216,140	141,240	--	39,400	130,500	--	--	3,145,090
FY 2001	15,370	23,710	1,867,550	518,210	64,420	178,930	255,470	115,070	--	--	3,038,730
FY 2002	42,320	17,840	968,630	282,280	88,880	78,850	156,800	6,250	--	--	1,641,850
FY 2003 4/	60,000	--	--	--	--	--	--	--	--	--	60,000
TOTAL	166,762	129,730	10,464,587	1,275,870	294,540	257,780	451,670	251,820	--	--	13,292,759

FY 1997 - FY 2003
SECTION 416(B) FOREIGN DONATION PROGRAM
THOUSAND DOLLARS

Year	NFDM/ WDM 1/	Bulgar	Wheat/ Flour 2/	Corn/CSB/ Cornmeal 3/	Rice	Soybeans	Soyoil	Soymeal	Pulses	Undesignated	Total
FY 1997	--	--	--	--	--	--	--	--	--	--	--
FY 1998	--	--	--	--	--	--	--	--	--	--	--
FY 1999	51,846	9,161	633,894	24,119	--	--	--	--	--	--	739,020
FY 2000	59,197	3,690	331,322	27,968	31,073	--	24,372	23,881	--	--	501,503
FY 2001	30,494	4,552	275,818	73,523	14,172	31,492	177,039	22,899	--	--	629,989
FY 2002	83,963	3,425	139,082	40,210	19,552	13,878	108,662	1,244	--	--	410,016
FY 2003 4/	105,840	--	--	--	--	--	--	--	--	--	105,840
TOTAL	331,340	20,828	1,400,116	165,820	64,797	45,370	310,073	48,024	--	--	2,386,368

Note: The values above do not include transportation or administrative costs.

1/ NFDM is nonfat dry milk. WDM is whole dry milk.

2/ Includes wheat flour and wheat soy blend.

3/ Includes cornmeal, corn soy blend, and corn soy milk.

4/ FY 2003 estimate is from FY 2004 President's Budget.

GLOBAL FOOD FOR EDUCATION INITIATIVE

Mr. Bonilla: Public Law 107-20, the fiscal year 2001 supplemental appropriations act, provided the Secretary with the authority to make available up to \$22,949,000 of financial assistance for internal transportation, storage, and handling expenses, and for any appropriate administrative expenses for cooperating sponsors in fiscal years 2001 and 2002 under the Global Food for Education Initiative. Has the Secretary used this authority? How has the Secretary used this authority? If these funds have been provided, please tell the Committee how much of the funding has gone for each of these activities, i.e., internal transportation, storage, etc.? If this authority has not been used to date, does the Secretary plan to use this authority at all?

Response: USDA provided \$9.1 million to cover the administrative expenses of cooperating sponsors. Section 104 of Public Law 107-206 (FY 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States) provided for: (a) the rescission of any unobligated funds remaining on September 30, 2002, that had been authorized for payment of these funds the previous year and (b) an increase in P.L. 480 Title II funding for FY 2003 of an amount equal to the rescinded funds. As a result, \$13.8 million was rescinded and the P.L. 480 Title II program level was increased by the same amount.

WORLD TRADE ORGANIZATION

Mr. Bonilla: What key role did FAS play "in the successful launch of negotiations in November 2001 to further liberalize global agricultural trade under the World Trade Organization?"

Response: As the lead agency for international affairs in the U.S. Department of Agriculture, FAS participated in the WTO negotiations at every stage. This included supporting Secretary Veneman's participation at the Doha Ministerial in November 2001, as well as in the development of the U.S. comprehensive proposal for agricultural reform that was tabled in July 2002. FAS helped shape the strategy behind the proposal and conducted all of the supporting analysis. FAS has also been deeply involved in outreach activities to brief our private sector advisors and Congress on the status of the negotiations and in seeking approval for U.S. negotiating positions.

EXPORT ENHANCEMENT PROGRAM

Mr. Bonilla: Please describe what market conditions would precipitate a large-scale use of the Export Enhancement Program.

Response: USDA has not used the EEP since the mid-1990's because our assessment has been that market conditions in recent years, when combined with our WTO subsidized quantity limits and the recent lack of aggressiveness in subsidy use by the EU, would limit the effectiveness of the program in increasing total U.S. exports or raising domestic prices.

The circumstances under which we might resume use of the program would include (1) a change in market conditions such that use of the program would lead to a significant increase in U.S. exports or domestic prices; (2) a significant increase in our competitors' use of unfair export practices; or (3) instances where we might determine that there is a significant trade policy or market development benefit to be gained from strategic use of the program.

FAS TELECOMMUNICATIONS

Mr. Bonilla: It appears that FAS will have to use a combination of Diplomatic Telecommunications Service and commercial bandwidth for program operations. What is the fiscal year 2004 cost for this item and what is FAS spending in fiscal year 2003?

Response: FAS estimates spending to be \$1,251,000 for FY 2003 (upgrading 60 posts to commercial DSL lines and leaving 40 posts on DTS lines) and \$1,022,000 for FY 2004 (80 DSL lines and 20 DTS lines).

QUALITY SAMPLES PROGRAM

Mr. Bonilla: Does private industry contribute to the Quality Samples Program? How much? Is the QSP an example of something that could be done solely by the private sector?

Response: Quality Samples Program funds can only be used to reimburse the cost of agricultural product samples and the cost of transporting those samples to the point of entry in the destination country. All technical assistance costs, transportation costs within the destination country, and incidental costs are ineligible for QSP reimbursement and must be paid for by other sources, including industry contributions.

RICE AND USDA EXPORT PROGRAMS

Mr. Bonilla: Provide a table for the record for each of fiscal years 2000-2003 that shows the amount of rough, brown, and milled rice used in food aid, export market development, export promotion, and other export related programs.

Response: We estimate that about 10 percent of U.S. rice exports are exported under the export credit guarantee programs, the majority of which is rough rice. Given that (1) these programs are used mainly in Western Hemisphere markets and (2) these markets are mainly rough rice importers, we therefore assume that the majority of rice exported under credit guarantee programs is rough rice.

Statistics on U.S. rice food aid exports by type of rice are not available. However, virtually all U.S. rice exports for food aid are milled rice. The type of rice provided in U.S. food aid shipments is predominately determined by the needs and requests of the recipient governments or humanitarian organizations. There has only been one instance when the United States exported rough rice as food aid in recent years and that was in fiscal year 1999 to Jamaica. U.S. rice food aid exports for the last 3 years are as follows:

FY 2000	394,100 MT
FY 2001	230,800 MT
FY 2002	373,860 MT

USDA market development and promotion programs, such as the Market Access Program (MAP) and Foreign Market Development (FMD) program, promote the sale of rice and other commodities generically overseas and are not tied to specific sales. Thus, all U.S. rice exports benefit from these programs. Over the past 25 years, partly due to market development initiatives, U.S. commercial exports of rice have steadily increased while concessional exports have decreased.

FAS RELATIONS WITH USTR AND USAID

Mr. Bonilla: Describe in detail the interaction between FAS and the U.S. Trade Representative, and between FAS and the U.S. Agency for International Development.

Response: FAS is an active participant in the inter-agency trade policy coordination process that is led by the U.S. Trade Representative's office (USTR). This policy coordination is accomplished through the Trade Policy Staff Committee (TPSC) which oversees numerous country or issue specific subcommittees. In addition to participation in this formal process, FAS staff works on a daily basis with their USTR counterparts on agricultural trade policy issues. Frequently, FAS is the linchpin between USTR and US food and fiber producers and processors, both at home and in international markets, where our network of attaches provides on-the-ground support and advice to USTR negotiators. FAS also takes an active role in coordination between USDA scientific and regulatory agencies and USTR negotiators in seeking the removal of foreign SPS barriers to U.S. agricultural exports.

Since the early 1950s, under interagency agreements, USDA has provided agricultural expertise to the U.S. Agency for International Development (USAID) in Washington and also for USAID-funded projects overseas. This expertise has come from USDA agencies, land grant universities, and occasionally the private sector. The expertise

provided by USDA has ranged from agricultural extension, to agricultural policy, agricultural marketing, agricultural credit, and all areas of the agricultural sciences.

A close relationship with USAID still exists today, with USAID using various existing agreements with FAS to fund and tap U.S. agricultural expertise, both on a short- and long-term basis. Currently, USDA has 126 staff serving on long-term details to USAID under reimbursable agreements, with USAID covering all costs. Of these, 114 are serving at USAID headquarters and 12 are serving in USAID missions (Dakar, Nairobi-2, Gaborone, Quito, La Paz, Guatemala City, Mexico City-2, Managua-2, and Moscow). These USDA staff advise missions and manage projects on agricultural policy, agricultural production, economics and marketing, trade, water and irrigation, biotechnology, land tenure, energy, natural resources, global climate change, sustainable development, agricultural research, extension and training, nutrition, and other areas where relevant expertise can be provided by USDA.

In addition, USAID funds a number of international agricultural development projects that are designed, staffed and managed by USDA. Among these are the Agricultural Irrigation project in Eritrea, the Agricultural Census projects in Ukraine and Ethiopia, Food Safety and Sanitary/Phyto-Sanitary projects in the Andean Community of Nations, and Forestry and Environmental Management projects in Central America. The USAID mission in Santo Domingo also provides funds that allow USDA to manage and provide technical assistance to the Global Food for Education 3-year program in the Dominican Republic.

TRADE CAPACITY BUILDING

Mr. Bonilla: How will FAS coordinate its trade capacity building program with similar programs in other agencies such as the Department of State and the Trade and Development Agency?

Response: FAS' trade capacity building (TCB) work is carefully coordinated with other U.S. Government agencies under the leadership of the Department of State and the U.S. Trade Representative (USTR). FAS participates in the Interagency Trade Capacity Building Working Group chaired by the Assistant USTR for Trade Capacity Building, along with APHIS, FSIS and other Federal agencies such as the Department of State, Trade and Development Agency, U.S. Agency for International Development, Department of Commerce, Small Business Administration, Environmental Protection Agency, and Food and Drug Administration, to assure that TCB efforts are coordinated, complementary, and in compliance with U.S. trade negotiating policies. FAS also participates in the TCB Working Group that USTR formed as part of the U.S.-Central America Free Trade Agreement (CAFTA) negotiations. Furthermore, FAS cooperates with State Department's Economic Bureau in developing proposals for U.S. Government-wide TCB activities for Afghanistan. USDA depends on the U.S. Agency for International Development to provide funding for most of its TCB activities, which have included a series of workshops and training sessions in Sub-Saharan Africa to help those countries develop their capacities to comply with the World Trade Organization's (WTO) Sanitary and Phyto-Sanitary (SPS) Agreement. The African WTO/SPS workshops, and many other USDA-organized TCB activities, have been reported in public documents prepared by USTR to help publicize the U.S. Government's comprehensive global and regional TCB efforts.

BIOSAFETY PROTOCOL

Mr. Bonilla: Can you measure the seriousness of your concerns regarding the possible misinterpretation of the Biosafety Protocol and how that possible misinterpretation could seriously impede trade, product development, and research?

Response: We are very concerned over possible outcomes and trade scenarios once the Biosafety Protocol (BSP) enters into force. Our concerns are not based solely on possible *misinterpretations* of the BSP, but *interpretations* of the BSP language, which is vague and open to broad interpretation.

There are a number of provisions in the BSP that may potentially cause serious trade disruptions once the agreement enters into force. Chief among these is the "may contain LMOs" documentation requirement in Article 18.2(a) for living modified organisms (LMOs) intended for food, feed, or for processing. It is a serious concern to the industry that it will be difficult to avoid such labeling for most commodity shipments, even carefully identify-

preserved consignments as well as shipments of commodities for which no bioengineered varieties have completed U.S. regulatory requirements, because of the potential for carryover or mixing from other shipments. Moreover, during the three meetings of the interim Intergovernmental Committee for the Cartagena Protocol on Biosafety (ICCP), there were efforts on the part of some nations to reinterpret the "may contain LMOs" language into a requirement for enumerating each potential LMO constituent on the documentation. Such a result would have serious negative impacts on commodity trade. It can be expected, moreover, that this topic will be revisited once the BSP comes into force and a Meeting of the Parties (MOP) is convened, at which the United States will have a much more circumscribed voice (since the U.S. is not a Party to the Convention on Biological Diversity, the parent convention to the BSP, the U.S. cannot be a Party to the BSP). This is part of ongoing efforts by some nations to, in effect, renegotiate a number of agreed-upon provisions of the Protocol either through the ICCP process or through the MOP process. In general, how Parties implement these documentation provisions under national laws and the procedures Parties adopt governing trade with non-Parties will have a great bearing on the Protocol's impact on trade.

In addition, BSP Article 27 calls upon the first Meeting of the Parties to "adopt a process with respect to the appropriate elaboration of international rules and procedures in the field of liability and redress for damage resulting from transboundary movements of living modified organisms, analyzing and taking due account of ongoing processes in international law on these matters," and to "endeavour to complete this process within four years." Some nations have, for example, called for creation of an international liability pool funded by the biotechnology industry. Discussions on this subject began during the ICCP process, and information-gathering by the CBD Secretariat is ongoing.

Finally, to the extent that the text of the BSP is misused or misconstrued in an attempt to create a conflict with disciplines under the World Trade Organization, there is the potential for increased non-science based decision-making by Parties. Article 26 provides that "The Parties, in reaching a decision on import under this Protocol or under its domestic measures implementing the Protocol, may take into account, consistent with their international obligations, socio-economic considerations arising from the impact of living modified organisms on the conservation and sustainable use of biological diversity..."

MONTREAL PROTOCOL MULTILATERAL FUND

Mr. Bonilla: How much is the State Department and the Environmental Protection Agency contributing to the Montreal Protocol Multilateral Fund?

Response: Historically, contributions to the Montreal Protocol Multilateral Fund have been split by the Department of State and the Environmental Protection Agency on a 2/3 - 1/3 basis. For FY 2003, the President's Budget includes \$23.0 million for the Department of State and \$9.6 million for Environmental Protection Agency's annual contribution to the fund.

Mr. Bonilla: Please provide for the record a copy of the legal authority for USDA to contribute to the Montreal Protocol Multilateral Fund.

Response: The FY 2004 FAS Appropriation language includes specific provisions for a USDA contribution of \$5 million to the Montreal Protocol Multilateral Fund [The information follows:]

FOREIGN AGRICULTURAL SERVICE

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

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954 (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed \$158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), \$140,798,000, of which \$5,000,000 is to support the Montreal Protocol Multilateral Fund: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development.

None of the funds in the foregoing paragraph shall be available to promote the sale or export of tobacco or tobacco products.

Mr. Bonilla: You stated that historically the Department of State and the EPA have provided nearly all U.S. payments to the Montreal Protocol Multilateral Fund. What change has occurred that compelled USDA to request funds to contribute to this fund? How much has the U.S. contributed to this fund to date? What is the total amount of the U.S. obligation to this fund? How much is the USDA committed to paying into this fund? Who do the funds go to once they are contributed to this fund and how much?

Response: Due to the fact that a technically and economically feasible alternative to the use of methyl bromide with acceptable health and environmental effects is not currently available, the U.S. is preparing an application to the Montreal Protocol Council of Parties for a critical use exemption to the current phase-out schedule for its use. This is a critical issue for U.S. farmers and funding the U.S. shortfall to the Fund and providing a good U.S. position on replenishment will create a more favorable climate for consideration of this request. To date, the U.S. has contributed \$240 million. The current U.S. commitment is \$37 million per year for the 2000-2002 time frame. The USG commitment is expected to increase to \$40-\$45 million for the 2003-2005 time frame. USDA is requesting \$5 million annually to contribute to the Trust Fund beginning in FY 2004. The Executive Committee of the Fund review and approve project proposals submitted by developing countries designed to work toward the objective of reducing ozone depleting substances. To date, the committee has approved \$1.2 billion to support 3,850 project activities in 124 developing countries.

PAY COST ABSORPTION

Mr. Bonilla: What would the reduction in agency personnel levels be if pay costs had to be absorbed?

Response: Absorption of FY 2004 pay costs would likely result in a reduction of 25 staff years.

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICE

Mr. Bonilla: How much is the FAS paying in fiscal year 2003 for ICASS costs? Are these costs negotiable?

Response: Fiscal year 2003 ICASS estimated cost is \$9.1 million. ICASS costs are based on estimated workload counts that may be based on a head count or actual workload, depending on the cost center. Some workload counts may be modified if an agency does not utilize the full range of services.

OVERSEAS RENTAL EXPENSE

Mr. Bonilla: How much is the FAS paying in fiscal year 2003 for overseas rental expenses and how does that compare to fiscal year 2002 costs? Where are the three additional residences located that the State department intends to sell?

Response: In fiscal year 2003, overseas rental expenses are estimated to total \$5,120,000. In fiscal year 2002 the overseas rental expenses were \$4,996,000. While no definitive decisions have been made by DOS on future sales, the most recent discussions on residential sales have involved Vienna, Austria, Bangkok, Thailand, and Stockholm, Sweden.

METHYL BROMIDE

Mr. Bonilla: According to your witness statement, "In the future, there will be an increasing focus on reducing the use of methyl bromide." Does the EPA's recent announcement regarding the reduction in the use of methyl bromide mean the future is now?

Response: The U.S. Government signed the Montreal Protocol in 1991 and made a commitment to phase out the use of ozone-depleting substances. Under the phaseout schedule, the U.S. is to reduce methyl bromide consumption from a 1991 baseline by 25% in 1999, 30% in 2001, 70% in 2003, and 100% in 2005. As previously noted, the U.S. is preparing an application for a critical use exemption to the current phase-out schedule.

FOREIGN MARKET DEVELOPMENT COOPERATOR PROGRAM

Mr. Bonilla: What is the reason that the application due date for the fiscal year 2004 Foreign Market Development Cooperator program is scheduled for March 10, 2003?

Response: The application due date for the Foreign Market Development Cooperator Program coincides with the due date for the Market Access Program and several other foreign market development activities. This allows applicants to submit a single application to apply for these complementary programs. Because MAP allocations must be announced in June, applications for the marketing programs must be received in March to ensure that all applications are subjected to a thorough review and evaluation process.

SECTION 108 FOREIGN CURRENCY PROGRAM

Mr. Bonilla: On January 17, 2003, the FAS published a notice in the Federal Register regarding the availability of Tunisian dinars through the Section 108 Foreign Currency Program. What is the U.S. equivalent that the USDA is holding in Tunisian dinars?

Response: On February 1, 2003, the dollar value equivalent of the foreign currency account in Tunisia was \$9,712,690.

AZORES COLLABORATIVE RESEARCH AND EDUCATION PROGRAM

Mr. Bonilla: Please provide the current status on the establishment of the Azores Collaborative Research and Education Group to assist the U.S. Government in meeting its treaty obligations to the Government of Portugal as provided in H. Rpt. 107-623.

Response: Early in 2003, USDA and the Azores Collaborative Research and Education Group (ACREG) continued discussions about ACREG's initiative to help the United States meet its obligations under the *1995 Agreement on Cooperation and Defense between Portugal and the United States*. USDA appreciates ACREG's interest in this, and will continue its dialog with ACREG as both groups try to identify potential funding sources for implementing projects that would be of mutual benefit to both the Azores and the United States.

HOUSE REPORT 107-623

Mr. Bonilla: Please provide the current status regarding the Committee directive to develop a system for making commodity assistance decisions no later than February 15th of each year and to report to the Committee on the steps taken to implement this system as provided in H. Rpt. 107-623.

Response: USDA recognizes the need to have program allocations completed early in the fiscal year. During this fiscal year, USDA initiated steps to streamline the application and decision-making processes for the food aid programs. Key changes included revamping the guidelines for applying for USDA's programs and the introduction of an on-line application system. The on-line system represents a large step in making the food aid programs available through an e-government mechanism. USDA plans to make the application process fully available to on-line users for the fiscal year 2004 programming cycle.

These initiatives allowed USDA to evaluate nearly 200 proposals within 60-90 days. In future years, USDA will be able to announce program allocations well in advance of February 15, pending special circumstances or changes in Administration policies.

In fiscal 2003, the Administration reviewed critical food aid needs throughout the world to ensure that sufficient resources were available for emergency situations. This review delayed the announcement of USDA's program approvals. The completion of the review and the passage of the appropriations bill allowed USDA to inform applicants about program approvals on February 28. The details of the programs are being reported to

Congress via a letter expected to be sent in early May. A letter informing the Congress of the delay was sent in January.

Mr. Bonilla: Please provide the current status on the language in H. Rpt. 107-623 that encourages the Department to use the non-fat dry milk surplus to make humanitarian donations through non-profit and other eligible humanitarian organizations.

Response: USDA expects to provide close to 70,000 metric tons of nonfat dry milk (NFDm) to 29 countries during the current fiscal year. The NFDm will be provided via agreements with 13 private voluntary organizations, one government and the World Food Program.

Mr. Bonilla: Please provide status on the language in H. Rpt. 107-623 that encourages the USDA to cooperate with the South Carolina Export Consortium efforts to expand export markets.

Response: South Carolina is a member state of the Southern US Trade Association (SUSTA), which is USDA's regional export marketing partner. Through the auspices of the South Carolina State Department of Agriculture (which is represented on its Board), the South Carolina Export Consortium is advised of the myriad export opportunities SUSTA brings to its member states. The Consortium will be invited to participate in upcoming SUSTA "How to Export" seminars in South Carolina and direct meetings with SUSTA are planned as part of this outreach.

Mr. Bonilla: Please provide the current status of the language in H. Rpt. 107-623 regarding the implementation of data storage infrastructure to provide for the remote mirroring to achieve a continuance of operations capability.

Response: The implementation of data storage infrastructure provided for in H. RPT. 107-623 is currently under discussion at the senior department level.

E-GOVERNMENT

Mr. Bonilla: The conference report for fiscal year 2003 appropriations action provided \$5,049,000 for e-Government. Please tell the Committee how the FAS intend to carry this out.

Response: For FY 2003, the funds appropriated for e-Gov will be used to lease bandwidth from commercial providers of telecommunications bandwidth for posts where it is available, reliable, feasible, and secure. Certain posts will continue to be serviced by the State Department's DTS lines that will be upgraded to 64 kbps. The remainder will be served by a mix of an easily managed umbrella provider offering dedicated 64 kbps. Additionally, the increase in funding will allow for the establishment of a recurring replacement cycle for mission critical hardware and software. Finally, a portion of this increase will be used to re-engineer business processes, training, and software development.

PUBLIC LAW 480

Mr. Bonilla: Of the \$1,200,000,000 appropriated for P.L. 480-Title II in fiscal year 2003, how much has been obligated to date?

Response: In FY 2003, approximately \$665,000,000 has been approved as of February 27, 2003.

U.S. - AUSTRALIA TRADE

Mr. Bonilla: Please tell the Committee how FAS helped open the Australian market to U.S. table grapes.

Response: FAS worked with APHIS at the technical level and with USTR at the political level to open up the Australian market. Finally, after twelve years of negotiations on a market access protocol, the first consignments of California table grapes arrived in Australia on July 16, 2002, via airfreight. Over \$2.2 million in exports were

achieved by year's end. This has led U.S. industry contacts to believe that this market, which is counter-seasonal to the Northern Hemisphere, has considerable export potential that could reach \$10 million dollars annually.

In order to start promotion of California table grapes in Australia, USDA allocated \$75,000 to the California Table Grape Commission in May 2002 under the Department's Section 108 Quick Response program.

USDA and the California Table Grape Commission (CTGC) are making definite progress on phytosanitary issues with Australia. The 2002 Grape Work Plan required fumigation at California ports, an important quality-related issue during the first year of exports. USDA provided CTGC with funding under the Technical Assistance for Specialty Crops (TASC) program to help overcome this barrier during FY 2003. Also, APHIS and its counterpart, Biosecurity Australia, are scheduled to meet during March to discuss jointly developed proposals for consultation with their respective industries to allow for the fumigation of table grapes in Australia and for a reduction in the size of the inspection sample from 920 to 600 grape bunches. Early indications are that agreement will be reached at the technical level and, following stakeholder approval, Biosecurity Australia should issue a policy memorandum confirming these changes. These changes will result in higher quality California grapes in Australian supermarkets and, in turn, an even greater demand for California grapes.

FOREIGN FOOD ASSISTANCE

Mr. Bonilla: How much of the 2.4 million metric tons of food assistance in fiscal year 2002 was allocated under P.L. 480, Title I and how much was allocated under section 416(b) of the Agricultural Act of 1949?

Response: In fiscal year 2002, 504,000 metric tons were allocated under P.L. 480, Title I and 1.64 million metric tons were allocated under section 416(b).

INTERNATIONAL HOUSING

Mr. Bonilla: How much did the FAS transfer to the State Department for international housing costs in fiscal year 2002, and what are the estimated amounts for each of fiscal years 2003 and 2004?

Response: FAS transferred \$84,000 to State Department for leasing services. The current estimate for fiscal years 2003 and 2004 is \$98,000 and \$104,370 respectively.

COCHRAN FELLOWSHIP PROGRAM

Mr. Bonilla: How many additional Cochran Fellows will the FAS be able to sponsor with the \$1,000,000 increase provided in fiscal year 2003?

Response: Due to the \$1,000,000 funding increase in FY2003, the Cochran Program anticipates being able to provide training for approximately 200 additional participants.

MARKET ACCESS PROGRAM

Mr. Bonilla: According to your witness statement the Farm Bill increased the Market Access Program to \$100,000,000 for 2002, and those funds were allocated to 65 trade organizations to promote products overseas. How many trade organizations received funds when the MAP was funded at \$90,000,000?

Response: Sixty-five trade organizations received MAP allocations in 2001, when the program was funded at \$90,000,000. Sixty-five trade organizations received a portion of the supplemental \$10,000,000 that was provided in the Farm Bill. Overall, 67 trade organizations were allocated funds in 2002.

COMMODITY AND MARKETING PROGRAMS

Mr. Bonilla: According to your witness statement the Foreign Market Development Program increased to \$34.5 million for 2002 and the funds went to 24 trade organizations. How many trade organizations received funds for 2001 when the funding level was \$27.5 million?

Response: Twenty-five trade organizations received Foreign Market Development Cooperator Program allocations in 2001.

Mr. Bonilla: Why did FAS allocate less than the authorized amount for the Quality Samples Program in 2002?

Response: The Quality Samples Program (QSP) had \$2.5 million in CCC resources available for fiscal year 2002. FAS, under its initial program announcement for funding, received 20 applications for QSP participation totaling \$1.5 million. Following the competitive review process, FAS awarded \$1.34 million. Subsequently, FAS issued a second program announcement soliciting proposals for the \$1.16 million that had not been awarded. Eight proposals were received in response to the second announcement totaling about \$560,000. In total, FAS awarded \$1.6 million for the 2002 QSP.

P.L. 480 TITLE II PROGRAM

Mr. Bonilla: How does the \$1.185 billion request for Title II take into account higher commodity prices?

Response: Price projections for the major food aid commodities developed by the Department's interagency commodity estimates committees are used in developing annual budget requests for P.L. 480 programs. Therefore, the FY 2004 budget request does reflect the Department's analysis of the supply and demand situation and price trends over the next several years. It must be understood, however, that these are projections and many factors, including weather related events, could intervene and result in prices being different. Also, there are always many competing claims on available budgetary resources, and those will play a role in the establishment of the P.L. 480 budget request.

Mr. Bonilla: Does this assume that the emergencies will end at the end of the fiscal year?

Response: There are various food aid authorities to deal with future emergencies. The Bill Emerson Humanitarian Trust (the Trust) can be tapped to provide food aid when it has been determined there are no funds remaining under Title II to address unanticipated emergencies. The Trust was used last year, and we expect to use it again this year to meet food crises situations in various countries. In addition, the \$248,375,000 that was appropriated for Title II emergency relief activities will remain available through fiscal year 2004. The President has also announced that he is requesting \$200 million in the fiscal year 2004 budget to establish a Famine Fund to respond to emergency hunger needs overseas. He has also proposed \$100 million for an Emerging Crises Fund. This fund would support a range of foreign crisis assistance activities, which could include food aid.

Mr. Bonilla: The Law requires 1.875 MMT for non-emergency programs under Title II. Does this budget assume this will take place?

Response: The budget does assume that sufficient resources will be available in FY 2004 to meet the 1.875 million metric ton sub-minimum for non-emergency programs under Title II.

McGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND
CHILD NUTRITION PROGRAM GRANTS

Mr. Bonilla: Provide for the record a complete funding history for the Global Food for Education Initiative/McGovern-Dole International Food for Education and Child Nutrition Program Grants. The explanatory notes do not attempt to justify the amount of the request for this program. How did you formulate the amount of the budget request for fiscal year 2004? What will be accomplished at this level of funding?

Response: USDA implemented the Global Food for Education Initiative pilot program, beginning in FY 2001. The \$300 million pilot program operated under section 416(b) authority and continued through FY 2002. During the two-year period of operation, the program provided over 800,000 tons of U.S. agricultural commodities to feed about 7 million children throughout the developing world.

In the Farm Bill, Congress authorized \$100 million of CCC funding to carry out the new McGovern-Dole International Food for Education and Child Nutrition Program (FFE) during FY 2003. This funding level will provide approximately 200,000 metric tons of commodities. However, beginning in FY 2004, Congress directed that the program is to be funded through annual appropriations.

The FY 2004 President's budget requests \$50 million of appropriated funding for FFE, which will provide about 100,000 metric tons of commodities. Because the FY 2003 FFE program will not be implemented until later this year (once final program regulations have been published), much of the FY 2003 programming is likely to carry over and extend into FY 2004. Thus, the level of FFE programming is unlikely to decline in FY 2004, because of the many programs carried over from FY 2003.

Mr. Bonilla: Administrator Terpstra, your witness statement indicates that you are proposing an additional 20 staff years to facilitate the agency's involvement in multilateral, regional and bilateral trade negotiations, and to bolster efforts to address growing market access constraints related to biotechnology, and sanitary and phytosanitary measures. The budget request and your statement indicate that these staff years will be funded from a centralized fund to be established in the Office of the Secretary to support cross-cutting USDA trade-related and biotechnology activities. How is this proposal different from the work that your agency, along with other USDA agencies, is already doing in the areas of market access and biotechnology?

Response: It is not substantially different from our current work. However, the volume of work that needs to be done simply cannot be accomplished in a responsible manner without additional resources. With the number of new negotiations, new bilateral consultative mechanisms, the increased influence of international standard setting bodies and the proliferation of issues related to trade in products of biotechnology in recent years, existing staffing levels are not adequate to properly represent U.S. agriculture's interests.

Mr. Bonilla: How does USDA propose to administer this new office, and who will coordinate the activities of this office?

Response: This office will be administered and coordinated out of the FAS Administrator's Office. The staff of this office will coordinate closely with the other FAS program areas and other USDA agencies involved in biotechnology.

Mr. Bonilla: Will the additional 20 staff years be placed within the Foreign Agricultural Service or within the Office of the Secretary?

Response: The 20 additional staff years will be assigned to FAS but funded from a centralized account to be established in the Office of the Secretary to support cross-cutting USDA trade-related and biotechnology activities.

Mr. Bonilla: Please provide for the record a cross-cut table showing USDA trade-related and biotechnology activities by agency and fiscal years 2003 and 2004 funding levels.

Response: [The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Biotechnology Related Programs.

(Dollars in Thousands)

<u>Totals, by Agency</u>	<u>2002</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Act</u>	<u>Budget</u>
Agricultural Marketing Service.....	\$2,646	\$4,065	\$0	\$4,097
Agricultural Research Service.....	158,507	165,932	0	183,029
Animal and Plant Health Inspection Service.....	10,655	11,147	0	11,501
Cooperative State Research, Education, and Extension Service.....	61,958	96,531	0	86,355
Economic Research Service.....	750	750	0	1,850
Foreign Agricultural Service.....	1,240	1,990	1,990	2,042
Forest Service.....	10,362	10,362	0	10,664
Grain Inspection, Packers, and Stockyards Administration.....	2,502	2,977	0	2,994
Office of the Chief Economist.....	100	125	0	125
Office of the Secretary.....	0	0	0	6,604
Total, Biotechnology Related Programs....	248,720	293,879	1,990	309,261

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MR. KINGSTON

RUSSIAN POULTRY

Mr. Kingston: On June 1, 2003, all U.S. poultry exports to Russia will stop unless Russia approves U.S. poultry plants as meeting the new inspection criteria. Technical talks between USDA officials and Russian Ministry of Agriculture veterinarians have been on-going since last August when the U.S./Russian veterinary agreement was reached. What is the status of these technical talks so that mutually-agreeable inspection criteria can be determined?

Response: The June 1 deadline is a serious threat to U.S. poultry exports to Russia and every possible step is being taken to address the issue. The next round of discussions will be led by J.B. Penn, Under Secretary for Farm and Foreign Agricultural Services, on April 2-3, 2003 in Moscow. Secretary Veneman has personally spoken with Deputy Prime Minister Gordeyev and both leaders are committed to ensuring that the next round of discussions is productive, leading to resolution of our differences over inspection criteria and the near term resumption of plant inspections.

Mr. Kingston: Is there enough time remaining between now and June 1 to have all the U.S. poultry plants inspected and approved?

Response: USDA is committed to resolving this issue without trade disruptions. With regard to meeting the June 1 deadline, we have lost precious inspection time over the last four months. Many factors play a role in the inspection process, such as the intricacy of the final inspection criteria, number of companies that still desire reinspection, and logistical barriers, including the need for travel visas. We will be in a better position to address the June 1 deadline when the inspection criteria are finalized.

FOREIGN AGRICULTURAL SERVICE

QUESTION SUBMITTED BY MR. NETHERCUTT

UNDERSECRETARY TRAVEL

Mr. Nethercutt: Please provide the traveling schedule of the Under Secretary of EFAS for the past year.

Response: [The information follows:]

J.B. Penn
Under Secretary for Farm and Foreign Agricultural Services
Travel Schedule – 2002

2/7/02-2/10/02	Phoenix, Arizona & Palm Springs, California
3/2/02-3/11/02	Canberra, Australia
4/2/02-4/4/02	Mexico City, Mexico
4/22/02-4/23/02	Kansas City, Missouri
5/16/02-5/17/02	Nogales, Arizona
6/8/02-6/12/02	Rome, Italy
6/18/02-6/21/02	London, England
6/29/02-7/3/02	Moscow, Russia
7/23/02-7/30/02	Japan, China
8/4/02-8/7/02	Chicago, Illinois & Albuquerque, NM
9/12/02-9/13/02	Memphis, Tennessee
10/2/02-10/4/02	Costa Rica
10/10/02	Minneapolis, Minnesota
10/17/02-10/22/02	Bolivia & Peru
11/1/02	St. Louis, Missouri
11/15/02	Kansas City, Missouri
11/24/02-11/26/02	Mexico City, Mexico
12/4/02-12/5/02	Fargo, North Dakota

FOREIGN AGRICULTURAL SERVICE

QUESTIONS SUBMITTED BY MR. LATHAM

BIOTECH

Mr. Latham: The Department noted last year that it believes that biotech products are scientifically sound, and that bio-technology is the most promising development for agriculture, maybe ever. With the promise and potential of biotech in mind, what level of progress do you believe we have made in keeping assessments of biotech food products in the scientific arena and out of the politics of world trade?

Response: This is a battle that we find ourselves fighting more and more each day. In the United States, we have managed to keep biotech discussions within the realm of science, and, indeed, scientific assessments are the cornerstones of our regulatory system. USDA/APHIS, FDA, and EPA have done an outstanding job in maintaining the "arm's length" political distance and not allowing politics and other outside pressures to affect their judgment in scientific areas. Thus, these agencies have managed to maintain consumers' faith in their abilities to discern which products are safe to consume, and which products are unsafe.

Unfortunately, this is not the case with most other countries. The U.S. has fought hard to keep discussions on biotechnology occurring bilaterally and within the Codex Alimentarius Commission, the WTO, and other multilateral fora, on a scientific basis. However, this is becoming a more difficult battle to fight as other countries' governments give in to pressure from NGOs and misinformed consumers; instituting stringent biotech laws and mandatory labeling regulations for biotech products. This is especially true with the EU, where a biotech moratorium has been in place since 1998, largely due to unfounded consumer fears and regulatory dysfunction. In the EU and China, and some developing countries; such as southern Africa, India, and Sri Lanka, the biotech discussions are based almost entirely on politics. This is less so in countries such as Brazil, Korea, Australia, and New Zealand; however, politics do still play a large role in the biotech debates in these countries.

Mr. Latham: Which countries continue to pose the greatest problems with respect to acceptance of biotech products?

Response: The EU continues to pose the greatest problem to the U.S. with regard to acceptance of biotech products. The EU has a dysfunctional regulatory system; vocal Green groups; misinformed consumers; very stringent; impractical biotech regulations; and stringent mandatory labeling regulations which will make it difficult to export U.S. products once they go into effect. The U.S. has been unable to ship corn products due to the EU's moratorium, which has been in place since 1998.

Next is China, with biotech policies that are generally unclear, vague biotech regulations, a non-transparent regulatory system, government agencies divided on biotech policies, and impractical mandatory labeling regulations. In our bilateral discussions with China, any progress made is incremental and the discussions are often fruitless. China began as a supporter of biotechnology some years ago and continues to plant millions of hectares of Bt cotton. However, the U.S. and other exporting countries are now facing trade difficulties, particularly with regard to biotech soy, as China attempts to implement its biotech regulations, which require premarket approval.

Over the past year, southern Africa has come to the forefront as a problem area with regard to biotech corn in food aid. These countries have rudimentary or no biotech regulatory framework, are very misinformed on food and environmental safety, and are misinformed with regard to EU biotech policies. The Zambian government has rejected shipments of U.S. food aid due to their belief that Bt corn would be unsafe for the Zambian population, much of which is affected by HIV/AIDS. Other south African governments: Zimbabwe, Malawi, and Mozambique, require the corn to be milled before they will accept it. This is largely due to misperceptions of EU biotech policy and environmental issues related to agricultural biotechnology.

India has also presented a problem for the United States over the past few months, by rejecting shipments of P.L. 480 corn/soy blend. Based on human health claims, the Indian Genetic Engineering Advisory Committee would not approve biotech soy and, upon appeal by USDA, USAID, and CARE, recently rejected the soy again without taking into consideration risk assessment information from FDA and EPA, provided by USDA.

Mandatory labeling regulations also present a problem for U.S. exporters, due to fears that products labeled, as biotech will be rejected by consumers out of unsubstantiated fears. The following countries have mandatory labeling regulations in place: Australia & New Zealand, China, EU, Indonesia, Japan, Korea, Poland, Russia, Thailand, and Saudi Arabia.

Mr. Latham: Can you elaborate on your efforts relative to the Chinese soybean restrictions?

Response: The Department was deeply troubled by the announcement from China's Ministry of Agriculture (MOA) this past January that it was unable to issue permanent safety certificates for biotech soybeans, pending the outcome of an additional year of field trials. Given the wealth of international data on biotech (Roundup Ready) soybeans, and the fact that China has been importing U.S. soybeans without incident for nearly a decade, we frankly do not see the need for additional field trials. We were concerned that further delay in the issuance of a permanent safety certificate for RR soybeans, and the call for additional testing, could very likely result in a disruption of soybean trade with China, much as we saw happen during the first four or five months of 2002. An interagency U.S. government decision was made to deliver a demarche to the Chinese government expressing our expectation that the matter would be promptly addressed in a manner that would avoid any further disruptions in trade. Secretary Veneman sent a letter to China's Minister of Agriculture calling for his intervention in the issue, and during February's U.S.-China Trade Policy Dialogue in Beijing, the U.S. delegation again reiterated the need for China to make a final, science-based decision without further delay. We have now received an as yet unofficial notification that MOA will extend the interim import regime until April 20, 2004 to accommodate the new field trials. This latest extension should allow soybean trade to flow smoothly under the interim arrangement in the next marketing year, as most U.S. business is completed by April.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MS. EMERSON

METHYL BROMIDE

Ms. Emerson: I notice that your agency has requested funds for a contribution to the US portion of the UN Multilateral Fund (UNMF) for Methyl Bromide research on alternatives for developing countries. Can you explain to me what the money in this fund will be used for? Will it be used to directly benefit U.S. farmers looking for Methyl Bromide alternatives?

Response: The Multilateral Fund is a funding mechanism where developed nations provide financial assistance to developing nations in order to help them comply with the phase out of ozone depleting substances. The Executive Committee of the Fund reviews and approves project proposals submitted by developing countries designed to work toward the objective of reducing ozone depleting substances. To date, the committee has approved \$1.2 billion to support 3,850 project activities in 124 developing countries.

Ms. Emerson: Has USDA contributed to UNMF in previous budgets? If not, why? Did any other agency or group ask or encourage USDA to contribute to the US portion of the fund? If so, who? If not, why contribute now?

Response: USDA has not previously contributed to the Multilateral Fund but has collaborated with EPA and industry to test and register alternatives to methyl bromide in FY 2000 and FY 2001. U.S. contributions to the Fund historically have been split between State and EPA. The U.S. commitment is expected to increase to \$40-\$45 million for the 2003-2005 time frame; therefore, to help offset the higher commitment USDA is requesting \$5 million annually to contribute to the Fund beginning in FY 2004.

Ms. Emerson: Are all programs and offices at the Department fully funded? Wouldn't it make sense for USDA to focus its money and research on the needs of U.S. farmers--i.e., take care of our own first especially in a tough budget cycle?

Response: USDA prioritizes resources for its programs to activities that are most beneficial to U.S. agriculture. USDA's international research, for example, targets problems facing U.S. agriculture, and garners foreign expertise and resources that complement our scientific capacities to solve specific problems efficiently. Many of these problems, like application of methyl bromide, are shared among many countries, so results are mutually beneficial. On a broader perspective, U.S. involvement in the international agricultural science community also helps harmonize policies and resolve technical concerns between the U.S. and our agricultural trading partners.

Ms. Emerson: Is this UNMF contribution a guarantee that the U.S. will receive fair treatment in the UN's evaluation and approval of the full U.S. critical use exemption package on behalf of U.S. agriculture?

Response: Critical use exemption decisions are based on criteria establishing that no safe, effective, and economically viable alternatives to methyl bromide use are available. However, demonstrating the U.S. Government's commitment to the goal of reducing use of ozone depleting substances by fully funding its obligation under the Montreal Protocol gives us more credibility in seeking critical use exemptions.

FOOD AID PROGRAM FUNDING IN THE PRESIDENT'S FY 2004 BUDGET

Ms. Emerson: How does the \$1.185 billion request for Title II take into account higher commodity prices?

Response: It is our expectation that commodity prices will return to more normal levels in FY 2004 and that assumption is built into the FY 2004 budget request. FY 2003 was unusual in that unfavorable climatic conditions in the U.S. resulted in dramatically higher commodity prices.

Ms. Emerson: Does this assume that the emergencies will end at the end of the fiscal year?

Response: They FY 2004 request does not assume that emergencies will end at the end of the current fiscal year. However, the budget does assume that FY 2003 is an unusual year because of the magnitude of emergency requirements - the southern and Horn of Africa droughts, for example - and that the level required to respond to emergencies will not be as high in FY 2004. It also is important to note that there are additional options for responding to emergencies, most noteworthy of which is the release of commodities from the Bill Emerson Humanitarian Trust.

Ms. Emerson: The law requires 1.875 MMT for non-emergency programs under Title II. Does this budget assume this will take place?

Response: The budget assumes that the 1.875 million metric ton sub-minimum requirement for P.L. 480 Title II non-emergency programming will be met during FY 2004

SECTION 416(b)

Ms. Emerson: Use of the 416(b) mechanism has been an important tool for food-aid in recent years. Recent messages from the Administration point towards limiting the use of this critical tool and reducing its applicability. This decision needs to be reconsidered in light of the major food-aid emergencies that exist worldwide and the fact that rice is the only commodity currently in surplus. Rice is the only U.S. food aid commodity, besides non-fat dried milk, that is currently in surplus and owned by CCC 416(b).

Is rice being considered as an additional commodity for the 416(b)? If no, why not? It has been used for the program in the past and makes perfect sense for inclusion being that it is in surplus and abundantly available.

Response: To increase the predictability and consistency of U.S. food-assistance, the Administration had chosen to limit the use of Section 416(b) authority to commodities that are acquired by the Commodity Credit Corporation (CCC) in the normal course of carrying out the domestic support programs. Consequently, USDA is currently programming only nonfat dry milk under the Section 416(b) authority. The Farm Service Agency frequently acquires small amounts of rice due to loan forfeitures but this commodity is not held and is quickly resold into the domestic market. This practice will continue unless large amounts are forfeited.

GLOBAL FOOD FOR EDUCATION AND FOOD FOR PROGRESS

Ms. Emerson: Both the Global Food For Education (GFE) and Food for Progress (FFP) programs had been stalled because of the FY 2003 Appropriations process. Now that the omnibus resolution is complete, USDA can make the necessary announcements regarding calls for proposals (GFE) and program awards (FFP). Regarding Global Food for Education, when does USDA plan to make an announcement on the program guidelines and the call for proposals for this program?

Response: USDA has been working to quickly develop and release the proposed program regulations for the McGovern-Dole International Food for Education and Child Nutrition Program. USDA anticipates the proposed rule will be released either the week of March 17 or the following week. The guidelines will be released at the same time as the proposed rule. Program proposals will be requested once a final rule for the program is published.

Ms. Emerson: When will the new Food for Progress programs be announced?

Response: All of the applicants have been notified concerning which programs will be funded in FY 2003. Negotiation of the agreements has begun and the first agreements are expected to be signed in April.

HIV/AIDS

Ms. Emerson: The Administration is to be applauded for its efforts to address the HIV/AIDS crisis that exists worldwide. It occurs to me that for treatment to be successful, a person's body must be healthy enough to respond to the medicine provided. This appears to be vital if medical treatment is to be successful.

What USDA programs can assist the food industry to develop specific products that will help maintain a basic level of health for those living with HIV/AIDS?

Response: Because this borders on medical nutrition therapy for treating a specific disease, the Centers for Disease Control/Health and Human Services would have more expertise and probably be a more likely source of support than USDA. However, USDA is concerned about HIV/AIDS and its impact on rural areas around the world, and provides some assistance in understanding the importance of nutrition in fighting HIV/AIDS. This year, for example, given that HIV/AIDS is the dominant issue in southern Africa, USDA's Cochran Fellowship Program will provide short-term U.S. training on soy processing, product development, and nutrition to four Fellows from South Africa, four from Botswana, and one from Mozambique. The programs will be in collaboration with the World Initiative for Soy in Human Health (WISHH) and the International Soybean Program at the University of Illinois (INTSOY).

GLOBAL MARKETING STRATEGY

Ms. Emerson: The Global Market Strategy proposed by USDA lays out a framework for increasing global market share for U.S. exports. It is unclear if the three components, trade barrier reduction, market promotion and food security will be enhanced via additional resources or if existing resources will be redistributed. The Global Marketing Strategy of FAS puts significant emphasis on trade barrier reduction. How will FAS resources directed at marketing activities be affected?

Response: Properly crafted, the Global Market Strategy (GMS) will assist FAS in allocating budget and personnel resources to markets that will yield maximum program effectiveness. It may also identify areas where additional resources may be required. The GMS is being edited to reflect comments received in January and February from FAS constituents and FAS personnel posted abroad.

Until that process is complete and undergoes internal review, no changes in resource allocations directed at marketing activities are anticipated. After GMS review, FAS marketing programs will continue to hold a prominent place among the multiple tools available to the agency to address particular markets.

Ms. Emerson: How will USDA accomplish food security around the world and specifically how will food aid play a role?

Response: USDA alone cannot meet the world's food security needs. Nevertheless, USDA is working diligently to help meet these needs. USDA administers many programs that facilitate the export of U.S. commodities and help meet food import needs around the world. In FY2002, USDA provided export credit guarantees that assisted in exporting nearly \$3.4 billion in agricultural commodities.

USDA is delivering food aid via bilateral and multilateral channels. On the bilateral front, USDA is working with the U.S. Agency for International Development (USAID) which manages the largest U.S. food aid program to meet emergency and non-emergency needs. On the multilateral front, USDA is a major contributor to the United Nation's World Food Program. The attached table provides details on FY 2002 food aid data and estimates for FY 2003 and FY 2004.

For example, in FY 2002, close to \$1.3 billion in food aid was programmed under P.L. 480 (\$124 million under Title I and \$1,146 million under Title II). Other programs totaled nearly \$900 million. Thus total food aid for FY2002 amounted to nearly \$2.2 billion.

Programs	FY 2002 \$ (Million) a/	FY 2002 MT (Million)	FY 2003 \$ (Million) a/	FY 2003 MT (Million)	FY 2004 \$ (Million) a/	FY 2004 MT (Million)
P.L. 480 Title I/ (b)	\$124	0.5	\$251	1.0	\$160	0.6
P.L. 480 Title II	\$1,146	3.0	\$1,581	3.0	\$1,185	2.5
P.L. 480 Title III	—	—	—	—	—	—
Total – P.L. 480	\$1,270	3.5	\$1,832	4.0	\$1,345	3.1
Section 416(b)	\$661	1.4	\$175	0.1	\$118	0.1
FFPr c/ (CCC purchases)	\$126	0.3	\$158	0.4	\$151	0.4
FFE d/	\$112	0.3	\$100	0.2	\$50	0.1
Total – All Food Aid	\$2,169	5.5	\$2,265	4.7	\$1,664	3.7

Note: The 4.7 million metric tons total noted for all food aid in FY 2003 does not include tonnage associated with the carry-in amounts for Title II.

a/ Represents commodity and transportation costs.

b/ Includes Title I funded Food for Progress.

c/ Food for Progress.

d/ McGovern-Dole International Food for Education and Child Nutrition Program.

FOREIGN AGRICULTURAL SERVICE

QUESTIONS SUBMITTED BY MS. KAPTUR

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES

Ms. Kaptur: Mr. Secretary, decisions regarding the approval of credits included the recommendations and votes of the National Advisory Council on International Monetary and Financial Policies. I believe that this group included the Secretaries of the Treasury, State, and Commerce, the U.S. Trade Representative, the Chairman of the Board of Governors of the Federal Reserve, the President and Chairman of the Export-Import Bank, and Director of the International Development Cooperation Agency. Was the Department of Agriculture a member of this group at all?

Response: The Department of Agriculture is not a formal member of the National Advisory Council on International Monetary and Financial Policies (NAC), which is an interagency group that gives advice and recommendations to U.S. Government agencies undertaking international credit activities. However, final decision authority for providing GSM credit guarantees rest with the Department of Agriculture. The members of the NAC, at the principal levels, currently include: Secretary of the Treasury, Secretary of State, U.S. Trade Representative, Secretary of Commerce, Chairman of the Board of Governors of the Federal Reserve System, President and Chairman of the Export-Import Bank of the United States, and the Administrator of the Agency for International Development. The International Development Cooperation Agency no longer exists. While USDA is not an official member of the NAC, working level staff do attend working meetings to present information on the GSM and PL 480 Title I credit programs.

Ms. Kaptur: Please provide copies of all minutes, transcripts and reports that exist from such meetings.

Response: Because the Secretary of the Treasury officially chairs the NAC, administrative support is provided by the Under Secretary for International Affairs staff. I regret that we at USDA do not have this information.

Ms. Kaptur: Was the Council required to report to any specific individual or entity within the Administration? If so please identify to whom they reported.

Response: We are not aware of any specific individual within the Administration to whom the Council is required to report; it is an advisory committee. Members at the working level, of course, report to their respective superiors.

Ms. Kaptur: Did the Council have a separate staff, and if so how many and how were they financed?

Response: As noted previously, the staff in the office of the Under Secretary for International Affairs provides the necessary support to the Council. The bulk of the work of the NAC is handled by a staff committee, chaired by an official of the Department of Treasury, which meets generally on a weekly basis. It is this staff committee that USDA attends as an observer. At present, support is provided to this staff committee by an employee of Treasury who also has other duties. We regret we were unable to determine the level of support staff during the 1980s and early 1990s. Of course, any Treasury staff would be funded by appropriations to the Department of Treasury.

Ms. Kaptur: Who was or were the Chairman or Chairmen of the Council during the period?

Response: Officially whoever was the Secretary of the Treasury would have been the chair during the years you are interested in.

Ms. Kaptur: The reports of the General Accounting Office have suggested that the White House was involved with reviewing many of these activities and pursuing approvals of credit guarantees for foreign policy reasons. Please identify which White House officials or staff was involved in these reviews during the Reagan and Bush Administration since the dates cover both.

Response: I am not aware of the involvement of any White House officials in NAC deliberations during this period. I do know that USDA's decisions on all GSM credit programs are based on assessments of market potential and creditworthiness, especially any payment history with the Commodity Credit Corporation (CCC).

With respect to Iraq, prior to the events of 1990, Iraq maintained an excellent payment record on the CCC-guaranteed credit program with no default in the program, which began in 1983.

USDA has always viewed and administered the credit guarantee programs as commercial programs designed to increase sales of U.S. farm commodities and not as foreign policy programs. In the fall of 1990, this practice became a legal requirement when Congress amended the law in the Food, Agriculture, Conservation, and Trade Act of 1990 to stipulate "Export credit guarantees... shall not be used for foreign aid, foreign policy, or debt rescheduling purposes."

Ms. Kaptur: Can you identify the individuals who represented these Departments and agencies during the period 1983-1990? Please be sure to identify who were the actual participants rather than the officials named as members of the Council should there have been designees of the named officials.

Response: I am sorry that I do not have this information. Our records in USDA do not enable us to identify the USDA working level staff for so long ago as organizations and offices have changed since that period.

Ms. Kaptur: For each of the CCC credit guarantees that were approved please provide us with the date, the amount, and the specific votes by members of the National Advisory Council. GAO reports referencing the positions of parties give the impression that a record was kept of either votes or just the number of parties for or against a particular proposal. For example, the GAO has identified 22 proposals between 1983 and 1986 that were approved, most unanimously but three with opposition from certain members. GAO also reported that in January, 1987, a proposal was approved with three against and four members in support, "Three members with primary responsibility in financial matters-the Treasury, Export-Import Bank, and the Fed-opposed increases in USDA's annual credit extensions to Iraq." So one can reasonably expect these records do exist.

Response: USDA, naturally, does not have the NAC records. We have talked with staff at the Department of Treasury and we will work with such staff over the summer to determine what records do exist. Upon completion of this effort, we will advise you of what information we obtain.

Ms. Kaptur: Please also provide us with copies of any memos submitted by the parties and/or any final work product that might discuss for internal purposes who was for or who was against a particular question.

Response: USDA did not receive any such memos since USDA is not an official member of the Council. I regret we cannot provide this information to you.

Ms. Kaptur: Were any of the items purchased with CCC guarantees non-food items? If so, please specifically identify each item, the firms involved, the quantity and dollar value involved.

Response: [The information follows:]

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee		GSM-102		GSM-103		Commodity Uom Name	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
		Commodity Name	Guarantee Value	Registration Value	Registration Quantity	Registration Value	Registration Quantity					
1984	INTABEX (USA), INC.	TOBACCO	2,558,388		570			METRIC TONS				
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO	9,251,200		2,000			METRIC TONS				
	UNIVERSAL LEAF TOBACCO CO., INC.	TOBACCO	4,508,000		1,000			METRIC TONS				
	Total		16,317,588		3,570			METRIC TONS				
1985	A.C. MONK AND CO., INC.	TOBACCO	2,763,600		600			METRIC TONS				
	CASALEE AMERICA CORPORATION	TOBACCO	4,508,000		1,000			METRIC TONS				
	HOFOR TOBACCO CORP. OF VA.	TOBACCO	2,317,700		500			METRIC TONS				
	INTABEX (USA), INC.	TOBACCO	4,171,860		900			METRIC TONS				
	Total		13,761,160		3,000			METRIC TONS				
	ALLENBERG COTTON CO.	COTTON	2,800,028		13,228			BALES				
1986	AMDUR BRAUDE RILEY, INC.	LEATHER	1,617,000		900,000			METRIC TONS				
	BARNETT COTTON CO	COTTON	2,786,297		13,200			BALES				
	CALCOT, LTD.	COTTON	3,506,293		11,764			BALES				
	CASALEE AMERICA CORPORATION	TOBACCO					3,704,400	1,000		METRIC TONS		
	CHILEWICH CORP.	CATTLE HIDES	189,480		4,650			METRIC TONS				
		LEATHER	1,217,160		600,000			METRIC TONS				
	DUNAVANT ENTERPRISES, INC.	COTTON	3,088,715		13,200			BALES				
	EASTERN TOBACCO CO.	TOBACCO					1,999,200	500		METRIC TONS		
	HOHENBERG BROS. COMPANY	COTTON	3,441,393		14,990			BALES				
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO					1,999,200	500		METRIC TONS		
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	180,513		5,400			METRIC TONS				
		LEATHER	1,772,820		900,000			METRIC TONS				
	S.B. FOOT TANNING CO.	LEATHER	2,744,343		1,350,000			METRIC TONS				
	SALEM SUEDE, INC.	LEATHER	2,511,936		1,440,000			METRIC TONS				
	SKLUT HIDE AND FUR CO.	CATTLE HIDES	158,215		48,000			METRIC TONS				
	SOUTHWESTERN TRADING CO.	CATTLE HIDES	185,965		5,000			METRIC TONS				

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
1987	VERNON LEATHER COMPANY, INC.	LEATHER	796,250		500,000			METRIC TONS		
	W.A. ADAMS COMPANY, INC.	TOBACCO			5,819,432			BALES, METRIC	1,999,200	500 METRIC TONS
	Total		27,006,396						9,702,000	2,500 METRIC TONS
	A.C. MONK AND CO., INC.	TOBACCO							845,250	250 METRIC TONS
	A.J. HOLLANDER AND CO., INC.	CATTLE HIDES	86,436		2,400			METRIC TONS		
	ALLENBERG COTTON CO.	COTTON	3,849,253		9,920			BALES		
	ALLENBERG COTTON CO. DIV. OF LOUIS DRE	COTTON	876,830		2,205			BALES		
	AMOUR BRAUDE RILEY, INC.	LEATHER	1,111,320		500,000			METRIC TONS		
	ANODYNE, INC.	WOOL	5,070,580		650			METRIC TONS		
	CALCOT, LTD.	COTTON	1,763,522		3,300			BALES		
	CASALEE AMERICA CORPORATION	TOBACCO							5,424,300	1,400 METRIC TONS
	CHILEWICH CORP.	CATTLE HIDES	489,118		10,000			METRIC TONS		
		LEATHER	529,200		250,000			METRIC TONS		
	CHS INTERCONTINENTAL COMPANY	CATTLE HIDES	485,880		10,000			METRIC TONS		
		LEATHER	1,067,759		500,000			METRIC TONS		
	DUNAVANT ENTERPRISES, INC.	COTTON	5,942,045		13,200			BALES		
	FEUER LEATHER CORP.	LEATHER	1,635,089		723,000			METRIC TONS		
	HOBENBERG BROS. COMPANY	COTTON	4,569,474		11,000			BALES		
	INTABEX (USA), INC.	TOBACCO							1,739,500	500 METRIC TONS
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO							10,662,400	2,700 METRIC TONS
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	661,880		14,400			METRIC TONS		
		LEATHER	1,763,510		850,000			METRIC TONS		
	KAUFMANN TRADING CORPORATION	WOOD PULP	6,221,040		8,000			METRIC TONS		
	MITSU & CO. (U.S.A.), INC.	LUMBER	25,371,181		59,480,897			BOARD FEET		
	NIEDERMEYER-MARTIN CO.	TOBACCO							2,414,720	550 METRIC TONS
	PITT EXPORT CORPORATION	TOBACCO								
	SKLUT HIDE AND FUR CO.	CATTLE HIDES	240,100		4,000			METRIC TONS		

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	GSM-102			GSM-103		
		Loan Guarantee	Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Unit Name	Registration Quantity
1988	VERNON LEATHER COMPANY		LEATHER	1,751,995	925,000	METRIC TONS	
	W.A. ADAMS COMPANY, INC.		TOBACCO				900 METRIC TONS
	Total			63,486,012	63,317,572	BALES, BOARD	6,300 METRIC TONS
	A.C. MONK AND CO., INC.		TOBACCO				500 METRIC TONS
	AMERICAN PULP AND PAPER CORPORATION		WOOD PULP	20,755,842	27,940	METRIC TONS	
	AMERICAN TEXTILE EXPORT COMPANY		COTTON YARN	4,374,720	800	METRIC TONS	
	ANODYNE, INC.		COTTON YARN	673,556	115	METRIC TONS	
			WOOL	7,413,021	717	METRIC TONS	
	BARNETT COTTON CO.		COTTON	3,834,902	11,025	BALES	
	CALCOT, LTD.		COTTON	8,887,941	20,900	BALES	
	CARRINGTON & MICHAUX TOBACCO CO., INC.		TOBACCO				500 METRIC TONS
	CASALEE AMERICA CORPORATION		WOOD PULP	18,375,470	23,500	METRIC TONS	
	CELLMARK, INC.		CATTLE HIDES	1,583,435	25,000	METRIC TONS	
	CHILEWICH CORP		LEATHER	5,815,006	2,450,000	METRIC TONS	
	CONTICOTTON		COTTON	4,138,724	9,900	BALES	
	DANTZLER LUMBER AND EXPORT COMPANY		LUMBER	31,551,666	59,350,600	BOARD FEET	
			PLYWOOD	5,555,340	530,000	METRIC TONS	
	DUNAVANT ENTERPRISES, INC.		COTTON	10,107,160	26,400	BALES	
	ELOF HANSSON PULP, INC.		WOOD PULP	1,888,590	2,200	METRIC TONS	
	FIBREFORM WOOD PRODUCTS, INC.		WOOD CANTS	2,940,000	10,984,745	BOARD FEET	
	HOKENBERG BROS. COMPANY		COTTON	7,523,989	22,000	BALES	
	INTABEX (USA), INC.		TOBACCO				1,500 METRIC TONS
	JAS. I. MILLER TOBACCO CO., INC.		TOBACCO				2,000 METRIC TONS
	KAUFMANN TRADING CORPORATION		CATTLE HIDES	533,928	8,400	METRIC TONS	
	LINCOLN-KALTEK		LUMBER	21,578,190	38,160,000	BOARD FEET	

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
1989	LIPPOEL LEAF AMERICA, INC.	PLYWOOD	15,584,754	1,420,883	METRIC TONS				250	METRIC TONS
	TOBACCO					918,750				
	MITSUI & CO. (U.S.A.), INC	WOOD PULP	5,450,760	6,000	METRIC TONS					
	THE JULIEN COMPANY	COTTON	14,890,629	42,960	BALES					
	W.A. ADAMS COMPANY, INC.	TOBACCO				5,666,000			1,500	METRIC TONS
	Total		193,309,513	112,224,395	BALES, BOARD	26,859,350			7,250	METRIC TONS
	ADOLPH HANSLIK COTTON CO.	COTTON	1,231,154	4,400	BALES					
	ALLENBERG COTTON CO	COTTON	3,953,768	13,228	BALES					
	ANODYNE, INC.	WOOL	15,814,656	1,277	METRIC TONS					
		WOOL TOP	4,037,600	500	METRIC TONS					
	BARNETT COTTON CO.	COTTON	2,591,904	8,816	BALES					
	BELTUB, INC.	TOBACCO				2,028,600			600	METRIC TONS
	CALCOT, LTD.	COTTON	4,527,600	13,200	BALES					
	CASALEE AMERICA CORPORATION	TOBACCO				2,535,750			750	METRIC TONS
	GELLMARK, INC.	WOOD PULP	18,700,360	23,000	METRIC TONS					
	CHILEWICH CORP	LEATHER	4,704,000	2,000,000	METRIC TONS					
	CHILEWICH PARTNERS	CATTLE HIDES	908,734	13,000	METRIC TONS					
	DANTZLER LUMBER AND EXPORT COMPANY	LUMBER	33,285,500	63,565,500	BOARD FEET					
		PLYWOOD	8,950,238	1,000,000	METRIC TONS					
	DUNAVANT ENTERPRISES, INC.	COTTON	5,228,429	17,600	BALES					
	ELOF HANSSON PULP, INC.	WOOD PULP	16,733,500	28,000	METRIC TONS					
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO				5,086,200			1,700	METRIC TONS
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	1,407,672	20,000	METRIC TONS					
		LEATHER	2,902,760	1,488,000	METRIC TONS					
		LUMBER	36,838,069	70,364,674	BOARD FEET					
	LINCOLN-KALTEK	PLYWOOD	8,434,164	1,000,000	METRIC TONS					

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	GSM-102			GSM-103			
		Loan Guarantee Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name
1990	MITSUI & CO. (U.S.A.), INC.	WOOD PULP	4,625,600	4,000	METRIC TONS			
	NIEDERMEYER-MARTIN CO.	LUMBER	10,578,209	27,090,420	BOARD FEET			
	NOR-DEC, INC.	LUMBER	1,922,760	3,813,930	BOARD FEET			
		PARTICLEBOARD	2,742,138	11,200	METRIC TONS			
		WOOD PULP	2,597,000	5,000	METRIC TONS			
	OHRA CORP.	LUMBER	15,416,392	29,680,000	BOARD FEET			
	PITT EXPORT CORPORATION	TOBACCO				5,952,520	1,050	METRIC TONS
	STAHEL (AMERICA), INC.	COTTON	3,623,637	13,200	BALES			
	STANDARD COMMERCIAL TOBACCO CO., INC	TOBACCO				2,481,654	734	METRIC TONS
	THE AUSTIN CO., INC.	TOBACCO				2,156,000	400	METRIC TONS
	THE JULIEN COMPANY	COTTON	15,483,723	53,108	BALES			
	TRADE DEVELOPMENT COMPANY (TRADCO)	COTTON YARN	1,054,931	78	METRIC TONS			
	W.A. ADAMS COMPANY, INC.	TOBACCO						
	WEIL BROS.-COTTON, INC.	COTTON	1,296,305	4,400	BALES	6,977,600	1,400	METRIC TONS
	Total		229,841,701					
	A.J. HOLLANDER AND CO., INC.	CATTLE HIDES	980,000	13,190	METRIC TONS	27,218,324	6,634	METRIC TONS
	ANODYNE, INC.	WOOL	15,000,000	1,294	METRIC TONS			
	GALCOT, LTD.	COTTON	2,691,825	6,682	BALES			
	CHILEWICH PARTNERS	CATTLE HIDES	1,895,100	45,000	METRIC TONS			
	DUNAVANT ENTERPRISES, INC	COTTON	5,919,792	17,600	BALES			
	HOHENBERG BROS. COMPANY	COTTON	2,938,291	8,900	BALES			
	KAUFMANN TRADING CORPORATION	LEATHER	1,505,280	704,000	METRIC TONS			
	LINCOLN-KALTEK	LUMBER	9,847,530	20,277,701	BOARD FEET			
	MITSUI & CO. (U.S.A.), INC.	WOOD PULP	10,094,000	10,000	METRIC TONS			
	NOR-DEC, INC.	LUMBER	3,626,000	1,768,080	BOARD FEET			
	PINECELL, INC.	WOOD PULP	21,111,827	40,669	METRIC TONS			

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee		GSM-102		GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name
			75,609,645	22,893,016	BALES, BOARD			
			619,332,015	404,497,916	BALES, BOARD	88,085,144	22,884	METRIC TONS
Total								

Ms. Kaptur: Suggestions were made during hearings held by the House Banking Committee and in some of the GAO reviews that USDA claimed to have not been aware of the reservations that the Export-Import Bank had regarding the creditworthiness of Iraq. That concern may explain why Export-Import had approved guarantees of about \$55 million while CCC approved about \$5 billion. What is unsettling to me is how is it that Export-Import could be a member of the National Advisory Council, vote against the approval of some of these guarantees, and USDA not know about it?

Response: While I cannot know what USDA officials were aware of during that period, I am aware that the Iraqi repayment record with CCC was excellent during the 1980s. This may have led USDA officials to conclude that the risk to CCC was less than to EXIM which would have been supporting the export of non-agriculture goods.

Ms. Kaptur: When credit guarantees from the United States ceased in 1990, where did Iraq obtain alternative credit? What were the new sources of commodities?

Response: After 1990, I don't know who might have provided credit, either direct or through guarantees to Iraq. Other agricultural exporting countries would be expected to supply this market but I do not know what financial tools may have been used to do this. Under the Oil for Food program that was established in 1996, many countries have supplied food commodities; these include Australia, Russia, New Zealand, Thailand, Viet Nam, Turkey, and Syria and others.

Ms. Kaptur: During the 1980s, did USDA have a specific presence in Iraq, or did you depend upon information provided by other embassy or commercial sources? If so, who were those sources?

Response: Yes, USDA had a physical presence in Baghdad with an Agricultural Trade Officer as part of the American Embassy staff beginning in mid-1985 up until Saddam's invasion of Kuwait in August of 1990. That person also covered Jordan, from where much of the U.S. trade into Iraq was facilitated. It was only shortly before this that the U.S. had restored full diplomatic relations with Iraq.

Ms. Kaptur: What were the sources of food items to Iraq as a food dependent nation prior to the provision of U.S. credit guarantees?

Response: We don't have this information; however, we will consult with the Food and Agricultural Organization (FAO) to see if their historical trade year- books may have this information and provide it to you.

Ms. Kaptur: What analysis was conducted to determine what displacement of traditional markets might have been done with the provision of these credit guarantees? Please provide copies for the record.

Response: Displacements of traditional markets is not a criterion in allocating USDA agricultural credit guarantees. USDA does make an assessment of the likely additional U.S. exports that will result from such credit guarantees.

Ms. Kaptur: Wasn't the Department concerned that Iraq was receiving too large a proportion of available credit guarantees? 17% over the life of the effort and up to 25% of all credit guarantees in a single year would seem to be excessive to me. If we were developing markets, one would question how strong a market this one could be in the absence of these extraordinary guarantees.

Response: Yes, we do consider the portfolio in the GSM program but this has to be balanced with the market opportunities, both immediate and longer-term. In view of the growing population in Iraq and its considerable oil reserves, the market potential was considered excellent and one where the United States needed to compete. And as you note, the bulk of the GSM program went to other countries.

Ms. Kaptur: Please provide a detailed accounting of when credits were extended, when payments were made, interest charges accrued, and balances as of the date of any adjustment to the total amount of indebtedness outstanding.

Response: We will provide that information for the record.

[The information follows:]

1) The 100% outstanding amounts owed by Iraq under the GSM102/103 programs as of March 24, 2003 are:

- a.) Principal in Default: \$1,940,702,952
- b.) Interest in Default: \$212,320,713
- c.) Post-Default Interest: \$1,602,474,573

2) The guarantees under which claims were submitted were issued from 1987 through 1990. Claim payments were made from 1990 through 1996. The total claim payments outstanding are \$2,047,306,017.

The amounts owed by Iraq for direct sales by CCC of CCC-owned inventory to the Government of Iraq (referred to by the designation "OGSM" (Office of the General Sales Manager)) as of March 31, 2003 are:

- a.) Principal Arrears: \$35,194,479
- b.) Interest-Arrears: \$4,624,210
- c.) Post-Default Interest: \$23,865,021

The credits were issued from 1987 through 1990.

[Clerk's Note. – Congresswoman Kaptur considered the submitted answers to be insufficient, incomplete, and evasive. Additional information is being pursued, but would not be available in time for the printed record.]

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MS. KAPTUR

IRAQ

Ms. Kaptur: Also from the 1990 GAO report, I understand that wheat flour, dairy cattle, poultry, wheat, table eggs, barley and barley malt were the commodities sold to Iraq. Is this list complete, or are there other items to add to it?

Response: We believe the GAO report you are referring to covers those commodities exported with the assistance of the Export Enhancement Program (EEP). The list of exported commodities guaranteed under the GSM 102 and 103 programs is much larger and is attached for your review. [The information follows:]

GSM-102/103 Transactions for IRAQ

Cohort Program Year	Commodity Name	Registered Guarantee Value
1983	BARLEY	4,362,960
	GRAIN SORGHUM	154,040
	PLANTING SEEDS	7,433,516
	RICE, MILLED HEAD	26,759,145
	SOYBEAN MEAL	7,840,000
	WHEAT	8,887,326
	YELLOW CORN	6,700,848
	Total	62,137,835
1984	BARLEY	81,810,032
	PLANTING SEEDS	9,815,874
	PROTEIN CONCENTRATES	29,399,467
	RICE, MILLED HEAD	185,323,830
	SOYBEAN MEAL	50,588,580
	TOBACCO	16,317,588
	WHEAT	183,654,206
	YELLOW CORN	89,160,063
	Total	646,069,640
1985	LENTILS	2,033,304
	PEAS, DRY	728,140
	PLANTING SEEDS	11,419,528
	RICE	167,329,031
	RICE, MILLED HEAD	10,461,133
	SUGAR, REFINED	14,266,856
	SUNFLOWERSEED OIL	3,206,975
	TALLOW	4,396,814
	TOBACCO	13,761,160
	WHEAT	88,535,763
	Total	316,138,704
1986	BEANS, DRY	7,139,682
	CATTLE HIDES	724,163
	CORN OIL	10,182,200
	COTTON	15,622,724
	LEATHER	10,659,509
	LENTILS	1,068,984
	PLANTING SEEDS	11,206,435
	PROTEIN CONCENTRATES	5,020,932
	RICE	91,192,220
	SFT DRNK CONCENTRATE	6,830,600
	SOYBEAN MEAL	31,369,800
	SUGAR, REFINED	22,481,994
	SUNFLOWERSEED OIL	14,470,643
	TALLOW	1,075,570
	TOBACCO	9,702,000

GSM-102/103 Transactions for IRAQ

Cohort Program Year	Commodity Name	Registered Guarantee Value
	WHEAT	107,545,174
	WHEAT FLOUR	14,708,271
	YELLOW CORN	32,965,240
	Total	393,966,141
1987	BARLEY	6,688,500
	BEANS, DRY	11,006,380
	CATTLE HIDES	1,973,414
	CATTLE, DAIRY BREED	7,351,225
	COTTON	16,990,924
	FRUIT JUICE CONCEN.	196,000
	LEATHER	7,858,873
	LUMBER	25,371,181
	PEAS, DRY	1,405,565
	PLANTING SEEDS	10,305,075
	POULTRY MEAT	59,038,875
	PROTEIN CONCENTRATES	60,903,040
	RICE	105,496,812
	SFT DRNK CONCENTRATE	12,650,330
	SOYBEAN MEAL	55,860,000
	SUGAR, REFINED	40,497,600
	SUNFLOWERSEED OIL	15,864,126
	TABLE EGGS	9,353,767
	TALLOW	9,261,000
	TOBACCO	24,305,470
	WHEAT	81,818,908
	WHEAT FLOUR	18,352,644
	WOOD PULP	6,221,040
	WOOL	5,070,580
	YELLOW CORN	56,085,008
	Total	649,926,337
1988	BARLEY	12,990,096
	BEANS, DRY	10,866,240
	CATTLE HIDES	2,117,363
	CHICKS, BREEDER	798,501
	CORN OIL	2,996,963
	CORN THICKENER	557,032
	COTTON	49,183,325
	COTTON YARN	5,048,276
	EGGS, FERTILIZED	31,451,845
	FRUIT JUICE CONCEN	744,791
	HOP EXTRACT	328,261
	HOPS	446,174
	INFANT MILK FORMULA	4,805,842

GSM-102/103 Transactions for IRAQ

Cohort Program Year	Commodity Name	Registered Guarantee Value
	LEATHER	5,816,006
	LENTILS	1,455,300
	LUMBER	53,429,796
	MILK, DRY (WHOLE)	16,186,320
	PEAS, DRY	9,845,785
	PLANTING SEEDS	10,348,615
	PLYWOOD	21,140,094
	PROTEIN CONCENTRATES	68,567,028
	RENNET, CALF	322,812
	RICE	263,071,399
	SFT DRNK CONCENTRATE	7,371,570
	SOYBEAN MEAL	81,361,281
	SUGAR, REFINED	66,301,557
	SUNFLOWERSEED OIL	23,520,000
	TALLOW	14,182,560
	TOBACCO	26,859,350
	VARIETY MEATS	2,768,669
	WHEAT	133,826,693
	WOOD CANTS	2,940,000
	WOOD PULP	46,221,632
	WOOL	7,413,021
	YELLOW CORN	98,450,698
	Total	1,077,734,895
1989	BARLEY	32,019,016
	BARLEY MALT	1,267,728
	BEANS, DRY	10,181,710
	CATTLE HIDES	2,317,406
	CHEDDAR CHEESE	5,880,000
	CORN STARCH	2,460,780
	COTTON	38,136,518
	COTTON YARN	1,054,931
	EGGS, FERTILIZED	11,161,392
	HOP EXTRACT	99,842
	HOPS	164,405
	LEATHER	7,606,760
	LUMBER	96,050,930
	MILK, NONFAT DRY	9,800,353
	PARTICLEBOARD	2,742,138
	PEAS, DRY	7,362,718
	PLANTING SEEDS	10,419,343
	PLYWOOD	17,424,402
	PROTEIN CONCENTRATES	101,826,070
	RENNET, CALF	323,400

GSM-102/103 Transactions for IRAQ

Cohort Program Year	Commodity Name	Registered Guarantee Value
	RICE	139,160,755
	SFT DRNK CONCENTRATE	6,412,728
	SOYBEAN MEAL	96,586,644
	SUGAR, REFINED	52,385,778
	SUNFLOWERSEED OIL	11,760,000
	TALLOW	13,720,000
	TOBACCO	27,218,324
	WHEAT	192,181,925
	WHEAT FLOUR	21,055,914
	WHOLE MILK POWDER	11,046,560
	WOOD PULP	42,656,460
	WOOL	15,814,556
	WOOL TOP	4,037,600
	YEAST	3,360,851
	YELLOW CORN	87,127,194
	Total	1,084,825,131
1990	BARLEY	16,641,625
	BARLEY MALT	918,819
	BEANS, DRY	13,982,738
	CATTLE HIDES	2,675,100
	COTTON	11,549,908
	EGGS, FERTILIZED	4,476,641
	HOPS	55,203
	LEATHER	1,505,280
	LUMBER	13,473,530
	PEAS, DRY	3,392,358
	PLANTING SEEDS	6,000,000
	PROTEIN CONCENTRATES	27,530,255
	RICE	96,634,243
	SOYBEAN MEAL	25,000,000
	SUGAR, REFINED	14,194,320
	SUNFLOWERSEED OIL	7,649,032
	TALLOW	5,571,168
	WHEAT	91,803,607
	WOOD PULP	31,205,827
	WOOL	15,000,000
	YEAST	2,661,127
	YELLOW CORN	54,958,375
	Total	447,081,156
GRAND TOTAL		4,677,879,839

Ms. Kaptur: How were these commodities used? Did they go for domestic needs? Did they go to the military? Did they get re-exported?

Response: Under both the EEP and the export credit guarantee programs, sales are made by the commercial trade and once the goods enter the destination country, CCC does not have further reporting requirements on end use.

Ms. Kaptur: How does the Department determine what is a reasonable volume of a commodity that can be absorbed by a country without disrupting traditional trade options?

Response: The commodities exported by the U.S. to Iraq between 1983 and 1990 were commercial sales supported by export credit guarantees under the GSM-102 and GSM-103 programs. These programs make it possible for buyers in cash-short countries to obtain the credit they need to buy U.S. agricultural products. U.S. exports to Iraq in this period were not food aid transactions that required a Bellmon determination that such volume of activity will not be disruptive of normal commercial trade. The decision by USDA to provide export credit guarantees to Iraq was supported by determinations that Iraq could adequately service the debt that was being guaranteed by the CCC. It was Iraq's decision as to what commodities and how much they would purchase. Until August 1990, Iraq was current on its payments and had repaid approximately \$3.1 billion of the CCC-guaranteed commercial credit.

Ms. Kaptur: To what extent were those procedures followed in Iraq?

Response: Procedures calling for a positive determination that Iraq could adequately service the debt obligations for the credit allocations extended were followed. Those risk assessment procedures, however, have been strengthened. USDA has adopted a more sophisticated system for assessing the risk of nonpayment, by foreign banks and countries. Additionally, to discourage program abuse, U.S. exporters now make certifications that the commodities exported are of U.S. origin and that no after-sales-services were provided to the buyer. USDA also conducts price reviews on transactions that appear unusual and USDA staff randomly selects transactions to be reviewed for regulatory compliance.

Ms. Kaptur: What procedures are in place to guarantee that this situation cannot happen again?

Response: As mentioned in the previous response, USDA has adopted a considerable number of procedures to ensure that a careful assessment of the risk of default is assessed and that the GSM-102 and GSM-103 programs are protected from fraud and abuse. USDA recognizes the need for constant oversight and careful attention to protect these programs from those who might misuse them. With these measures, USDA believes that it has taken reasonable steps to discourage program violations and uncover patterns of abuse, while avoiding over regulation. Overly tight controls would limit exporter participation and jeopardize the program's success.

FOREIGN AGRICULTURAL SERVICE

QUESTIONS SUBMITTED BY MS. KAPTUR

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES

Ms. Kaptur: Mr. Secretary, decisions regarding the approval of credits included the recommendations and votes of the National Advisory Council on International Monetary and Financial Policies. I believe that this group included the Secretaries of the Treasury, State, and Commerce, the U.S. Trade Representative, the Chairman of the Board of Governors of the Federal Reserve, the President and Chairman of the Export-Import Bank, and Director of the International Development Cooperation Agency. Was the Department of Agriculture a member of this group at all?

Response: The Department of Agriculture is not a formal member of the National Advisory Council on International Monetary and Financial Policies (NAC), which is an interagency group that gives advice and recommendations to U.S. Government agencies undertaking international credit activities. However, final decision authority for providing GSM credit guarantees rest with the Department of Agriculture. The members of the NAC, at the principal levels, currently include: Secretary of the Treasury, Secretary of State, U.S. Trade Representative, Secretary of Commerce, Chairman of the Board of Governors of the Federal Reserve System, President and Chairman of the Export-Import Bank of the United States, and the Administrator of the Agency for International Development. The International Development Cooperation Agency no longer exists. While USDA is not an official member of the NAC, working level staff do attend working meetings to present information on the GSM and PL 480 Title I credit programs.

Ms. Kaptur: Please provide copies of all minutes, transcripts and reports that exist from such meetings.

Response: Because the Secretary of the Treasury officially chairs the NAC, administrative support is provided by the Under Secretary for International Affairs staff. I regret that we at USDA do not have this information.

Ms. Kaptur: Was the Council required to report to any specific individual or entity within the Administration? If so please identify to whom they reported.

Response: We are not aware of any specific individual within the Administration to whom the Council is required to report; it is an advisory committee. Members at the working level, of course, report to their respective superiors.

Ms. Kaptur: Did the Council have a separate staff, and if so how many and how were they financed?

Response: As noted previously, the staff in the office of the Under Secretary for International Affairs provides the necessary support to the Council. The bulk of the work of the NAC is handled by a staff committee, chaired by an official of the Department of Treasury, which meets generally on a weekly basis. It is this staff committee that USDA attends as an observer. At present, support is provided to this staff committee by an employee of Treasury who also has other duties. We regret we were unable to determine the level of support staff during the 1980s and early 1990s. Of course, any Treasury staff would be funded by appropriations to the Department of Treasury.

Ms. Kaptur: Who was or were the Chairman or Chairmen of the Council during the period?

Response: Officially whoever was the Secretary of the Treasury would have been the chair during the years you are interested in.

Ms. Kaptur: The reports of the General Accounting Office have suggested that the White House was involved with reviewing many of these activities and pursuing approvals of credit guarantees for foreign policy reasons. Please identify which White House officials or staff was involved in these reviews during the Reagan and Bush Administration since the dates cover both.

Response: I am not aware of the involvement of any White House officials in NAC deliberations during this period. I do know that USDA's decisions on all GSM credit programs are based on assessments of market potential and creditworthiness, especially any payment history with the Commodity Credit Corporation (CCC).

With respect to Iraq, prior to the events of 1990, Iraq maintained an excellent payment record on the CCC-guaranteed credit program with no default in the program, which began in 1983.

USDA has always viewed and administered the credit guarantee programs as commercial programs designed to increase sales of U.S. farm commodities and not as foreign policy programs. In the fall of 1990, this practice became a legal requirement when Congress amended the law in the Food, Agriculture, Conservation, and Trade Act of 1990 to stipulate "Export credit guarantees... shall not be used for foreign aid, foreign policy, or debt rescheduling purposes."

Ms. Kaptur: Can you identify the individuals who represented these Departments and agencies during the period 1983-1990? Please be sure to identify who were the actual participants rather than the officials named as members of the Council should there have been designees of the named officials.

Response: I am sorry that I do not have this information. Our records in USDA do not enable us to identify the USDA working level staff for so long ago as organizations and offices have changed since that period.

Ms. Kaptur: For each of the CCC credit guarantees that were approved please provide us with the date, the amount, and the specific votes by members of the National Advisory Council. GAO reports referencing the positions of parties give the impression that a record was kept of either votes or just the number of parties for or against a particular proposal. For example, the GAO has identified 22 proposals between 1983 and 1986 that were approved, most unanimously but three with opposition from certain members. GAO also reported that in January, 1987, a proposal was approved with three against and four members in support, "Three members with primary responsibility in financial matters-the Treasury, Export-Import Bank, and the Fed-opposed increases in USDA's annual credit extensions to Iraq." So one can reasonably expect these records do exist.

Response: USDA, naturally, does not have the NAC records. We have talked with staff at the Department of Treasury and we will work with such staff over the summer to determine what records do exist. Upon completion of this effort, we will advise you of what information we obtain.

Ms. Kaptur: Please also provide us with copies of any memos submitted by the parties and/or any final work product that might discuss for internal purposes who was for or who was against a particular question.

Response: USDA did not receive any such memos since USDA is not an official member of the Council. I regret we cannot provide this information to you.

Ms. Kaptur: Were any of the items purchased with CCC guarantees non-food items? If so, please specifically identify each item, the firms involved, the quantity and dollar value involved.

Response: [The information follows:]

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity
1984	INTABEX (USA), INC.	TOBACCO	2,558,388	570	METRIC TONS					
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO	9,251,200	2,000	METRIC TONS					
	UNIVERSAL LEAF TOBACCO CO., INC.	TOBACCO	4,508,000	1,000	METRIC TONS					
	Total		16,317,588	3,570	METRIC TONS					
1985	A.C. MONK AND CO., INC.	TOBACCO	2,763,600	600	METRIC TONS					
	CASALEE AMERICA CORPORATION	TOBACCO	4,508,000	1,000	METRIC TONS					
	HOFOR TOBACCO CORP. OF VA.	TOBACCO	2,317,700	500	METRIC TONS					
	INTABEX (USA), INC.	TOBACCO	4,171,860	900	METRIC TONS					
	Total		13,761,160	3,000	METRIC TONS					
	ALLENBERG COTTON CO.	COTTON	2,800,026	13,228	BALES					
1986	AMOUR BRAUDE RILEY, INC.	LEATHER	1,617,000	900,000	METRIC TONS					
	BARNETT COTTON CO.	COTTON	2,786,297	13,200	BALES					
	CALCOT, LTD.	COTTON	3,506,293	11,764	BALES					
	CASALEE AMERICA CORPORATION	TOBACCO								
	CHILEWICH CORP.	CATTLE HIDES	189,490	4,650	METRIC TONS				3,704,400	1,000 METRIC TONS
		LEATHER	1,217,160	600,000	METRIC TONS					
	DUNAVANT ENTERPRISES, INC.	COTTON	3,088,715	13,200	BALES					
	EASTERN TOBACCO CO.	TOBACCO							1,999,200	500 METRIC TONS
	HOHENBERG BRGS. COMPANY	COTTON	3,441,393	14,990	BALES					
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO							1,999,200	500 METRIC TONS
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	180,513	5,400	METRIC TONS					
		LEATHER	1,772,820	900,000	METRIC TONS					
	S.B. FOOT TANNING CO	LEATHER	2,744,343	1,350,000	METRIC TONS					
	SALEM SUEDE, INC.	LEATHER	2,511,936	1,440,000	METRIC TONS					
	SKULT HIDE AND FUR CO	CATTLE HIDES	168,215	48,000	METRIC TONS					
	SOUTHWESTERN TRADING CO.	CATTLE HIDES	185,955	5,000	METRIC TONS					

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Value	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
1987	VERNON LEATHER COMPANY	LEATHER	796,250	500,000	METRIC TONS	1,999,200		METRIC TONS	500	METRIC TONS
	W.A. ADAMS COMPANY, INC.	TOBACCO				9,702,000	2,500	METRIC TONS		
	Total		27,006,396			845,250				
	A.C. MONK AND CO., INC.	TOBACCO								
	A.J. HOLLANDER AND CO., INC.	CATTLE HIDES	86,438	2,400	METRIC TONS					
	ALLENBERG COTTON CO.	COTTON	3,849,253	9,320	BALES					
	ALLENBERG COTTON CO. DIV OF LOUIS DRE	COTTON	878,830	2,205	BALES					
	AMOUR BRAUDE RILEY, INC.	LEATHER	1,111,320	500,000	METRIC TONS					
	ANODYNE, INC.	WOOL	5,070,580	860	METRIC TONS					
	CALCOT, LTD.	COTTON	1,753,522	3,390	BALES					
	CASALEE AMERICA CORPORATION	TOBACCO				5,424,300	1,400	METRIC TONS		
	CHILEWICH CORP	CATTLE HIDES	489,118	10,000	METRIC TONS					
		LEATHER	529,200	250,000	METRIC TONS					
	CHS INTERCONTINENTAL COMPANY	CATTLE HIDES	495,880	10,000	METRIC TONS					
		LEATHER	1,067,759	500,000	METRIC TONS					
	DUNAVANT ENTERPRISES, INC.	COTTON	5,942,045	13,200	BALES					
	FEUER LEATHER CORP.	LEATHER	1,695,089	723,000	METRIC TONS					
	HOHENBERG BROS. COMPANY	COTTON	4,569,474	11,000	BALES					
	INTABEX (USA), INC.	TOBACCO				1,739,500	500	METRIC TONS		
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO				10,662,400	2,700	METRIC TONS		
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	561,880	14,400	METRIC TONS					
		LEATHER	1,763,510	850,000	METRIC TONS					
	MITSUI & CO. (U.S.A.), INC.	WOOD PULP	6,221,040	8,000	METRIC TONS					
	NIEDERMEYER-MARTIN CO.	LUMBER	25,371,181	59,480,397	BOARD FEET					
	PITT EXPORT CORPORATION	TOBACCO				2,414,720	560	METRIC TONS		
	SKLUT HIDE AND FUR CO.	CATTLE HIDES	240,100	4,000	METRIC TONS					

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee Commodity Name	GSM-102		GSM-103			
			Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name
1988	VERNON LEATHER COMPANY	LEATHER	1,751,995	925,000	METRIC TONS		900	METRIC TONS
	W.A. ADAMS COMPANY, INC.	TOBACCO	63,486,012	63,317,972	BALES, BOARD	24,305,470	6,300	METRIC TONS
	Total					1,842,400	500	METRIC TONS
	A.C. MONK AND CO., INC.	TOBACCO						
	AMERICAN PULP AND PAPER CORPORATION	WOOD PULP	20,755,842	27,940	METRIC TONS			
	AMERICAN TEXTILE EXPORT COMPANY	COTTON YARN	4,374,720	900	METRIC TONS			
	ANODYNE INC.	COTTON YARN	673,556	115	METRIC TONS			
		WOOL	7,413,021	717	METRIC TONS			
	BARNETT COTTON CO	COTTON	3,834,902	11,025	BALES			
	CALCOT, LTD.	COTTON	8,687,941	20,900	BALES			
	CARRINGTON & MICHAUX TOBACCO CO., INC	TOBACCO				1,813,000	500	METRIC TONS
	CASALEE AMERICA CORPORATION	TOBACCO				3,724,000	1,000	METRIC TONS
	CELLMARK, INC.	WOOD PULP	18,376,470	23,500	METRIC TONS			
	CHILEWICH CORP.	CATTLE HIDES	1,593,435	25,000	METRIC TONS			
		LEATHER	5,916,005	2,450,000	METRIC TONS			
	CONICOTTON	COTTON	4,138,724	9,900	BALES			
	DANTZLER LUMBER AND EXPORT COMPANY	LUMBER	31,951,666	59,350,900	BOARD FEET			
		PLYWOOD	5,555,340	530,000	METRIC TONS			
	DUNAVANT ENTERPRISES, INC.	COTTON	10,107,160	26,400	BALES			
	ELOF HANSSON PULP, INC.	WOOD PULP	1,638,560	2,200	METRIC TONS			
	PIERREFORM WOOD PRODUCTS, INC.	WOOD CANTS	2,940,000	10,084,745	BOARD FEET			
	HOHENBERG BROS. COMPANY	COTTON	7,523,969	22,000	BALES			
	INTABEX (USA), INC.	TOBACCO				5,927,200	1,500	METRIC TONS
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO				7,448,000	2,000	METRIC TONS
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	538,928	8,400	METRIC TONS			
	LINCOLN-KALTEK	LUMBER	21,578,130	38,160,000	BOARD FEET			

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
1989		PLYWOOD	15,584,754	1,420,853	METRIC TONS					
	LIPPOEL LEAF AMERICA, INC.	TOBACCO							250	METRIC TONS
	MITSUJI & CO. (U.S.A.), INC.	WOOD PULP	5,450,760	6,000	METRIC TONS					
	THE JULIEN COMPANY	COTTON	14,890,629	42,960	BALES					
	W.A. ADAMS COMPANY, INC.	TOBACCO							1,500	METRIC TONS
	Total		193,309,513	112,224,395	BALES, BOARD	28,659,350			7,250	METRIC TONS
	ADOLPH HANSLIK COTTON CO.	COTTON	1,231,154	4,400	BALES					
	ALLENBERG COTTON CO	COTTON	3,953,766	13,228	BALES					
	ANODYNE, INC.	WOOL	15,814,556	1,277	METRIC TONS					
		WOOL TOP	4,037,600	500	METRIC TONS					
	BARNETT COTTON CO.	COTTON	2,591,904	8,816	BALES					
	BELTOB, INC.	TOBACCO				2,028,600			600	METRIC TONS
	CALCOT, LTD.	COTTON	4,527,600	13,200	BALES					
	CASALEE AMERICA CORPORATION	TOBACCO							750	METRIC TONS
	CELLMARK, INC.	WOOD PULP	16,700,360	23,000	METRIC TONS					
	CHILEWICH CORP.	LEATHER	4,704,000	2,000,000	METRIC TONS					
	CHILEWICH PARTNERS	CATTLE HIDES	909,734	13,000	METRIC TONS					
	DANTZLER LUMBER AND EXPORT COMPANY	LUMBER	33,295,500	63,565,500	BOARD FEET					
		PLYWOOD	8,990,238	1,000,000	METRIC TONS					
	DUNAVANT ENTERPRISES, INC.	COTTON	5,228,429	17,600	BALES					
	ELOF HANSSON PULP, INC.	WOOD PULP	16,733,500	28,000	METRIC TONS					
	JAS. I. MILLER TOBACCO CO., INC.	TOBACCO				5,066,200			1,700	METRIC TONS
	KAUFMANN TRADING CORPORATION	CATTLE HIDES	1,407,672	20,000	METRIC TONS					
		LEATHER	2,992,760	1,488,000	METRIC TONS					
		LUMBER	36,838,069	70,364,674	BOARD FEET					
	LINCOLN-KALTEK	PLYWOOD	8,434,164	1,000,000	METRIC TONS					

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee			GSM-102			GSM-103		
		Commodity Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Guarantee Value	Registration Quantity	Commodity Uom Name	Registration Quantity	Commodity Uom Name
1990	MITSUJI & CO (U.S.A.), INC	WOOD PULP	4,825,500	4,000	METRIC TONS					
	NIEDERMEYER-MARTIN CO	LUMBER	10,578,209	27,090,420	BOARD FEET					
	NOR-DEC, INC	LUMBER	1,922,760	3,813,930	BOARD FEET					
		PARTICLEBOARD	2,742,138	11,200	METRIC TONS					
		WOOD PULP	2,597,000	5,000	METRIC TONS					
	OHRA CORP	LUMBER	15,416,392	29,680,000	BOARD FEET					
	PITT EXPORT CORPORATION	TOBACCO				5,952,520			1,050	METRIC TONS
	STAHEL (AMERICA), INC.	COTTON	3,823,637	13,200	BALES					
	STANDARD COMMERCIAL TOBACCO CO., INC	TOBACCO							734	METRIC TONS
	THE AUSTIN CO., INC.	TOBACCO				2,481,854			2,156,000	400 METRIC TONS
	THE JULIEN COMPANY	COTTON	15,488,723	53,108	BALES					
	TRADE DEVELOPMENT COMPANY (TRADCO)	COTTON YARN	1,054,931	78	METRIC TONS					
	W.A. ADAMS COMPANY, INC.	TOBACCO								
	WEIL BROS.-COTTON, INC.	COTTON	1,295,305	4,400	BALES	6,977,800			1,400	METRIC TONS
	Total		229,841,701	200,236,531	BALES, BOARD	27,218,324			6,834	METRIC TONS
	A.J. HOLLANDER AND CO., INC	CATTLE HIDES	980,000	13,190	METRIC TONS					
	ANODYNE, INC.	WOOL	15,000,000	1,294	METRIC TONS					
	CALCOT, LTD	COTTON	2,591,825	6,682	BALES					
	CHILEWICH PARTNERS	CATTLE HIDES	1,895,100	45,000	METRIC TONS					
	DUNAVANT ENTERPRISES, INC.	COTTON	5,919,732	17,600	BALES					
	HOHENBERG BROS. COMPANY	COTTON	2,938,291	8,800	BALES					
	KAUFMANN TRADING CORPORATION	LEATHER	1,505,280	704,000	METRIC TONS					
	LINCOLN-KALTEK	LUMBER	9,847,530	20,277,701	BOARD FEET					
	MITSUJI & CO (U.S.A.), INC.	WOOD PULP	10,094,000	10,000	METRIC TONS					
	NOR-DEC, INC.	LUMBER	3,626,000	1,788,080	BOARD FEET					
	PINECELL, INC.	WOOD PULP	21,111,827	40,669	METRIC TONS					

Iraq Registrations with Exporters
Fiscal Years 1983-1990

Cohort Program Year	Exporter Name	Loan Guarantee		GSM-102		GSM-103		Commodity Uom Name
		Commodity Name	Registration Guarantee Value	Registration Guarantee Value	Registration Quantity	Registration Quantity	Registration Quantity	
Total			75,609,645	22,893,016	BALES, BOARD	88,085,144	22,894	
Total			619,332,015	404,497,916	BALES, BOARD	88,085,144	22,894	METRIC TONS

Ms. Kaptur: Suggestions were made during hearings held by the House Banking Committee and in some of the GAO reviews that USDA claimed to have not been aware of the reservations that the Export-Import Bank had regarding the creditworthiness of Iraq. That concern may explain why Export-Import had approved guarantees of about \$55 million while CCC approved about \$5 billion. What is unsettling to me is how is it that Export-Import could be a member of the National Advisory Council, vote against the approval of some of these guarantees, and USDA not know about it?

Response: While I cannot know what USDA officials were aware of during that period, I am aware that the Iraqi repayment record with CCC was excellent during the 1980s. This may have led USDA officials to conclude that the risk to CCC was less than to EXIM which would have been supporting the export of non-agriculture goods.

Ms. Kaptur: When credit guarantees from the United States ceased in 1990, where did Iraq obtain alternative credit? What were the new sources of commodities?

Response: After 1990, I don't know who might have provided credit, either direct or through guarantees to Iraq. Other agricultural exporting countries would be expected to supply this market but I do not know what financial tools may have been used to do this. Under the Oil for Food program that was established in 1996, many countries have supplied food commodities; these include Australia, Russia, New Zealand, Thailand, Viet Nam, Turkey, and Syria and others.

Ms. Kaptur: During the 1980s, did USDA have a specific presence in Iraq, or did you depend upon information provided by other embassy or commercial sources? If so, who were those sources?

Response: Yes, USDA had a physical presence in Baghdad with an Agricultural Trade Officer as part of the American Embassy staff beginning in mid-1985 up until Saddam's invasion of Kuwait in August of 1990. That person also covered Jordan, from where much of the U.S. trade into Iraq was facilitated. It was only shortly before this that the U.S. had restored full diplomatic relations with Iraq.

Ms. Kaptur: What were the sources of food items to Iraq as a food dependent nation prior to the provision of U.S. credit guarantees?

Response: We don't have this information; however, we will consult with the Food and Agricultural Organization (FAO) to see if their historical trade year-books may have this information and provide it to you.

Ms. Kaptur: What analysis was conducted to determine what displacement of traditional markets might have been done with the provision of these credit guarantees? Please provide copies for the record.

Response: Displacements of traditional markets is not a criterion in allocating USDA agricultural credit guarantees. USDA does make an assessment of the likely additional U.S. exports that will result from such credit guarantees.

Ms. Kaptur: Wasn't the Department concerned that Iraq was receiving too large a proportion of available credit guarantees? 17% over the life of the effort and up to 25% of all credit guarantees in a single year would seem to be excessive to me. If we were developing markets, one would question how strong a market this one could be in the absence of these extraordinary guarantees.

Response: Yes, we do consider the portfolio in the GSM program but this has to be balanced with the market opportunities, both immediate and longer-term. In view of the growing population in Iraq and its considerable oil reserves, the market potential was considered excellent and one where the United States needed to compete. And as you note, the bulk of the GSM program went to other countries.

Ms. Kaptur: Please provide a detailed accounting of when credits were extended, when payments were made, interest charges accrued, and balances as of the date of any adjustment to the total amount of indebtedness outstanding.

Response: We will provide that information for the record.

[The information follows:]

1) The 100% outstanding amounts owed by Iraq under the GSM102/103 programs as of March 24, 2003 are:

- a.) Principal in Default: \$1,940,702,952
- b.) Interest in Default: \$212,320,713
- c.) Post-Default Interest: \$1,602,474,573

2) The guarantees under which claims were submitted were issued from 1987 through 1990. Claim payments were made from 1990 through 1996. The total claim payments outstanding are \$2,047,306,017.

The amounts owed by Iraq for direct sales by CCC of CCC-owned inventory to the Government of Iraq (referred to by the designation "OGSM" (Office of the General Sales Manager)) as of March 31, 2003 are:

- a.) Principal Arrears: \$35,194,479
- b.) Interest Arrears: \$4,624,210
- c.) Post-Default Interest: \$23,865,021

The credits were issued from 1987 through 1990.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MS. KAPTUR
STAFFING NEEDS

Ms. Kaptur: You are proposing some modest increases in staffing for the coming year. Some of this increase is due to expected development of other trade agreements. How many personnel do you have detailed to working on the impacts and consequences of trade agreements that have already been implemented?

Response: Between our overseas offices, our commodity analysts and our trade policy staff, FAS devotes about 80 full-time equivalents to monitoring compliance with trade agreements and enforcing U.S. trade agreement rights.

Ms. Kaptur: How do they deal with U.S. producers who are concerned that their markets have been eliminated as a result of trade agreements?

Response: Trade Adjustment Assistance (TAA), will provide support to US producers whose markets are negatively affected by imports. FAS has submitted its proposed rule to implement TAA to OMB for clearance. We anticipate that rule will be finalized this summer. The Farm Service Agency's (FSA) Customer Service Centers within the State and County offices will educate producers on TAA and assist them in completing their applications for benefits, while FAS will assist in the completion of petitions to make commodities eligible for the program. FAS has detailed an individual to work exclusively on the development of TAA program regulations and policy with the support of FSA, the Office of the General Council, the Economic Research Service, and the Cooperative State Research, Education, and Extension Service.

FOOD AID AS A SOURCE OF DEVELOPMENT ASSISTANCE

Ms. Kaptur: How much development assistance is likely to be provided in FY 2004 given your budget proposal for international food aid?

Response: We estimate that development assistance will represent about 50-60 percent of total U.S. Government food assistance during FY 2004. In dollar terms, about \$900 million of development assistance will be provided through food assistance. The actual amount of development assistance provided will depend on several factors, including the crop situations in developing countries and the requests received from private voluntary organizations and foreign governments.

Ms. Kaptur: How does this number compare with each of the past three years?

Response: In FY 2002, development assistance represented 61 percent of total U.S. Government food assistance. The percentage was 54 percent in FY 2001 and 55 percent in FY 2000. In dollar terms, the amount of development assistance was \$1.4 billion in FY 2000, \$1.3 billion in FY 2001, and \$1.2 billion in FY 2002.

Ms. Kaptur: I recently participated in an international agricultural symposium with AID Administrator Andrew Natsios. He agreed with my contention that AID's ability to provide technical assistance for agriculture and agribusiness development is severely limited. What steps are being taken to be sure that the expertise of all USDA agencies is used to their maximum in support of AID efforts and international agricultural development programs?

Response: Currently, under existing agreements through FAS, USAID has access to all of the resources of the USDA agencies and Land Grant Universities and Colleges. USAID can access USDA

staff on either a short- or long-term basis through Participating Agency Services Agreements, Resources Support Services Agreements, or the new Participating Agency Program Agreements.

At the present time, USDA has 126 staff serving on long-term details to USAID under agreements with FAS. Of these, 114 are serving at USAID headquarters and 12 are serving in USAID missions (Dakar, Nairobi, Gaborone, Quito, La Paz, Guatemala City, Mexico City, Managua, and Moscow). These USDA staff advise missions and manage projects in the broad areas of agricultural policy, agricultural production, economics and marketing, trade, water and irrigation, biotechnology, land tenure, energy, natural resources, global climate change, sustainable development, agricultural research, extension and training, nutrition, and other areas where relevant expertise can be provided by USDA.

In addition, USAID funds a number of international agricultural development projects that are designed, staffed and managed by USDA. Among these are the Agricultural Irrigation project in Eritrea, the Agricultural Census projects in Ukraine and Ethiopia, Food Safety and Sanitary/Phyto-Sanitary projects in the Andean Community of Nations, and Forestry and Environmental Management projects in the nations of Central America. Also, the USAID mission in Santo Domingo provides funds that allow USDA to manage and provide technical assistance to the Global Food for Education 3-year program in the Dominican Republic.

FAS is working to strengthen coordination of USDA involvement in USAID-funded programs by cooperating closely with the International Programs staff and contacts in relevant USDA agencies, and ensuring that only highly skilled and motivated USDA staff are selected for these international assignments. Further, FAS is continuing to educate USAID headquarters and mission staff about the unique capabilities and resources of USDA and the Department's relevance to international development efforts.

Ms. Kaptur: Last year, we discussed the importance of providing developmental assistance as a means of offering alternatives to opium production in Afghanistan, to hashish production in Lebanon, and to effectively reforming the former collective farm system in Ukraine and other Eastern European countries. But your budget and your presentation continue to be silent on these developmental issues. What steps have you taken in the past year, and as part of this budget, to strengthen the role of USDA as a key partner in this kind of developmental assistance?

Response: Ukraine: In May 2002, USDA staff provided leadership for the revision of the U.S. Government agricultural development strategy for Ukraine. The strategy addressed issues such as strengthening the business management skills of Ukraine's new private farmers, increasing their access to market information, adding value to their agricultural production, and establishing cottage based and rural industries. To date, FAS has secured a small amount of funding (approximately \$300,000) from the USAID mission in Ukraine and the FAS Emerging Markets Program, to continue the national agricultural census. Since 1993, with funding from the Freedom Support Act, the USDA Faculty Exchange Program (FEP) has cooperated with participating U.S. land grant universities to provide training in agricultural economics, agribusiness, and marketing for 56 faculty members from targeted Ukrainian agricultural universities and institutes. Five more FEP participants from the Ukraine are expected in FY 2003. In FY 2002, the Cochran Fellowship Program arranged U.S. training for 27 Ukrainians; 29 additional Cochran participants are expected in 2003.

Lebanon: There is a \$3.5 million Global Food for Education Pilot Program in Lebanon operated by the International Organization of Christian Charities, but this program is to promote better nutrition and education through school feeding programs; it does not attempt to provide an alternative to hashish production.

Afghanistan: FAS is participating in a range of planning activities with USAID, other U.S. Government agencies, and agencies of the United Nations to explore technical interventions in Afghanistan on irrigation and water management, conservation of natural resources, and livestock vaccinations. To date, funding has not been made available to FAS for these programs. FAS hopes to receive a small

amount of funding from the Department of State for USDA technical assistance that would employ rural residents in programs to stabilize watersheds and protect natural resources in support of agricultural production

McGOVERN-DOLE GLOBAL FOOD PROGRAM

Ms. Kaptur: Support for the McGovern-Dole Global Food Program has been a key issue on this subcommittee in recent years, as we have struggled to find ways to keep this program going. It is disappointing to see that your request reduces funding for the program to only \$50 million, compared to the mandatory \$100 million provided for FY 2003 in the Farm Bill. Our impression is that we are only scratching the surface of reaching children who may be eligible for this program. I am concerned that your budget proposal will result in diminished efforts rather than strengthened efforts for this program. What assessments have you done regarding your ability to continue the program at least at current levels, and how you can respond to the larger need for the program?

Response: USDA is committed to working hard to make this program as effective as possible given the resources that are available. USDA will work with our participating organizations to help find complementary funding and resources that these programs can build upon to give even more beneficial outcomes for the children involved in this program.

Ms. Kaptur: One of the issues all along has been whether or not other countries would join in our support for this program. My impression is that they have. Can you detail for us the levels of assistance provided by other countries?

Response: USDA found that participating organizations under the pilot Global Food for Education program worked hard to gain additional support for their projects. Specifically, USDA documented in the mid-term evaluation that out of a total of 49 projects, 37 received additional support for their projects. In 21 programs, other donors included 6 multilateral agencies (eg. FAO, UNESCO, UNICEF) and there were 10 other donor nations in 8 programs (European Union, Norway, Finland, Canada, India, Switzerland, Germany, Japan, Denmark, and Netherlands).

Ms. Kaptur: To the extent that the United States reduces its support for the program, why should these other countries maintain or increase their level of support?

Response: Continued support in the areas of improved education and nutrition lead to greater economic development and growth of countries. Sustainability, particularly through local governments and private organizations, is a key goal of the McGovern-Dole International Food for Education and Child Nutrition Program. Greater involvement and commitment from local governments and private organizations will have both short and long term effects on economic growth of the countries involved.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MR. HINCHEY

TRADE SURPLUS

Mr. Hinchey: Trade and expanding markets are obviously high priorities for the Administration. Both Undersecretary Penn and Administrator Terpstra note in their testimonies that the U.S. is running a trade surplus in agriculture. In 2002, exports were \$53 billion, while imports were \$41 billion. Given the record trade deficits that the U.S. is experiencing, this is a bright spot.

In the aggregate, this paints a very strong picture of U.S. agriculture in the world. I appreciate all the supporting material you included in your budget justifications, but I am still a bit confused as to how these very impressive totals break down by country and by product.

I would like to see some side-by-side comparisons of imports and exports with our major trading partners. For instance: Canada is our biggest market. It would be useful to have a table that showed how much wheat and other major commodities, specialty crops, and other agricultural products we export to Canada and vice versa. I would like the same information for Mexico, China, Japan, the EU, Australia, Brazil, and the other countries in the Free Trade Agreement of the Americas.

Response: [The information follows:]

March 10, 2003

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
JAPAN BULK	4,576,121	3,594,361	3,261,384	3,233,049	3,054,491	3,054,491	3,389,320	10.96
COARSE GRAINS	2,211,395	1,646,995	1,589,847	1,540,003	1,476,620	1,476,620	1,699,298	15.08
SOYBEANS	1,109,502	862,269	774,423	757,755	724,056	724,056	826,663	14.17
WHEAT	599,918	461,220	452,972	423,575	436,887	436,887	483,609	10.69
TOBACCO	219,580	210,960	157,060	195,261	172,907	172,907	150,019	-13.24
COTTON	249,045	259,046	91,462	136,306	112,196	112,196	100,072	-10.81
RICE	118,452	111,198	145,508	131,824	87,905	87,905	90,656	3.13
OTHER BULK	47,968	29,303	32,796	24,735	27,879	27,879	23,629	-15.24
PULSES	13,996	9,359	10,483	15,037	10,145	10,145	9,556	-5.81
PEANUTS	6,265	4,011	6,834	8,553	5,896	5,896	5,818	-1.32
INTERMEDIATE	1,224,977	996,421	938,603	1,094,534	1,075,233	1,075,233	999,632	-7.03
FEEDS & FODDERS	459,626	403,022	393,200	411,790	381,448	381,448	433,542	13.66
OTHER INTERMEDIATE	213,083	160,689	155,013	271,801	247,589	247,589	212,656	-14.11
HIDES & SKINS	153,133	101,101	84,289	115,425	132,707	132,707	103,437	-22.06
LIVE ANIMALS	98,313	65,400	66,753	81,250	81,251	81,251	47,713	-41.28
SUGAR, SWEETENER, BASES	56,193	62,588	61,488	52,211	69,956	69,956	66,752	-4.58
SOYBEAN MEAL	86,560	59,521	47,413	46,714	58,531	58,531	25,198	-56.95
PLANTING SEEDS	63,710	59,236	57,101	60,218	58,096	58,096	51,562	-11.25
VEGETABLE OILS (EX SOY)	72,703	63,276	48,905	38,084	31,831	31,831	43,785	37.55
ANIMAL FATS	19,185	18,210	20,413	15,942	15,058	15,058	10,998	-15.78
WHEAT FLOUR	1,125	1,013	1,768	912	648	648	789	21.76
SOYBEAN OIL	1,345	2,365	2,260	186	119	119	3,201	2589.92
CONSUMER-ORIENTED	4,692,024	4,499,102	4,692,298	4,962,483	4,753,340	4,753,340	3,978,676	-16.30
RED MEATS, FRCH/FR	2,309,160	2,195,826	2,369,468	2,543,612	2,457,509	2,457,509	1,842,549	-25.02
PROCESSED FRUIT & VEG	518,199	562,487	555,040	526,773	489,004	489,004	461,155	-5.70
FRESH FRUIT	417,097	323,421	369,122	403,174	364,674	364,674	354,539	-2.78
PET FOODS	138,416	140,484	151,385	248,620	263,193	263,193	217,497	-17.36
OTHER CONSUMER ORIENTED	264,832	249,289	238,093	211,846	234,303	234,303	249,879	6.65
POULTRY MEAT	133,554	138,566	136,248	131,593	147,619	147,619	70,404	-52.31
FRESH VEGETABLES	136,558	133,861	152,157	166,302	131,417	131,417	116,339	-11.47
FRUIT & VEG JUICES	131,625	120,457	137,113	144,566	128,746	128,746	100,126	-22.23
TREE NUTS	145,515	122,101	108,508	108,176	126,656	126,656	144,487	14.08
SNACK FOODS	93,837	95,543	115,362	129,497	110,756	110,756	102,015	-7.89
DAIRY PRODUCTS	117,160	113,981	112,705	107,252	102,651	102,651	96,093	-6.39
WINE AND BEER	111,235	143,152	113,303	86,233	73,765	73,765	97,289	31.89
RED MEATS, PREP/PRES	81,140	74,480	55,783	68,924	45,037	45,037	51,123	13.51
BREAKFAST CEREALS	39,088	33,342	32,909	39,389	39,341	39,341	42,268	7.44
EGGS & PRODUCTS	45,263	35,485	38,120	38,371	31,099	31,099	25,982	-16.45
NURSERY PRODUCTS	9,344	16,627	6,983	8,155	7,572	7,572	6,932	-8.45
FOREST PRODUCTS	2,511,585	1,621,994	1,583,471	1,486,554	1,073,199	1,073,199	819,975	-23.60
LOGS AND CHIPS	1,589,839	1,168,233	1,101,460	1,038,925	740,229	740,229	569,055	-23.12
OTHER WOOD PRODUCTS	276,372	166,852	168,088	153,981	130,675	130,675	109,970	-15.84
SOFT/TREATED LUMBER	449,236	190,726	208,155	206,349	124,004	124,004	80,289	-35.25
HARDWOOD LUMBER	138,565	71,499	81,390	68,214	61,803	61,803	48,351	-21.77
PANEL/PLYWOOD PRODUCTS	57,574	24,684	24,378	19,084	16,488	16,488	12,312	-25.33
SEAFOOD PRODUCTS	1,287,848	902,442	1,164,643	1,128,469	1,109,039	1,109,039	1,059,076	-4.51
ROE/URCHIN/FISH EGGS	340,804	226,374	321,315	347,636	420,655	420,655	371,484	-11.69
OTHER SEAFOOD	398,301	275,915	311,580	337,764	336,141	336,141	311,821	-7.24
SURIMI (FISH PASTE)	257,258	176,160	199,475	185,278	150,451	150,451	204,471	35.91
SALMON WHOLE/EVIS	205,339	144,867	232,048	178,022	144,881	144,881	120,196	-17.04
CRAB & MEAT	85,217	78,593	100,010	77,427	48,370	48,370	48,317	-0.11
SALMON CANNED	910	533	215	2,343	8,540	8,540	2,787	-67.37
AGRICULTURAL TOTAL	10,493,121	9,089,884	8,892,286	9,290,066	8,883,065	8,883,065	8,367,629	-5.80
AG,FISH,FOREST TOTAL	14,292,554	11,614,320	11,640,399	11,905,089	11,065,302	11,065,302	10,246,680	-7.40

March 10, 2003

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
JAPAN BULK	5,205	6,387	5,259	5,299	5,335	5,335	5,227	-2.02
TEA, INCL. HERB	3,526	3,312	3,870	4,172	3,653	3,653	4,632	26.80
RUBBER/ALLIED PROD	469	1,805	404	354	1,192	1,192	167	-85.99
OTHER BULK	1,014	892	735	549	351	351	234	-33.33
RICE	192	264	248	142	130	130	189	45.38
RAW COFFEE	0	71	0	82	8	8	0	-
COARSE GRAINS	4	20	2	0	0	0	4	-
TOBACCO	0	24	0	0	0	0	0	-
INTERMEDIATE	101,584	91,311	104,086	102,306	102,260	102,260	98,832	-3.35
OTHER INTERMEDIATE	41,990	38,616	39,297	35,213	33,074	33,074	34,057	2.97
OTHER VEG OIL	16,804	15,933	21,766	24,083	22,269	22,269	22,448	0.80
PLANTING SEEDS	16,114	13,517	17,298	15,608	13,873	13,873	14,518	4.65
FEEDS & FODDERS	8,012	10,008	11,345	13,653	11,718	11,718	11,226	-4.20
LIVE ANIMALS	7,275	2,901	4,904	2,256	11,135	11,135	5,285	-52.54
ESSENTIAL OILS	9,948	7,790	7,117	8,877	8,764	8,764	10,380	18.44
SUGARS/SWEETEN/BASES	1,412	2,542	2,342	2,603	1,408	1,408	889	-36.86
TROPICAL OILS	0	3	16	11	11	11	14	27.27
HIDES & SKINS	28	1	2	2	8	8	15	87.50
CONSUMER-ORIENTED	195,367	202,324	239,729	261,229	249,734	249,734	269,604	7.96
OTHER CONSUMER	108,414	109,701	131,268	149,442	146,463	146,463	154,749	5.66
SNACK FOODS	24,667	26,670	34,085	32,679	33,435	33,435	39,995	19.62
WINE AND BEER	26,049	27,909	31,217	36,161	32,510	32,510	35,666	9.71
PROCESSED FRUIT/VEG	26,665	27,263	31,548	32,614	28,202	28,202	28,591	1.38
SPICES	1,590	1,571	1,143	1,442	1,697	1,697	1,462	-13.85
OTHER FRESH FRUIT	1,638	2,502	3,006	1,583	1,552	1,552	1,098	-29.25
NURSERY PRODUCTS	1,432	1,253	1,292	1,492	1,445	1,445	1,389	-3.88
OTHER DAIRY PRODUCT	1,461	1,627	2,034	1,685	1,274	1,274	1,403	10.13
FRESH VEGETABLES	1,743	1,559	1,566	1,304	1,205	1,205	1,785	48.13
ROAST/INSTANT COFFEE	235	729	173	1,993	1,183	1,183	1,776	50.13
TREE NUTS	362	260	486	413	377	377	620	64.46
FRUIT/VEG JUICES	396	379	475	167	330	330	1,069	223.94
RED MEATS PREP/FRES	37	33	0	5	60	60	0	-
RED MEATS FR/CH/FR	678	870	1,435	248	0	0	0	-
FOREST PRODUCTS	7,878	9,232	10,746	13,191	8,420	8,420	7,906	-6.10
OTHER WOOD PRODUCT	4,584	5,232	6,355	8,161	5,511	5,511	4,596	-16.60
PANEL/PLYWOOD PROD	2,780	3,999	4,375	4,960	2,569	2,569	3,195	24.37
SOFT/TREATED LUMBER	0	0	0	21	255	255	39	-84.71
HARDWOOD LUMBER	514	0	16	0	85	85	77	-9.41
LOGS AND CHIPS	1	0	0	50	0	0	0	-
SEAFOOD PRODUCTS	203,876	183,152	161,877	152,491	120,094	120,094	123,880	3.16
OTHER SEAFOOD	160,274	135,806	136,977	139,474	111,323	111,323	121,660	9.29
GROUND FISH	430	498	820	1,216	5,478	5,478	95	-98.27
TUNA	35,855	45,843	23,537	11,289	2,541	2,541	1,545	-39.20
SHRIMP	772	751	525	504	708	708	493	-30.37
LOBSTER	0	0	0	4	44	44	88	100.00
SALMON WHOLE/EVIS	6,545	253	17	3	0	0	3	-
AGRICULTURAL TOTAL	302,156	300,022	349,074	368,834	357,328	357,328	373,663	4.57
AG, FISH, FOREST TOTAL	513,910	492,406	521,698	534,516	485,843	485,843	505,453	4.04

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
Note: All zeroes for a data item may show that statistics exist in the other import type. Consumption or General.

March 10, 2003

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
CHINA, PEOPLES REPUB BULK	1,047,396	500,376	441,741	1,103,459	1,090,275	1,090,275	1,069,202 -1.93
SOYBEANS	410,554	273,508	358,735	1,007,653	1,012,486	1,012,486	888,741 -12.22
COTTON	582,670	122,763	23,356	56,593	46,486	46,486	140,923 203.15
WHEAT	43,647	45,971	32,877	17,800	21,420	21,420	25,941 21.11
OTHER BULK	7,904	7,119	6,224	9,775	8,190	8,190	10,208 24.64
TOBACCO	2,342	6,437	4,508	849	1,288	1,288	471 -63.43
PULSES	43	131	194	215	214	214	231 7.94
RICE	202	289	406	344	184	184	814 342.39
PEANUTS	3	14	0	181	6	6	10 66.67
COARSE GRAINS	31	44,143	15,441	10,050	0	0	1,863 -
INTERMEDIATE	443,795	717,550	269,789	407,289	572,647	572,647	608,159 6.20
HIDES & SKINS	111,905	124,800	96,535	227,044	395,899	395,899	393,494 -0.61
OTHER INTERMEDIATE	52,847	77,755	82,995	109,556	116,039	116,039	140,780 21.32
FEDS & FODDERS	10,080	13,406	6,920	13,803	16,020	16,020	14,946 -6.76
PLANTING SEEDS	8,174	10,236	12,802	26,379	14,656	14,656	17,979 22.67
SUGAR, SWEETNER, BASES	1,394	1,142	951	2,926	7,858	7,858	6,851 -12.81
LIVE ANIMALS	6,858	4,686	5,251	6,701	7,225	7,225	11,683 61.70
VEGETABLE OILS (EX SOY)	3,100	2,558	4,870	7,302	6,770	6,770	9,980 34.27
ANIMAL FATS	3,103	3,831	14,724	12,898	5,967	5,967	13,189 121.03
SOYBEAN OIL	161,895	319,506	44,404	430	1,750	1,750	7 -99.60
WHEAT FLOUR	10	0	32	238	300	300	140 -53.33
SOYBEAN MEAL	84,429	159,541	304	13	160	160	0 -
CONSUMER-ORIENTED	112,996	121,656	142,127	205,276	275,621	275,621	282,669 2.56
OTHER CONSUMER ORIENTED	16,885	19,313	18,334	34,583	58,354	58,354	41,982 -28.06
RED MEATS, FRCH/FR	11,257	15,278	15,192	22,099	40,532	40,532	45,805 13.01
DAIRY PRODUCTS	11,296	13,908	17,744	21,545	36,149	36,149	32,052 -11.33
PROCESSED FRUIT & VEG	6,780	9,337	15,833	25,734	34,134	34,134	43,071 26.18
POULTRY MEAT	40,158	28,889	42,093	35,994	29,575	29,575	42,621 44.11
FRESH FRUIT	887	11,333	1,866	23,147	29,059	29,059	24,280 -16.45
SNACK FOODS	11,991	8,549	14,020	20,423	18,208	18,208	15,305 -15.94
TREE NUTS	2,367	2,337	3,702	8,895	10,164	10,164	18,554 82.55
EGGS & PRODUCTS	195	139	343	1,023	5,236	5,236	678 87.05
PET FOODS	133	490	977	1,454	3,390	3,390	5,822 71.74
FRESH VEGETABLES	2,728	3,735	3,657	5,080	3,005	3,005	788 -73.78
WINE AND BEER	3,158	2,404	3,826	1,420	2,697	2,697	3,260 20.88
FRUIT & VEG JUICES	711	1,490	1,734	1,223	2,451	2,451	5,331 117.50
NURSERY PRODUCTS	1,804	1,029	1,358	1,129	1,025	1,025	1,462 42.63
BREAKFAST CEREALS	1,598	508	323	661	861	861	1,459 69.45
RED MEATS, PREP/TRES	1,047	2,918	1,125	863	783	783	200 -74.46
FOREST PRODUCTS	49,850	41,356	57,020	93,838	137,199	137,199	221,629 61.54
HARDWOOD LUMBER	16,901	13,960	29,904	54,156	59,399	59,399	84,315 41.95
LOGS AND CHIPS	13,890	11,336	7,870	19,235	39,772	39,772	55,225 38.85
PANEL/PLYWOOD PRODUCTS	4,863	6,264	9,888	12,744	18,184	18,184	42,425 133.31
SOFT/TREATED LUMBER	1,737	1,318	1,213	2,332	12,624	12,624	19,634 55.53
OTHER WOOD PRODUCTS	12,459	8,478	8,145	5,372	7,221	7,221	20,029 177.37
SEAFOOD PRODUCTS	111,486	69,284	86,498	137,037	118,883	118,883	135,244 13.76
OTHER SEAFOOD	96,294	46,860	53,337	101,841	72,073	72,073	91,036 26.31
SALMON WHOLE/EVIS	2,513	9,735	8,234	16,300	16,169	16,169	17,384 7.51
CRAB & MEAT	3,187	4,996	20,230	11,208	15,533	15,533	19,599 26.01
SURIMI (FISH PASTE)	7,165	2,738	431	3,223	6,564	6,564	772 -88.24
ROE/URCHIN/FISH EGGS	2,326	4,954	4,164	3,781	6,429	6,429	5,622 -12.55
SALMON CANNED	0	0	102	684	2,095	2,095	832 -60.29
AGRICULTURAL TOTAL	1,604,187	1,339,582	853,657	1,716,024	1,938,544	1,938,544	1,960,030 1.11
AG,FISH,FOREST TOTAL	1,765,524	1,450,222	997,176	1,946,899	2,194,626	2,194,626	2,316,501 5.57

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UNITED STATES DEPARTMENT OF AGRICULTURE
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BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
CHINA, PEOPLES REPUB BULK	51,559	56,592	82,459	55,492	48,559	48,559	59,855	23.26
TEA, INCL HERB	28,156	33,121	26,492	22,372	23,273	23,273	29,298	25.89
OTHER BULK	12,109	10,666	34,516	12,406	17,923	17,923	22,922	27.89
TOBACCO	9,192	11,381	10,661	17,635	4,960	4,960	4,885	-1.51
RUBBER/ALLIED PROD	556	473	723	1,784	1,738	1,738	1,271	-26.87
RICE	552	283	9,344	642	462	462	437	-5.41
RAW COFFEE	802	197	418	365	137	137	928	577.37
RAW BEET/CANE SUGAR	153	421	278	22	47	47	50	6.38
COARSE GRAINS	39	50	27	12	18	18	64	255.56
COCOA BEANS	0	0	0	254	0	0	0	-
INTERMEDIATE	306,946	348,914	315,015	373,309	337,947	337,947	377,118	11.59
OTHER INTERMEDIATE	191,407	243,432	227,886	282,406	256,962	256,962	295,952	15.17
ESSENTIAL OILS	17,217	25,123	25,912	24,320	27,014	27,014	26,777	-0.88
FEEDS & FODDERS	11,718	8,009	8,375	17,744	19,253	19,253	23,007	19.50
PLANTING SEEDS	27,103	25,750	23,155	24,369	18,022	18,022	15,402	-14.54
COCOA PASTE/BUTTER	49,364	33,055	21,034	16,998	10,663	10,663	9,401	-11.84
OTHER VEG OIL	6,448	7,724	5,153	6,550	4,696	4,696	4,850	3.28
SUGARS/SWEETEN/BASES	3,493	5,638	3,301	702	632	632	1,461	131.17
TROPICAL OILS	115	11	0	45	478	478	5	-98.95
HIDES & SKINS	79	172	153	95	210	210	243	15.71
LIVE ANIMALS	2	0	45	81	19	19	19	0.00
CONSUMER-ORIENTED	322,625	335,175	368,855	382,833	429,732	429,732	564,382	31.33
PROCESSED FRUIT/VEG	160,396	155,898	154,764	150,434	176,902	176,902	226,095	27.81
OTHER CONSUMER	60,121	60,475	80,338	79,633	83,564	83,564	90,618	8.44
SNACK FOODS	15,064	16,671	24,687	35,904	38,689	38,689	60,955	57.55
FRUIT/VEG JUICES	26,128	30,083	24,624	39,335	36,553	36,553	54,868	50.11
SPICES	14,325	17,637	21,965	26,904	29,567	29,567	32,147	8.73
TREE NUTS	19,324	22,876	29,524	18,217	73,888	73,888	34,824	45.78
FRESH VEGETABLES	13,747	18,669	15,407	9,566	14,859	14,859	31,313	110.73
NURSERY PRODUCTS	4,517	3,556	5,062	6,850	9,358	9,358	12,244	30.84
WINE AND BEER	6,514	6,388	6,588	6,141	7,030	7,030	7,907	12.48
OTHER FRESH FRUIT	201	840	2,488	3,987	3,662	3,662	3,580	-2.24
RED MEATS FRCH/FR	1,590	1,319	2,350	3,686	3,474	3,474	8,346	140.24
OTHER DAIRY PRODUCT	81	375	400	1,700	1,898	1,898	1,052	-44.57
ROAST/INSTANT COFFEE	516	227	406	497	252	252	433	71.83
CHEESE	0	0	0	0	34	34	0	-
RED MEATS PREP/FRES	101	159	252	0	5	5	0	-
FOREST PRODUCTS	340,066	459,584	595,798	751,701	841,694	841,694	1,061,863	26.16
OTHER WOOD PRODUCT	324,460	436,604	564,617	713,156	786,314	786,314	949,780	20.79
PANEL/PLYWOOD PROD	14,359	21,843	28,650	35,514	54,227	54,227	110,117	103.07
HARDWOOD LUMBER	1,129	926	2,347	2,661	883	883	1,583	79.28
SOFT/TREATED LUMBER	118	211	124	278	193	193	350	81.35
LOGS AND CHIPS	0	0	60	92	77	77	33	-57.14
SEAFOOD PRODUCTS	320,827	322,832	431,016	579,765	656,213	656,213	864,566	31.75
OTHER SEAFOOD	166,390	166,599	240,160	287,180	314,672	314,672	359,669	14.30
SHRIMP	67,801	36,041	50,149	136,536	192,392	192,392	298,581	55.19
GROUND FISH	85,663	118,176	138,764	154,713	147,356	147,356	202,783	37.61
LOBSTER	908	567	355	882	1,267	1,267	2,528	99.93
TUNA	44	969	909	464	392	392	940	139.80
SALMON WHOLE/EVIS	21	481	680	0	133	133	65	-51.13
AGRICULTURAL TOTAL	681,129	746,681	766,329	811,633	816,238	816,238	1,001,354	22.68
AG, FISH, FOREST TOTAL	1,342,022	1,523,097	1,793,143	2,143,099	2,314,144	2,314,144	2,927,783	26.52

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UNITED STATES DEPARTMENT OF AGRICULTURE
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BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
MEXICO BULK	2,266,051	2,834,183	2,310,173	2,555,759	2,799,154	2,799,154	2,752,383	-1.67
COARSE GRAINS	594,695	964,221	929,152	962,088	1,086,910	1,086,910	1,030,457	-5.19
SOYBEANS	906,639	754,216	659,261	674,467	755,139	755,139	788,145	4.37
COTTON	360,989	614,343	285,559	471,013	472,088	472,088	321,712	-31.85
WHEAT	175,737	214,139	214,798	194,303	267,189	267,189	349,470	30.80
RICE	93,336	91,416	88,069	101,610	81,298	81,298	103,483	27.29
OTHER BULK	65,207	59,094	57,718	84,683	76,976	76,976	86,924	12.92
PULSES	42,154	113,672	48,855	34,697	42,240	42,240	46,118	9.18
PEANUTS	26,878	22,968	26,671	32,709	17,294	17,294	22,390	29.47
TOBACCO	395	114	91	188	0	0	3,684	-
INTERMEDIATE	1,330,045	1,423,065	1,286,581	1,250,665	1,360,386	1,360,386	1,680,585	23.54
OTHER INTERMEDIATE	264,313	311,523	329,201	341,944	397,308	397,308	560,935	41.18
PLANTING SEEDS	109,170	128,978	129,914	131,838	192,399	192,399	272,429	41.60
FEEDS & FODDERS	96,965	119,031	104,615	123,941	146,972	146,972	109,168	-25.72
LIVE ANIMALS	205,454	136,015	100,786	117,200	143,368	143,368	138,364	-3.49
HIDES & SKINS	149,861	165,006	153,259	146,633	138,345	138,345	123,226	-10.93
ANIMAL FATS	157,211	179,946	126,819	102,121	115,918	115,918	168,030	44.96
VEGETABLE OILS (EX SOY)	144,125	192,400	150,204	131,996	77,219	77,219	92,983	20.41
SUGAR, SWEETENER, BASES	103,640	89,247	77,473	75,604	55,920	55,920	28,170	-49.62
SOYBEAN MEAL	33,656	27,926	57,016	28,848	52,166	52,166	86,719	66.24
SOYBEAN OIL	50,950	65,187	47,896	40,320	37,265	37,265	94,860	154.56
WHEAT FLOUR	14,700	7,807	9,398	3,220	3,506	3,506	5,700	62.58
CONSUMER-ORIENTED	1,581,149	1,893,889	2,027,173	2,603,373	3,244,397	3,244,397	2,818,628	-13.12
RED MEATS, FR/CH/FR	477,316	606,942	675,721	845,944	1,036,953	1,036,953	1,077,090	3.87
SNACK FOODS	92,156	121,809	134,568	234,898	331,431	331,431	158,386	-52.21
PROCESSED FRUIT & VEG	124,545	171,506	146,557	256,798	314,920	314,920	329,284	4.56
POULTRY MEAT	227,118	230,816	200,075	239,388	257,987	257,987	173,788	-32.64
DAIRY PRODUCTS	169,503	180,449	175,961	164,169	248,607	248,607	201,557	-18.93
FRESH FRUIT	102,908	109,447	163,577	219,337	235,594	235,594	216,936	-7.92
PET FOODS	41,089	58,914	62,862	116,113	234,855	234,855	67,264	-71.36
OTHER CONSUMER ORIENTED	113,774	149,694	210,552	194,940	230,331	230,331	236,983	2.89
FRESH VEGETABLES	43,194	41,771	44,922	68,221	74,649	74,649	64,289	-13.88
RED MEATS, PREP/PRES	37,595	43,000	41,023	60,817	68,947	68,947	82,260	19.31
WINE AND BEER	20,678	20,885	25,062	29,920	54,572	54,572	43,506	-20.28
TREE NUTS	23,106	27,606	40,037	51,660	53,544	53,544	51,588	-3.65
BREAKFAST CEREALS	40,269	44,739	40,182	42,272	37,799	37,799	49,774	31.68
FRUIT & VEG JUICES	10,187	18,287	21,414	36,837	28,264	28,264	27,474	-2.80
NURSERY PRODUCTS	27,155	23,547	26,120	23,178	22,631	22,631	19,064	-15.76
EGGS & PRODUCTS	30,556	44,476	18,539	18,881	13,314	13,314	19,386	45.61
FOREST PRODUCTS	292,207	367,247	394,741	432,154	373,545	373,545	383,632	2.70
PANEL/PLYWOOD PRODUCTS	96,614	100,031	123,511	158,291	153,846	153,846	166,065	7.94
OTHER WOOD PRODUCTS	79,407	127,966	112,031	118,094	96,591	96,591	99,038	2.53
HARDWOOD LUMBER	66,611	80,040	96,094	93,766	69,485	69,485	63,586	-8.49
SOFT/TREATED LUMBER	39,422	43,619	50,248	56,523	49,551	49,551	48,537	-2.05
LOGS AND CHIPS	10,153	15,591	12,857	5,481	4,072	4,072	6,407	57.34
SEAFOOD PRODUCTS	32,921	42,583	38,378	50,176	65,074	65,074	64,602	-0.73
OTHER SEAFOOD	30,238	40,832	36,962	47,971	62,981	62,981	62,417	-0.90
CRAB & MEAT	700	565	917	672	1,210	1,210	885	-26.86
SALMON CANNED	174	207	105	109	357	357	302	-15.41
ROE/URCHIN/FISH EGGS	320	137	162	733	224	224	368	64.29
SALMON WHOLE/EVIS	1,384	842	193	526	221	221	286	29.41
SURIMI (FISH PASTE)	105	0	40	166	81	81	343	323.46
AGRICULTURAL TOTAL	5,177,244	6,151,138	5,623,927	6,409,796	7,403,937	7,403,937	7,251,596	-2.06
AG, FISH, FOREST TOTAL	5,502,372	6,560,967	6,057,047	6,892,126	7,842,556	7,842,556	7,699,830	-1.82

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
MEXICO BULK	648,925	500,949	460,146	464,666	225,562	225,562	239,204	6.05
RAW COFFEE	545,814	401,458	364,242	385,132	120,126	120,126	119,401	-0.60
RAW BEET/CANE SUGAR	3,082	13,419	17,014	12,269	42,269	42,269	48,129	13.86
OTHER BULK	47,489	35,897	38,853	39,880	36,938	36,938	39,109	5.88
TOBACCO	33,027	29,999	23,973	14,056	10,255	10,255	18,037	75.88
TEA, INCL HERB	3,150	1,865	4,590	7,991	6,997	6,997	8,601	22.92
COARSE GRAINS	1,565	2,779	4,199	3,297	3,710	3,710	1,854	-50.03
WHEAT	2	1,442	8	1,192	3,384	3,384	1,362	-59.75
COCOA BEANS	14,094	12,242	4,263	208	986	986	2,197	122.82
RUBBER/ALLIED PROD	142	260	438	351	457	457	78	-82.93
RICE	560	1,587	2,565	289	438	438	435	-0.68
INTERMEDIATE	318,256	363,302	443,948	554,028	567,013	567,013	490,614	-13.47
LIVE ANIMALS	177,381	207,697	294,714	407,973	410,221	410,221	302,443	-25.27
OTHER INTERMEDIATE	50,256	56,586	53,848	59,595	64,535	64,535	67,456	4.53
SUGAR/SWEETEN/BASES	26,891	28,274	27,050	27,789	34,516	34,516	57,983	67.99
ESSENTIAL OILS	15,437	19,559	17,307	18,316	19,888	19,888	20,794	4.56
OTHER VEG OIL	16,960	29,278	25,674	18,333	19,577	19,577	18,828	-3.83
PLANTING SEEDS	18,199	14,232	14,350	14,237	6,357	6,357	8,444	32.83
COCOA PASTE/BUTTER	6,951	4,363	7,512	3,848	4,308	4,308	8,200	90.34
HIDES & SKINS	3,350	1,989	2,210	2,406	3,636	3,636	2,939	-19.17
FEEDS & FODDERS	2,830	1,325	1,280	1,529	2,347	2,347	3,523	50.11
TROPICAL OILS	0	0	3	0	1,627	1,627	3	-99.82
CONSUMER-ORIENTED	3,141,765	3,821,987	3,977,082	4,058,621	4,472,274	4,472,274	4,788,600	7.07
FRESH VEGETABLES	1,186,538	1,472,754	1,308,362	1,405,963	1,607,403	1,607,403	1,614,650	0.45
WINE AND BEER	417,321	551,465	650,981	757,250	878,939	878,939	1,004,455	14.28
OTHER FRESH FRUIT	426,451	563,334	719,160	577,995	642,335	642,335	648,184	0.91
PROCESSED FRUIT/VEG	331,845	354,550	409,104	400,196	426,203	426,203	435,493	2.18
OTHER CONSUMER	221,831	230,371	277,488	296,886	348,453	348,453	409,457	17.51
SNACK FOODS	177,704	202,820	233,133	245,869	266,442	266,442	340,564	27.82
ROAST/INSTANT COFFEE	118,278	109,990	81,304	78,509	65,727	65,727	63,079	-4.03
FRUIT/VEG JUICES	65,882	93,155	78,201	75,122	58,571	58,571	68,239	16.51
NURSERY PRODUCTS	34,807	37,816	40,810	45,541	45,583	45,583	43,217	-5.19
SPICES	32,537	41,726	42,986	42,026	42,426	42,426	46,645	9.94
TREE NUTS	47,870	85,093	71,041	79,808	36,182	36,182	60,836	68.14
BANANAS/PLANTAINS	62,073	56,509	40,001	23,587	18,469	18,469	13,283	-28.08
RED MEATS FR/CH/FR	7,494	7,315	9,321	11,771	15,264	15,264	16,026	4.99
RED MEATS PREPPRES	4,497	6,942	8,269	7,965	10,034	10,034	10,291	2.56
OTHER DAIRY PRODUCT	6,247	5,641	5,965	9,358	9,091	9,091	12,666	39.32
CHEESE	392	2,506	955	775	1,152	1,152	1,516	31.60
FOREST PRODUCTS	439,767	407,449	416,091	378,120	313,792	313,792	295,945	-5.69
OTHER WOOD PRODUCT	296,803	304,091	323,258	305,648	257,751	257,751	250,250	-2.91
SOFT/TREATED LUMBER	94,620	60,370	48,360	31,801	27,727	27,727	18,392	-33.67
PANEL/PLYWOOD PROD	44,330	40,987	43,386	39,643	26,982	26,982	24,885	-7.77
HARDWOOD LUMBER	2,099	1,777	625	786	891	891	860	-3.48
LOGS AND CHIPS	1,915	225	462	242	440	440	1,557	253.86
SEAFOOD PRODUCTS	492,190	478,954	497,409	531,935	486,498	486,498	372,431	-23.45
SHRIMP	374,102	382,517	386,284	402,828	380,973	380,973	264,070	-30.69
OTHER SEAFOOD	93,360	79,038	91,530	109,075	86,633	86,633	80,570	-7.00
LOBSTER	18,102	10,326	10,139	13,642	13,871	13,871	17,463	25.90
TUNA	6,586	7,044	9,417	6,390	5,020	5,020	10,328	105.74
GROUND FISH	13	9	39	0	0	0	0	--
SALMON WHOLE/EVIS	26	19	0	0	0	0	0	--
AGRICULTURAL TOTAL	4,108,946	4,686,238	4,881,176	5,077,314	5,264,849	5,264,849	5,518,418	4.82
AG, FISH, FOREST TOTAL	5,040,903	5,572,640	5,794,677	5,987,369	6,065,139	6,065,139	6,186,793	-2.01

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UNITED STATES DEPARTMENT OF AGRICULTURE
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BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
CANADA BULK	535,351	498,870	481,866	554,829	747,902	747,902	881,922	17.92
COARSE GRAINS	122,257	124,384	90,432	131,003	276,294	276,294	404,238	46.31
SOYBEANS	75,689	20,233	72,011	71,900	130,397	130,397	137,667	5.58
OTHER BULK	76,969	78,218	91,108	97,607	107,597	107,597	116,226	8.02
COTTON	87,785	122,244	63,580	101,845	100,854	100,854	78,630	-22.04
RICE	79,555	75,461	75,631	71,982	68,388	68,388	63,940	-6.50
PEANUTS	71,612	63,709	59,668	62,711	47,624	47,624	56,939	19.56
PULSES	8,856	12,706	28,254	16,994	14,807	14,807	19,363	30.77
TOBACCO	5,335	1,885	1,155	687	1,846	1,846	3,142	70.21
WHEAT	7,294	30	27	100	97	97	1,778	1732.99
INTERMEDIATE	1,385,695	1,378,635	1,417,073	1,588,205	1,675,451	1,675,451	1,682,651	0.43
OTHER INTERMEDIATE	403,133	392,110	445,075	477,431	528,169	528,169	612,306	15.93
LIVE ANIMALS	92,942	122,286	168,150	241,897	214,213	214,213	108,177	-49.50
SOYBEAN MEAL	189,621	165,270	135,166	161,694	200,140	200,140	208,851	4.35
FEEDS & FODDERS	156,860	162,581	154,314	158,896	170,872	170,872	173,910	1.78
SUGAR, SWEETENER, BASES	111,963	152,040	129,836	138,947	154,466	154,466	157,621	2.04
VEGETABLE OILS (EX SOY)	131,365	127,935	132,644	147,756	140,312	140,312	136,410	-2.78
PLANTING SEEDS	99,777	108,967	119,839	133,277	128,796	128,796	122,670	-4.76
HIDES & SKINS	130,398	106,086	90,097	83,703	86,366	86,366	87,153	0.91
SOYBEAN OIL	31,200	8,279	8,049	15,630	24,535	24,535	50,148	104.39
ANIMAL FATS	32,880	27,165	24,873	20,569	20,940	20,940	19,734	-5.76
WHEAT FLOUR	5,557	5,914	9,030	8,405	6,642	6,642	5,670	-14.63
CONSUMER-ORIENTED	4,585,522	5,115,215	5,158,963	5,497,250	5,698,065	5,698,065	6,089,201	6.86
FRESH VEGETABLES	739,337	762,996	754,357	857,261	874,016	874,016	963,062	10.19
OTHER CONSUMER ORIENTED	714,669	836,688	851,244	865,562	861,925	861,925	937,938	8.82
SNACK FOODS	583,549	589,534	593,849	618,118	682,396	682,396	698,310	2.33
FRESH FRUIT	630,273	606,152	596,541	639,278	662,767	662,767	740,887	11.79
PROCESSED FRUIT & VEG	420,440	444,765	447,490	445,596	457,102	457,102	508,549	11.26
RED MEATS, F/RCH/F/R	374,702	331,102	309,814	349,245	356,977	356,977	367,276	2.89
FRUIT & VEG JUICES	246,565	259,158	274,186	272,101	268,300	268,300	272,825	1.69
POULTRY MEAT	201,437	230,765	218,488	242,571	263,228	263,228	266,665	1.31
PET FOODS	203,695	212,596	211,783	229,042	236,525	236,525	250,978	6.11
DAIRY PRODUCTS	130,416	147,423	179,573	220,243	233,772	233,772	238,966	2.22
BREAKFAST CEREALS	140,897	169,532	181,817	192,846	211,714	211,714	238,857	12.82
RED MEATS, PREP/PRES	108,234	120,378	131,648	145,896	160,236	160,236	170,406	6.35
WINE AND BEER	112,003	124,881	134,215	140,067	132,025	132,025	129,434	-1.96
NURSERY PRODUCTS	110,781	118,791	119,030	124,949	127,904	127,904	127,196	-0.55
TREE NUTS	88,149	96,478	105,227	109,117	109,459	109,459	115,891	5.88
EGGS & PRODUCTS	52,876	63,978	49,702	45,359	59,719	59,719	61,962	3.76
FOREST PRODUCTS	1,585,524	1,540,554	1,672,368	1,818,690	1,627,946	1,627,946	1,677,008	3.01
OTHER WOOD PRODUCTS	505,089	509,745	519,089	533,585	508,717	508,717	494,717	-2.75
LOGS AND CHIPS	279,315	306,909	325,092	377,535	359,124	359,124	363,168	1.68
HARDWOOD LUMBER	334,478	303,681	349,568	398,462	339,618	339,618	360,285	6.09
PANEL/PLYWOOD PRODUCTS	303,376	296,665	347,111	371,920	323,803	323,803	361,297	11.58
SOFT/TREATED LUMBER	163,267	123,554	131,508	137,188	96,684	96,684	95,542	-1.18
SEAFOOD PRODUCTS	425,777	436,009	568,919	591,753	575,477	575,477	574,139	-0.23
OTHER SEAFOOD	320,015	311,974	411,379	422,695	427,574	427,574	456,540	6.67
SALMON WHOLE/EVIS-	48,479	52,675	74,838	81,743	62,062	62,062	39,726	-35.99
SALMON CANNED	29,543	42,830	54,250	53,979	51,778	51,778	43,509	-15.97
CRAB & MEAT	17,571	23,268	24,911	29,413	29,199	29,199	28,407	-2.71
ROE/URCHIN/FISH EGGS	8,522	4,018	2,245	3,027	3,769	3,769	4,640	23.11
SURIMI (FISH PASTE)	1,648	1,245	1,295	896	695	695	1,317	89.50
AGRICULTURAL TOTAL	6,779,568	6,992,720	7,057,902	7,640,283	8,121,418	8,121,418	8,653,774	6.55
AG.FISH.FOREST TOTAL	8,790,870	8,969,283	9,299,189	10,050,727	10,324,841	10,324,841	10,504,921	5.62

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS ¹	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
CANADA BULK	1,004,984	806,254	719,272	667,201	760,926	760,926	704,096 -7.47
WHEAT	354,840	278,247	271,979	226,819	277,249	277,249	252,370 -8.97
COARSE GRAINS	360,005	226,450	209,720	216,835	232,324	232,324	204,853 -11.82
OTHER BULK	231,716	246,143	166,826	153,253	158,797	158,797	154,364 -2.79
TEA, INCL HERB	27,297	28,911	38,920	47,356	54,039	54,039	55,689 3.05
TOBACCO	23,965	23,849	28,652	19,852	33,507	33,507	30,992 -7.51
RUBBER/ALLIED PROD	3,853	1,464	1,412	1,820	2,906	2,906	1,806 -37.85
RICE	616	913	1,048	785	1,847	1,847	2,453 32.81
RAW COFFEE	90	276	671	384	172	172	1,487 764.53
COCOA BEANS	0	0	41	97	84	84	82 -2.38
RAW BEET/CANE SUGAR	2,603	0	2	0	0	0	0 -
INTERMEDIATE	2,678,699	2,648,714	2,287,644	2,388,607	2,766,543	2,766,543	2,384,842 4.28
LIVE ANIMALS	1,309,232	1,267,476	986,388	1,101,594	1,474,685	1,474,685	1,525,319 3.43
OTHER INTERMEDIATE	411,722	400,155	404,865	442,754	454,384	454,384	486,212 7.00
OTHER VEG OIL	350,108	400,178	352,420	284,715	273,613	273,613	297,621 8.77
FEEDS & FODDERS	219,809	198,618	180,791	181,702	177,765	177,765	187,815 5.65
SUGAR/SWEETEN/BASES	122,782	129,420	131,582	123,189	144,110	144,110	153,301 6.38
HIDES & SKINS	141,478	121,021	107,346	118,178	109,683	109,683	93,327 -14.91
PLANTING SEEDS	97,841	97,984	93,366	101,472	97,842	97,842	110,339 12.77
ESSENTIAL OILS	17,426	19,097	17,609	21,662	19,849	19,849	19,091 -3.82
COCOA PASTE/BUTTER	8,074	14,526	13,027	13,337	13,353	13,353	11,802 -11.62
TROPICAL OILS	227	238	250	4	1,258	1,258	15 -98.81
CONSUMER-ORIENTED	3,762,385	4,331,945	4,982,819	5,605,017	6,335,675	6,335,675	6,758,782 6.68
RED MEATS FR/CH/FR	1,051,546	1,113,402	1,396,100	1,627,569	1,836,805	1,836,805	1,791,278 -2.48
SNACK FOODS	748,318	830,084	922,698	1,072,717	1,259,664	1,259,664	1,440,185 14.33
OTHER CONSUMER	659,254	795,284	892,751	923,924	1,071,468	1,071,468	1,246,691 16.35
PROCESSED FRUIT/VEG	321,060	399,317	476,857	552,486	605,133	605,133	642,112 6.11
FRESH VEGETABLES	217,503	321,898	348,822	412,864	454,362	454,362	515,942 13.55
NURSERY PRODUCTS	188,917	229,310	249,798	282,582	310,856	310,856	315,262 1.42
WINE AND BEER	186,525	181,021	202,515	256,264	291,186	291,186	274,438 -5.75
RED MEATS PREP/PRES	103,779	100,136	115,104	129,893	132,756	132,756	142,840 7.60
ROAST/INSTANT COFFEE	77,733	136,824	129,647	125,292	111,174	111,174	110,424 -0.67
OTHER DAIRY PRODUCT	42,855	67,384	89,421	73,229	100,453	100,453	97,138 -3.30
OTHER FRESH FRUIT	57,471	76,789	71,310	71,468	75,871	75,871	81,569 7.51
SPICES	38,649	34,240	30,799	30,226	31,228	31,228	35,361 13.23
FRUIT/VEG JUICES	47,723	18,442	25,878	22,524	25,806	25,806	32,598 26.32
CHEESE	17,925	25,342	27,878	20,595	22,343	22,343	24,461 9.48
TREE NUTS	3,126	2,473	3,240	3,384	6,571	6,571	8,482 29.08
BANANAS/PLANTAINS	1	0	0	0	0	0	0 -
FOREST PRODUCTS	9,468,470	9,659,567	11,772,760	10,894,889	10,257,057	10,257,057	10,074,134 -1.78
SOFT/TREATED LUMBER	6,598,640	5,922,863	6,803,248	5,971,984	5,668,270	5,668,270	5,189,480 -8.45
PANEL/PLYWOOD PROD	1,262,602	1,794,254	2,437,645	2,303,245	2,099,303	2,099,303	2,218,736 5.69
OTHER WOOD PRODUCT	1,349,129	1,639,036	2,160,182	2,166,282	2,090,076	2,090,076	2,232,101 6.80
HARDWOOD LUMBER	169,997	198,537	236,799	256,739	223,478	223,478	239,366 7.11
LOGS AND CHIPS	88,102	104,876	134,886	196,639	175,929	175,929	194,450 10.53
SEAFOOD PRODUCTS	1,305,918	1,405,169	1,712,339	1,914,115	1,945,264	1,945,264	2,047,299 5.24
OTHER SEAFOOD	626,010	693,618	873,360	990,100	1,020,305	1,020,305	1,055,641 3.46
LOBSTER	308,660	315,770	422,473	510,901	520,420	520,420	565,162 8.60
SALMON WHOLE/EVIS	244,328	242,438	256,935	247,102	272,668	272,668	295,327 8.31
GROUND FISH	95,193	102,635	109,877	98,885	83,208	83,208	74,798 -10.11
SHRIMP	27,119	46,642	45,070	58,728	41,412	41,412	48,060 16.05
TUNA	4,607	4,065	4,624	8,398	7,251	7,251	8,302 14.49
AGRICULTURAL TOTAL	7,446,068	7,786,913	7,989,735	8,660,824	9,863,145	9,863,145	10,347,720 4.91
AG.FISH.FOREST TOTAL	18,220,456	18,851,649	21,474,834	21,469,828	22,065,465	22,065,465	22,469,144 1.83

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FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
BRAZIL BULK	862,568	546,487	702,926	448,726	387,142	387,142	460,378	18.92
RAW COFFEE	450,081	366,747	463,642	247,321	153,737	153,737	193,395	25.80
TOBACCO	226,857	77,201	164,661	139,602	150,861	150,861	212,107	40.60
RAW BEET/CANE SUGAR	116,933	94,546	68,607	56,048	72,098	72,098	46,959	-34.87
OTHER BULK	59,264	475	1,181	1,770	6,363	6,363	4,472	-29.72
TEA, INCL HERB	2,174	3,629	3,923	2,927	3,782	3,782	3,092	-18.24
RUBBER/ALLIED PROD	285	408	842	410	251	251	225	-10.36
RICE	5	2	0	5	29	29	59	103.45
COCOA BEANS	6,960	3,475	70	643	22	22	68	209.09
COARSE GRAINS	0	2	0	0	0	0	0	-
INTERMEDIATE	140,619	183,433	179,328	150,875	160,429	160,429	197,909	23.36
OTHER INTERMEDIATE	64,858	80,608	72,920	65,687	79,687	79,687	109,071	36.87
COCOA PASTE/BUTTER	27,096	33,380	19,595	33,527	34,174	34,174	37,920	10.96
ESSENTIAL OILS	28,930	26,190	19,717	24,751	20,620	20,620	26,487	28.45
SUGAR/SWEETEN/BASES	5,435	33,540	47,297	17,925	11,927	11,927	11,773	-1.29
OTHER VEG OIL	6,575	5,673	4,733	6,480	6,672	6,672	6,933	3.91
LIVE ANIMALS	573	412	1,952	1,210	3,910	3,910	1,570	-59.85
PLANTING SEEDS	2,183	3,091	1,471	860	1,628	1,628	2,156	32.43
FEEDS & FODDERS	301	36	10,861	7	1,182	1,182	1,502	27.07
HIDES & SKINS	995	430	769	403	595	595	464	-22.02
TROPICAL OILS	3,672	73	13	26	33	33	32	-3.03
CONSUMER-ORIENTED	467,937	494,416	599,598	544,629	451,505	451,505	493,466	9.29
TREE NUTS	135,371	112,973	114,890	150,812	94,496	94,496	84,839	-10.22
RED MEATS PREP/FRES	66,960	102,512	125,020	93,660	93,872	93,872	129,227	37.66
FRUIT/VEG JUICES	126,228	144,266	202,986	136,548	89,916	89,916	86,602	-3.69
ROAST/INSTANT COFFEE	45,751	45,936	48,577	45,439	40,411	40,411	36,238	-10.33
SNACK FOODS	18,094	16,093	26,911	31,980	37,588	37,588	48,543	29.14
SPICES	20,738	33,230	37,164	40,712	35,384	35,384	27,185	-23.17
OTHER FRESH FRUIT	7,129	7,569	14,497	18,229	26,157	26,157	34,322	31.22
OTHER CONSUMER	24,638	20,389	17,409	15,095	21,454	21,454	31,772	48.09
PROCESSED FRUIT/VEG	7,735	7,642	8,650	8,445	8,779	8,779	9,292	5.84
FRESH VEGETABLES	1,517	1,643	2,466	1,980	1,720	1,720	2,117	23.08
NURSERY PRODUCTS	514	555	722	784	1,065	1,065	1,683	58.03
WINE AND BEER	13,262	1,460	235	579	327	327	281	-14.07
OTHER DAIRY PRODUCT	0	143	57	253	192	192	782	307.29
CHEESE	0	6	8	0	144	144	548	280.56
BANANAS/PLANTAINS	0	0	5	0	0	0	0	-
RED MEATS FR/CH/FR	0	0	0	0	0	0	25	-
FOREST PRODUCTS	407,145	403,359	543,107	564,603	640,462	640,462	786,722	22.84
OTHER WOOD PRODUCT	101,516	116,439	176,550	204,881	283,086	283,086	382,941	35.27
PANEL/PLYWOOD PROD	158,793	111,701	148,367	152,977	149,769	149,769	205,405	37.15
SOFT/TREATED LUMBER	104,240	112,503	153,595	132,992	119,744	119,744	134,676	12.47
HARDWOOD LUMBER	41,441	59,242	64,008	71,061	85,268	85,268	62,263	-26.98
LOGS AND CHIPS	1,155	3,474	587	2,691	2,595	2,595	1,438	-44.59
SEAFOOD PRODUCTS	69,577	61,560	84,401	136,724	155,957	155,957	199,340	27.82
SHRIMP	4,856	7,382	14,889	53,131	63,639	63,639	87,691	37.79
LOBSTER	35,055	32,799	47,248	58,229	63,562	63,562	74,334	16.95
OTHER SEAFOOD	27,951	20,770	20,306	21,123	20,383	20,383	28,300	38.84
TUNA	1,716	608	1,908	4,147	8,773	8,773	9,015	7.67
GROUND FISH	0	0	27	93	0	0	0	-
SALMON WHOLE/EVIS	0	0	22	0	0	0	0	-
AGRICULTURAL TOTAL	1,471,124	1,224,335	1,481,852	1,444,231	999,076	999,076	1,151,743	15.28
AG, FISH, FOREST TOTAL	1,947,846	1,689,254	2,109,359	1,845,558	1,795,495	1,795,495	2,137,805	19.06

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
BRAZIL BULK	254,779	214,061	28,915	67,218	15,207	15,207	140,202	821.96
WHEAT	446	25	10,939	4,431	9,928	9,928	95,763	864.57
COTTON	88,328	45,655	6,350	52,670	3,543	3,543	25,750	626.79
OTHER BULK	1,760	1,514	1,713	1,215	1,078	1,078	1,602	48.61
RICE	2,459	139,894	1,108	789	378	378	6,581	1641.01
PULSES	2,343	7,552	385	230	118	118	89	-24.58
TOBACCO	180	19	13	1,788	90	90	4,535	4938.89
PEANUTS	339	306	121	53	72	72	20	-72.22
COARSE GRAINS	983	10,624	1,655	6,041	0	0	5,795	-
SOYBEANS	157,942	8,471	6,630	0	0	0	67	-
INTERMEDIATE	116,968	130,957	100,116	108,277	136,031	136,031	128,240	-5.73
OTHER INTERMEDIATE	61,173	63,232	47,448	55,225	70,786	70,786	64,422	-8.99
SUGAR, SWEETENER, BASES	12,215	17,416	16,595	20,476	21,358	21,358	13,609	-36.28
FEEDS & FODDERS	7,233	11,546	9,718	11,508	15,985	15,985	17,215	7.69
LIVE ANIMALS	12,613	9,923	9,730	7,557	8,206	8,206	10,542	28.47
HIDES & SKINS	1,654	4,213	2,113	3,286	6,630	6,630	7,757	17.00
PLANTING SEEDS	8,498	8,479	8,152	5,964	6,525	6,525	9,097	39.42
VEGETABLE OILS (EX SOY)	12,765	10,755	5,915	4,010	6,178	6,178	5,437	-11.99
ANIMAL FATS	407	5,392	412	250	232	232	125	-46.12
SOYBEAN OIL	71	9	0	0	131	131	33	-74.81
SOYBEAN MEAL	341	0	33	0	0	0	4	-
CONSUMER-ORIENTED	160,040	140,822	82,879	87,659	69,827	69,827	60,672	-13.11
OTHER CONSUMER ORIENTED	22,545	23,113	29,857	27,767	21,641	21,641	17,222	-20.42
DAIRY PRODUCTS	10,705	10,569	8,938	14,269	8,766	8,766	6,188	-29.41
PROCESSED FRUIT & VEG	28,934	16,480	6,177	7,338	7,917	7,917	9,227	16.55
FRUIT & VEG JUICES	1,414	1,140	1,169	1,490	6,720	6,720	4,810	-28.42
PET FOODS	25,163	9,476	6,444	6,518	6,245	6,245	4,201	-32.73
SNACK FOODS	17,247	30,133	9,786	9,388	5,031	5,031	8,578	70.50
TREE NUTS	10,344	8,568	5,825	4,492	2,581	2,581	1,293	-49.90
EGGS & PRODUCTS	1,665	1,320	1,460	2,274	2,220	2,220	3,603	62.30
BREAKFAST CEREALS	3,060	4,511	791	714	2,208	2,208	225	-89.81
WINE AND BEER	6,794	2,153	1,596	1,963	2,054	2,054	1,038	-49.46
POULTRY MEAT	1,639	1,359	1,678	1,587	1,735	1,735	992	-42.82
FRESH FRUIT	13,749	10,670	3,079	4,000	1,380	1,380	1,273	-7.75
RED MEATS, PREP/PRES	318	1,034	1,533	341	509	509	1,416	178.19
RED MEATS, FR/CH/FR	15,935	18,930	3,646	4,342	393	393	141	-64.12
NURSERY PRODUCTS	365	809	306	114	225	225	449	99.56
FRESH VEGETABLES	763	557	595	1,061	200	200	14	-93.00
FOREST PRODUCTS	12,150	8,395	5,278	5,613	4,648	4,648	5,004	7.66
OTHER WOOD PRODUCTS	9,244	6,088	3,257	3,406	2,839	2,839	1,511	-46.78
PANEL/PLYWOOD PRODUCTS	2,770	872	1,326	1,232	1,199	1,199	2,893	141.28
HARDWOOD LUMBER	83	784	516	659	436	436	282	-35.32
LOGS AND CHIPS	52	629	106	316	155	155	292	88.39
SOFT/TREATED LUMBER	0	22	74	0	19	19	27	42.11
SEAFOOD PRODUCTS	4,448	5,124	3,021	3,227	4,905	4,905	2,395	-51.17
OTHER SEAFOOD	3,845	4,647	2,674	2,469	4,720	4,720	2,305	-51.14
SURIMI (FISH PASTE)	108	335	161	419	112	112	0	-
ROE/URCHIN/FISH EGGS	15	71	82	226	60	60	52	-13.33
SALMON CANNED	0	10	17	0	13	13	21	61.54
CRAF & MEAT	77	37	0	38	0	0	16	-
SALMON WHOLE/EVIS	3	24	87	75	0	0	0	-
AGRICULTURAL TOTAL	531,787	485,840	211,910	263,153	221,065	221,065	329,113	48.88
AG.FISH,FOREST TOTAL	547,985	499,359	220,209	271,993	230,619	230,619	336,512	45.92

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FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
EUROPEAN UNION-15 BULK	207,614	194,043	223,484	131,392	164,163	164,163	198,668 21.01
COARSE GRAINS	45,707	61,175	42,771	22,617	64,225	64,225	84,126 30.99
TOBACCO	87,700	68,721	56,834	58,396	47,295	47,295	48,937 3.47
TEA, INCL HERB	30,220	25,037	23,186	27,284	28,547	28,547	30,648 7.36
RAW COFFEE	15,212	9,571	4,692	3,538	7,172	7,172	3,274 -54.35
OTHER BULK	12,717	16,715	77,750	8,933	6,863	6,863	7,102 3.48
RICE	6,878	5,774	5,414	4,845	4,964	4,964	4,706 -5.20
RUBBER/ALLIED PROD	4,423	4,883	5,871	3,990	4,868	4,868	7,266 49.26
WHEAT	270	328	121	121	136	136	11,825 8594.85
RAW BEET/CANE SUGAR	50	59	2	3	57	57	59 3.51
COCOA BEANS	4,437	1,781	6,844	1,665	36	36	715 1886.11
INTERMEDIATE	1,371,439	1,392,601	1,326,721	1,414,967	1,369,701	1,369,701	1,460,325 6.62
OTHER INTERMEDIATE	492,824	550,621	452,584	408,290	406,010	406,010	404,663 -0.33
OTHER VEG OIL	423,052	363,642	343,916	440,407	393,098	393,098	483,955 23.11
LIVE ANIMALS	89,590	136,816	168,365	209,920	215,435	215,435	170,325 -20.94
COCOA PASTE/BUTTER	86,995	88,997	87,923	91,549	106,776	106,776	148,851 39.40
ESSENTIAL OILS	141,817	134,866	139,219	105,793	102,244	102,244	112,452 9.98
PLANTING SEEDS	57,068	53,530	67,108	67,585	66,585	66,585	68,583 3.00
FEDS & FODDERS	31,775	26,895	37,271	52,721	40,774	40,774	29,955 -26.53
HIDES & SKINS	41,248	32,276	24,055	27,618	31,615	31,615	30,883 -2.32
SUGAR/SWEETEN/BASES	6,520	4,200	5,750	10,661	6,985	6,985	9,294 33.06
TROPICAL OILS	551	699	530	424	180	180	1,364 657.78
CONSUMER-ORIENTED	5,407,468	5,800,144	6,389,597	6,520,059	6,401,900	6,401,900	6,987,329 9.14
WINE AND BEER	2,210,316	2,442,331	2,771,353	2,817,512	2,809,032	2,809,032	3,216,137 14.49
SNACK FOODS	581,444	670,200	734,315	757,511	759,824	759,824	776,473 2.19
OTHER CONSUMER	496,182	526,531	601,900	643,065	671,895	671,895	746,438 11.09
CHEESE	365,090	387,432	438,314	425,195	457,547	457,547	491,751 7.48
PROCESSED FRUIT/VEG	385,193	406,382	465,337	451,848	446,600	446,600	499,630 11.87
OTHER DAIRY PRODUCT	267,934	287,553	297,864	340,288	291,283	291,283	281,001 -3.53
NURSERY PRODUCTS	228,870	247,505	250,588	251,662	244,013	244,013	241,219 -1.15
RED MEATS FR/CH/FR	131,121	130,655	129,902	167,592	155,010	155,010	148,520 -4.19
ROAST/INSTANT COFFEE	231,004	203,897	184,492	167,269	139,793	139,793	145,914 4.38
FRESH VEGETABLES	134,718	167,999	149,330	131,635	136,919	136,919	145,105 5.98
RED MEATS PREP/PRES	126,019	117,103	107,544	108,563	91,827	91,827	95,595 4.40
OTHER FRESH FRUIT	33,196	56,195	122,836	115,583	90,171	90,171	86,120 -4.49
FRUIT/VEG JUICES	139,676	103,642	85,749	93,214	60,130	60,130	60,838 1.18
SPICES	38,780	41,792	37,807	37,955	36,196	36,196	40,289 11.31
TREE NUTS	17,925	10,926	12,266	11,197	11,659	11,659	12,299 5.49
FOREST PRODUCTS	469,546	556,706	618,095	780,186	887,541	887,541	1,197,454 34.92
OTHER WOOD PRODUCT	233,802	268,700	301,748	342,755	335,451	335,451	383,475 14.32
PANEL/PL WOOD PROD	204,609	236,299	215,591	280,557	326,265	326,265	430,275 31.88
SOFT/TREATED LUMBER	26,344	48,186	94,564	144,110	215,140	215,140	367,862 70.99
HARDWOOD LUMBER	3,414	3,576	3,894	6,543	6,376	6,376	11,313 77.43
LOGS AND CHIPS	1,377	1,946	2,299	6,220	4,309	4,309	4,528 5.08
SEAFOOD PRODUCTS	118,120	137,817	175,559	168,112	134,282	134,282	147,793 10.20
OTHER SEAFOOD	72,956	75,705	95,310	88,185	81,968	81,968	95,257 16.21
GROUNDFISH	26,063	30,611	31,836	32,611	22,428	22,428	21,299 -5.03
SALMON WHOLE/EVIS	14,759	21,996	42,612	38,853	20,027	20,027	20,091 0.32
TUNA	2,046	8,194	4,810	5,896	7,821	7,821	9,623 23.04
SHRIMP	1,414	1,005	718	2,221	1,930	1,930	1,424 -26.22
LOBSTER	882	306	273	347	109	109	279 155.96
AGRICULTURAL TOTAL	6,986,521	7,386,789	7,939,803	8,066,448	7,935,764	7,935,764	8,646,313 8.95
AG.FISH.FOREST TOTAL	7,574,187	8,081,312	8,733,458	9,014,747	8,957,587	8,957,587	9,991,740 11.54

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
EUROPEAN UNION-15 BULK	3,898,708	3,055,144	2,372,998	2,338,512	2,392,353	2,392,353	2,288,335 -4.35
SOYBEANS	2,301,319	1,534,014	1,032,860	1,154,675	1,154,857	1,154,857	1,153,828 -0.09
TOBACCO	659,492	684,495	667,189	548,656	634,788	634,788	473,472 -25.41
WHEAT	196,276	207,806	203,621	175,333	225,641	225,641	221,627 -1.78
OTHER BULK	95,932	142,740	110,086	86,508	112,784	112,784	124,568 10.45
RICE	121,824	143,189	123,715	107,168	74,458	74,458	71,664 -3.75
PULSES	79,863	78,097	75,846	58,081	61,823	61,823	54,137 -12.43
PEANUTS	114,678	86,539	81,051	101,918	60,350	60,350	105,989 75.62
COTTON	115,844	115,001	50,992	73,989	55,312	55,312	70,503 27.46
COARSE GRAINS	213,473	63,262	27,638	32,184	12,341	12,341	12,546 1.66
INTERMEDIATE	2,494,546	2,277,464	1,772,274	1,794,937	1,864,280	1,864,280	1,706,092 -8.49
FEEDS & FODDERS	863,192	635,356	585,278	548,551	538,971	538,971	509,724 -5.43
OTHER INTERMEDIATE	510,397	479,842	444,018	468,951	493,734	493,734	454,102 -8.63
LIVE ANIMALS	126,076	168,807	121,142	203,303	219,833	219,833	138,645 -36.93
PLANTING SEEDS	239,018	294,207	249,280	170,952	173,705	173,705	192,622 10.89
HIDES & SKINS	123,949	161,358	97,208	117,563	141,244	141,244	132,658 -6.08
SOYBEAN MEAL	424,410	283,278	71,598	59,281	117,882	117,882	73,238 -37.87
VEGETABLE OILS (EX SOY)	142,013	147,974	107,833	104,521	102,246	102,246	105,752 3.43
SUGAR, SWEETENER, BASES	61,913	36,867	48,295	86,274	39,763	39,763	64,843 63.07
ANIMAL FATS	58,037	56,555	32,059	23,536	21,516	21,516	11,504 -46.53
SOYBEAN OIL	3,684	11,902	10,764	10,945	10,052	10,052	5,671 -43.58
WHEAT FLOUR	1,857	1,307	4,799	4,059	5,335	5,335	17,335 224.93
CONSUMER-ORIENTED	2,487,587	2,516,536	2,267,936	2,110,141	2,147,324	2,147,324	2,150,115 0.13
TREE NUTS	626,423	643,036	500,443	505,864	533,023	533,023	629,167 18.04
WINE AND BEER	234,618	303,085	314,680	301,779	329,957	329,957	310,908 -5.77
PROCESSED FRUIT & VEG	347,771	354,504	359,135	281,810	301,391	301,391	261,405 -13.27
OTHER CONSUMER ORIENTED	334,731	289,922	283,839	278,146	296,889	296,889	287,808 -3.06
FRUIT & VEG JUICES	149,731	148,113	179,354	156,208	131,716	131,716	150,324 14.13
FRESH FRUIT	170,134	166,175	159,492	147,017	130,053	130,053	131,418 1.05
PET FOODS	193,190	174,621	116,769	94,508	85,379	85,379	74,976 -12.18
SNACK FOODS	116,944	112,777	86,865	69,370	72,132	72,132	73,294 1.61
NURSERY PRODUCTS	72,597	76,295	72,936	63,498	66,067	66,067	65,467 -0.91
RED MEATS, FR/CH/FR	100,617	104,228	78,761	63,077	64,760	64,760	45,635 -29.53
DAIRY PRODUCTS	30,438	34,108	31,146	41,748	43,772	43,772	36,701 -16.15
EGGS & PRODUCTS	20,041	19,817	16,418	24,325	29,504	29,504	27,246 -7.65
FRESH VEGETABLES	32,362	36,322	32,292	30,601	26,303	26,303	27,744 5.48
POULTRY MEAT	40,186	38,119	22,400	30,387	25,631	25,631	16,914 -34.01
BREAKFAST CEREALS	12,108	9,084	7,235	9,267	8,154	8,154	9,306 14.13
RED MEATS, PREP/PRES	5,695	6,321	6,160	2,534	2,592	2,592	1,804 -30.40
FOREST PRODUCTS	1,442,139	1,265,970	1,207,532	1,252,344	1,011,909	1,011,909	909,064 -10.16
HARDWOOD LUMBER	557,203	514,164	506,137	520,964	437,555	437,555	398,588 -8.91
PANEL/PLYWOOD PRODUCTS	478,264	319,880	261,385	264,981	225,249	225,249	194,100 -13.83
OTHER WOOD PRODUCTS	153,134	176,839	188,021	213,017	143,801	143,801	139,649 -2.89
LOGS AND CHIPS	74,476	89,029	91,204	126,752	130,469	130,469	115,106 -11.78
SOFT/TREATED LUMBER	179,062	166,057	160,785	126,630	74,835	74,835	61,622 -17.66
SEAFOOD PRODUCTS	347,341	378,584	452,236	408,275	537,591	537,591	559,495 4.07
OTHER SEAFOOD	216,495	246,180	265,077	260,776	373,178	373,178	408,864 9.56
SALMON CANNED	81,512	79,887	116,093	68,082	81,376	81,376	72,369 -11.07
SALMON WHOLE/EVIS	34,387	33,529	42,105	51,025	44,207	44,207	37,634 -14.87
SURIMI (FISH PASTE)	7,209	8,053	11,519	13,065	24,339	24,339	23,303 -5.04
ROE/URCHIN/FISH EGGS	6,506	8,958	15,142	11,498	12,673	12,673	16,395 29.37
CRAB & MEAT	1,233	1,977	2,300	3,229	1,616	1,616	931 -42.39
AGRICULTURAL TOTAL	8,880,841	7,849,143	6,413,207	6,243,590	6,403,957	6,403,957	6,144,542 -4.05
AG, FISH, FOREST TOTAL	16,670,321	9,493,698	8,072,975	7,904,209	7,953,457	7,953,457	7,613,101 -4.28

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS				JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2002	%CHNG
AUSTRALIA BULK	66,376	77,116	72,342	74,001	84,557	84,557	83,467 -1.29
OTHER BULK	5,117	13,597	32,901	40,997	40,395	40,395	34,027 -15.76
RAW BEET/CANE SUGAR	57,213	63,228	32,693	32,964	34,809	34,809	36,689 5.40
RICE	0	140	2,300	0	9,100	9,100	12,293 35.09
RAW COFFEE	0	6	0	13	97	97	25 -74.23
TEA, INCL HERB	17	98	45	0	91	91	332 264.84
WHEAT	1	0	0	0	63	63	0 --
RUBBER/ALLIED PROD	28	48	31	27	3	3	39 1200.00
COARSE GRAINS	0	0	4,367	0	0	0	0 --
TOBACCO	0	0	5	0	0	0	62 --
INTERMEDIATE	207,486	199,462	231,668	247,064	162,421	162,421	119,867 -26.20
OTHER INTERMEDIATE	161,164	153,413	119,872	131,917	121,223	121,223	97,585 -19.50
LIVE ANIMALS	1,191	18,791	95,490	95,785	23,112	23,112	5,992 -74.07
PLANTING SEEDS	7,966	8,841	5,536	6,281	6,019	6,019	4,613 -23.36
SUGAR/SWEETEN/BASES	29,736	11,513	3,875	4,134	4,288	4,288	6,217 44.99
ESSENTIAL OILS	5,144	4,850	4,853	5,534	3,547	3,547	2,753 -22.39
OTHER VEG OIL	879	1,001	149	784	1,860	1,860	1,992 7.10
FEEDS & FODDERS	390	290	1,730	2,333	1,679	1,679	266 -84.16
HIDES & SKINS	1,016	763	163	293	686	686	426 -37.90
TROPICAL OILS	0	0	0	0	6	6	23 283.33
CONSUMER-ORIENTED	682,118	859,938	972,551	1,271,278	1,510,356	1,510,356	1,690,685 11.94
RED MEATS FR/CH/FR	447,318	572,669	621,833	820,437	1,023,579	1,023,579	1,071,381 4.67
WINE AND BEER	124,281	150,652	204,047	282,035	345,834	345,834	458,597 32.61
OTHER DAIRY PRODUCT	22,472	34,061	48,651	52,114	42,660	42,660	54,344 27.39
OTHER FRESH FRUIT	23,120	32,901	29,881	34,100	25,185	25,185	28,447 12.95
CHEESE	16,178	17,177	18,679	17,140	18,882	18,882	19,446 2.99
OTHER CONSUMER	9,784	11,543	9,398	18,054	17,567	17,567	23,160 33.36
TREE NUTS	14,683	19,111	19,408	22,878	13,452	13,452	9,202 -31.59
SNACK FOODS	3,132	2,485	3,633	10,003	8,233	8,233	9,108 10.63
PROCESSED FRUIT/VEG	13,193	8,585	8,124	5,140	6,255	6,255	6,707 7.23
SPICES	2,963	2,779	3,001	3,165	2,926	2,926	2,402 -17.91
FRUIT/VEG JUICES	2,570	4,275	2,766	2,083	2,803	2,803	3,260 16.30
RED MEATS PREP/PRES	943	2,979	2,445	3,305	2,624	2,624	4,289 63.45
FRUIT/VEG JUICES	1,472	508	619	776	491	491	307 -37.47
FRESH VEGETABLES	7	213	45	49	63	63	31 -50.79
ROAST/INSTANT COFFEE	0	0	0	0	2	2	5 150.00
FOREST PRODUCTS	7,865	8,055	12,162	15,853	16,943	16,943	14,668 -13.43
OTHER WOOD PRODUCT	3,072	3,918	4,892	8,028	8,327	8,327	8,023 -3.65
PANEL/PLYWOOD PROD	2,340	2,210	5,685	5,505	5,209	5,209	3,897 -25.19
LOGS AND CHIPS	27	34	113	1,364	1,822	1,822	766 -57.96
HARDWOOD LUMBER	774	962	1,143	736	824	824	919 11.33
SOFT/TREATED LUMBER	1,652	931	330	202	761	761	1,063 39.68
SEAFOOD PRODUCTS	53,986	77,949	80,531	88,475	70,058	70,058	76,127 8.66
LOBSTER	36,230	40,965	43,920	60,489	40,735	40,735	46,804 14.90
OTHER SEAFOOD	17,276	28,845	34,463	25,484	22,131	22,131	24,524 10.81
SHRIMP	135	210	203	1,177	3,673	3,673	1,859 -49.39
TUNA	344	7,929	1,918	1,332	3,351	3,351	2,884 -13.94
SALMON WHOLE/EVIS	0	0	0	51	164	164	56 -65.83
GROUND FISH	0	0	27	2	3	3	0 --
AGRICULTURAL TOTAL	955,979	1,136,516	1,276,562	1,592,344	1,757,333	1,757,333	1,894,019 7.78
AG.FISH,FOREST TOTAL	1,017,830	1,222,520	1,369,255	1,696,672	1,844,334	1,844,334	1,984,814 7.62

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

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 UNITED STATES DEPARTMENT OF AGRICULTURE
 FOREIGN AGRICULTURAL SERVICE
 BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS		
	1997	1998	1999	2000	2001	2001	2002	%CHNG
AUSTRALIA BULK	43,385	32,166	22,882	20,336	15,899	15,899	32,203	102.55
TOBACCO	11,882	16,328	11,032	10,210	7,201	7,201	15,056	109.08
OTHER BULK	4,339	4,350	3,559	6,885	5,306	5,306	4,932	-7.05
PULSES	3,260	3,381	2,907	1,999	2,504	2,504	2,612	4.31
RICE	1,236	728	1,072	690	806	806	492	-38.96
COTTON	1,207	292	653	336	63	63	319	406.35
SOYBEANS	20,742	6,727	3,438	86	10	10	2,833	28230.00
COARSE GRAINS	468	337	110	121	10	10	5,878	58680.00
PEANUTS	24	14	110	5	0	0	82	--
WHEAT	207	10	0	5	0	0	0	--
INTERMEDIATE	155,284	134,688	137,681	125,922	130,009	130,009	157,787	21.37
OTHER INTERMEDIATE	53,340	62,233	60,375	56,512	61,653	61,653	64,526	4.66
SOYBEAN MEAL	42,768	28,187	33,020	34,145	30,661	30,661	48,473	58.09
FEEDS & FODDERS	9,458	4,400	5,255	8,603	9,775	9,775	6,863	-29.79
PLANTING SEEDS	11,621	12,605	12,782	9,612	9,512	9,512	9,023	-5.14
LIVE ANIMALS	5,869	10,247	14,927	7,488	6,939	6,939	6,653	-4.12
SUGAR, SWEETENER, BASES	25,634	6,531	5,862	4,962	6,663	6,663	17,765	166.64
VEGETABLE OILS (EX SOY)	5,869	5,663	5,110	4,517	4,496	4,496	4,115	-8.47
HIDES & SKINS	436	38	198	30	193	193	266	37.82
ANIMAL FATS	248	1,056	119	45	111	111	4	-96.40
WHEAT FLOUR	14	648	34	8	6	6	50	733.33
SOYBEAN OIL	26	3,079	0	0	0	0	48	--
CONSUMER-ORIENTED	154,408	162,543	158,774	170,603	143,685	143,685	148,010	3.01
PROCESSED FRUIT & VEG	35,033	35,839	37,146	42,747	35,152	35,152	30,299	-13.81
OTHER CONSUMER ORIENTED	25,136	25,269	29,327	26,167	28,323	28,323	28,285	-0.13
SNACK FOODS	31,921	38,347	33,442	38,621	17,946	17,946	12,238	-31.81
PET FOODS	10,403	6,849	10,185	13,166	14,872	14,872	15,196	2.18
DAIRY PRODUCTS	3,733	4,119	2,408	8,133	11,229	11,229	13,040	16.13
FRESH FRUIT	9,160	12,464	6,742	9,745	10,311	10,311	16,456	59.60
TREE NUTS	18,479	13,406	11,985	11,426	9,413	9,413	14,905	58.34
RED MEATS, PREP/PRES	3,756	4,957	4,548	4,399	5,460	5,460	4,968	-9.01
FRUIT & VEG JUICES	3,035	6,734	7,457	3,356	4,184	4,184	4,206	0.53
WINE AND BEER	2,848	3,709	2,877	2,070	2,169	2,169	2,385	9.96
FRESH VEGETABLES	3,685	2,905	3,127	2,077	2,072	2,072	2,102	1.45
BREAKFAST CEREALS	6,201	6,445	4,797	2,884	1,410	1,410	1,659	17.66
RED MEATS, FR/CH/FR	579	791	2,820	3,903	416	416	1,565	276.20
POULTRY MEAT	97	111	430	1,589	414	414	375	-9.42
EGGS & PRODUCTS	91	108	135	185	188	188	243	29.26
NURSERY PRODUCTS	251	491	348	123	126	126	89	-29.37
FOREST PRODUCTS	55,406	41,102	44,370	48,731	36,180	36,180	33,451	-7.54
OTHER WOOD PRODUCTS	14,883	17,652	17,928	21,593	20,357	20,357	18,645	-8.41
PANEL/PLYWOOD PRODUCTS	4,343	2,983	9,517	13,069	6,301	6,301	5,694	-9.63
HARDWOOD LUMBER	9,935	8,660	7,940	5,401	4,500	4,500	5,288	17.51
SOFT/TREATED LUMBER	25,543	10,939	7,635	7,133	3,319	3,319	2,500	-24.68
LOGS AND CHIPS	703	867	1,350	1,535	1,702	1,702	1,323	-22.27
SEAFOOD PRODUCTS	28,183	28,747	36,629	34,818	29,893	29,893	28,503	-4.65
OTHER SEAFOOD	8,755	12,889	19,221	20,143	15,200	15,200	14,897	-1.99
SALMON CANNED	18,469	15,326	16,824	14,031	14,557	14,557	12,893	-11.43
SURIMI (FISH PASTE)	925	470	257	63	79	79	468	416.46
ROE/URCHIN/FISH EGGS	135	62	154	578	31	31	30	-3.23
CRAB & MEAT	0	0	174	3	27	27	11	-59.26
SALMON WHOLE/EVIS	0	0	0	0	0	0	264	--
AGRICULTURAL TOTAL	353,077	329,397	319,337	316,861	289,594	289,594	338,000	16.72
AG, FISH, FOREST TOTAL	436,766	399,245	400,336	400,411	355,667	355,667	399,954	12.45

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 UNITED STATES DEPARTMENT OF AGRICULTURE
 FOREIGN AGRICULTURAL SERVICE
 BICO EXPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %
FREE TRADE AREA AMER BULK	5,099,202	5,539,817	4,545,336	4,808,398	5,208,388	5,208,388	5,605,035
COARSE GRAINS	1,303,282	1,646,230	1,694,000	1,741,514	1,969,732	1,969,732	2,089,023
SOYBEANS	1,483,566	914,796	810,441	842,231	994,049	994,049	1,055,875
WHEAT	665,698	671,865	715,360	615,145	749,221	749,221	1,015,938
COTTON	749,424	1,046,133	420,071	768,298	719,187	719,187	555,268
RICE	400,181	679,029	363,554	330,885	306,684	306,684	349,177
OTHER BULK	162,334	160,803	180,200	208,880	210,671	210,671	230,006
PULSES	86,086	186,043	120,122	81,680	94,560	94,560	100,187
TOBACCO	141,292	139,929	148,246	116,724	93,766	93,766	104,209
PEANUTS	105,338	94,987	93,343	103,041	70,517	70,517	85,332
INTERMEDIATE	4,197,908	4,345,231	3,982,814	3,983,359	4,292,809	4,292,809	4,569,980
OTHER INTERMEDIATE	923,228	978,293	1,017,587	1,059,042	1,222,109	1,222,109	1,441,196
SOYBEAN MEAL	659,823	556,845	494,622	466,352	509,283	509,283	545,352
FEEDS & FODDERS	349,175	397,058	354,403	403,711	491,675	491,675	439,913
PLANTING SEEDS	347,449	336,097	323,867	341,195	394,819	394,819	463,041
LIVE ANIMALS	337,235	300,189	307,524	402,666	393,573	393,573	284,966
SUGAR, SWEETENER, BASES	342,859	394,412	360,037	347,638	371,488	371,488	294,771
VEGETABLE OILS (EX SOY)	376,672	432,502	377,763	343,429	296,556	296,556	295,141
HIDES & SKINS	308,913	287,427	256,017	243,160	242,248	242,248	225,967
ANIMAL FATS	309,350	379,426	265,930	212,509	218,720	218,720	315,422
SOYBEAN OIL	169,484	215,941	171,205	129,759	126,781	126,781	231,282
WHEAT FLOUR	74,620	67,042	69,439	13,869	25,537	25,537	32,929
CONSUMER-ORIENTED	7,523,987	8,179,205	8,297,641	9,210,958	10,107,048	10,107,048	9,926,921
RED MEATS, FR/CH/FR	914,444	1,035,304	1,066,040	1,264,991	1,464,850	1,464,850	1,509,856
OTHER CONSUMER ORIENTED	1,022,769	1,176,029	1,276,384	1,276,742	1,299,963	1,299,963	1,346,930
SNACK FOODS	797,079	852,036	863,557	979,950	1,153,296	1,153,296	998,703
FRESH FRUIT	808,235	791,849	828,870	935,860	981,839	981,839	1,019,019
FRESH VEGETABLES	801,593	825,273	817,597	949,796	962,907	962,907	1,035,152
PROCESSED FRUIT & VEG	656,982	726,911	700,425	811,692	887,286	887,286	943,686
POULTRY MEAT	527,568	586,999	531,565	583,152	638,494	638,494	546,064
DAIRY PRODUCTS	411,088	464,312	467,019	523,026	610,490	610,490	550,792
PET FOODS	310,828	324,937	322,271	397,371	529,761	529,761	369,659
FRUIT & VEG JUICES	299,680	324,027	352,966	358,028	353,464	353,464	358,371
BREAKFAST CEREALS	219,461	252,795	254,575	265,562	301,144	301,144	320,602
RED MEATS, PREP/PRES	163,148	186,834	194,528	224,704	251,431	251,431	270,706
WINE AND BEER	192,256	189,113	201,019	209,862	222,779	222,779	210,167
TREE NUTS	140,778	150,019	167,531	180,507	180,902	180,902	180,546
NURSERY PRODUCTS	146,804	151,630	157,756	158,660	161,654	161,654	152,572
EGGS & PRODUCTS	111,272	141,136	94,732	91,056	106,829	106,829	114,127
FOREST PRODUCTS	2,173,863	2,214,896	2,390,696	2,567,515	2,230,981	2,230,981	2,241,566
OTHER WOOD PRODUCTS	692,431	769,269	766,206	798,126	703,447	703,447	666,030
PANEL/PLYWOOD PRODUCTS	448,371	442,320	516,261	573,923	506,798	506,798	550,593
HARDWOOD LUMBER	406,608	393,648	457,223	499,981	416,262	416,262	430,872
LOGS AND CHIPS	294,347	329,483	344,308	387,895	367,864	367,864	375,425
SOFT/TREATED LUMBER	330,106	279,775	306,697	307,589	236,610	236,610	218,250
SEAFOOD PRODUCTS	490,488	517,054	648,202	681,197	702,941	702,941	667,425
OTHER SEAFOOD	380,583	387,877	485,576	505,637	549,171	549,171	545,044
SALMON WHOLE/EVIS	50,037	53,979	75,571	82,577	62,944	62,944	40,364
SALMON CANNED	30,107	43,841	54,782	54,994	53,527	53,527	45,140
CRAB & MEAT	18,777	24,549	26,509	31,145	31,654	31,654	29,779
ROE/URCHIN/FISH EGGS	9,117	5,018	3,376	4,830	4,545	4,545	5,270
SURIMI (FISH PASTE)	1,868	1,790	2,387	2,015	1,101	1,101	1,828
AGRICULTURAL TOTAL	16,821,097	18,064,253	16,825,790	18,002,715	19,608,245	19,608,245	20,101,936
AG.FISH.FOREST TOTAL	19,485,448	20,796,202	19,864,688	21,251,427	22,542,167	22,542,167	23,019,928

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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
BICO EXPORT COMMODITY AGGREGATIONS

COMMODITIES EXPORTED AND AREA/COUNTRIES OF DESTINATION		JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
		1997	1998	1999	2000	2001	2001	2002 %CHNG
BULK	FREE TRADE AREA AMER	5,099,202	5,539,817	4,545,336	4,808,398	5,208,388	5,208,388	5,605,035 7.62
	MEXICO	2,266,051	2,834,183	2,310,173	2,555,759	2,799,154	2,799,154	2,752,383 -1.67
	CANADA	535,351	498,870	481,866	554,829	747,502	747,902	881,922 17.92
	COLOMBIA	296,169	309,496	272,642	275,411	285,676	285,676	361,505 26.58
	DOMINICAN REPUBLIC	285,242	259,001	294,106	272,328	251,260	251,260	248,633 -1.05
	VENEZUELA	337,577	255,542	184,382	203,047	193,867	193,867	172,441 -11.05
	PERU	104,694	236,890	168,793	83,856	135,004	135,004	126,667 -6.18
	COSTA RICA	137,167	132,937	105,274	115,764	118,726	118,726	146,066 23.03
	EL SALVADOR	109,911	116,264	76,624	92,510	113,488	113,488	85,096 -25.02
	GUATEMALA	96,792	113,440	71,810	91,207	94,579	94,579	136,793 44.63
	HAITI	76,656	79,905	93,568	93,183	83,247	83,247	94,654 13.70
	HONDURAS	65,061	70,509	65,117	75,004	71,772	71,772	82,726 15.26
	ECUADOR	94,395	103,505	52,610	65,127	53,867	53,867	85,244 58.25
	JAMAICA	69,324	59,253	58,841	54,432	50,447	50,447	58,965 16.89
	NICARAGUA	31,594	38,964	46,045	27,720	48,536	48,536	39,334 -18.96
	TRINIDAD AND TOBAGO	59,244	48,814	42,402	45,448	47,730	47,730	54,988 15.21
	PANAMA	54,092	64,502	49,882	46,324	46,480	46,480	51,915 11.69
	BRAZIL	254,779	214,061	28,915	67,218	15,207	15,207	140,202 821.96
	BARBADOS	18,054	14,853	14,095	13,237	12,782	12,782	13,179 3.11
	BAHAMAS, THE	5,665	9,022	11,460	11,146	9,933	9,933	9,518 -4.18
	GUYANA	10,237	5,659	9,476	9,869	7,956	7,956	9,888 24.28
	CHILE	41,467	44,779	88,228	38,962	6,927	6,927	33,093 377.74
	SURINAME	4,229	3,765	4,347	5,052	4,938	4,938	4,344 -12.03
	BELIZE	2,632	2,874	2,376	2,946	3,813	3,813	4,313 13.11
	BOLIVIA	13,578	8,220	7,158	2,238	2,953	2,953	7,814 164.61
	ARGENTINA	128,854	14,027	2,902	5,289	1,870	1,870	2,850 52.41
	URUGUAY	310	372	524	527	184	184	332 80.43
	PARAGUAY	78	110	120	25	90	90	69 -23.33
INTERMEDIATE	FREE TRADE AREA AMER	4,197,908	4,345,231	3,982,814	3,983,369	4,292,809	4,292,809	4,569,980 6.46
	CANADA	1,385,695	1,378,635	1,417,073	1,588,205	1,675,451	1,675,451	1,682,651 0.42
	MEXICO	1,330,045	1,423,065	1,286,581	1,250,665	1,360,386	1,360,386	1,680,585 23.54
	DOMINICAN REPUBLIC	153,655	130,138	135,809	134,545	149,019	149,019	163,682 9.84
	BRAZIL	116,968	130,957	100,116	108,277	136,031	136,031	128,240 -5.73
	VENEZUELA	174,083	174,733	138,232	119,439	115,287	115,287	109,469 -5.05
	COLOMBIA	155,768	179,944	103,144	79,485	101,332	101,332	96,040 -5.22
	GUATEMALA	82,597	99,366	95,807	82,868	97,464	97,464	102,670 5.34
	EL SALVADOR	100,199	99,936	86,205	80,147	87,276	87,276	93,329 6.94
	HONDURAS	56,242	60,490	64,323	65,539	69,248	69,248	54,997 -20.58
	ARGENTINA	147,242	122,365	81,553	77,459	69,048	69,048	34,600 -49.89
	PERU	55,236	96,471	99,974	65,908	55,381	55,381	65,592 18.44
	CHILE	63,159	59,416	55,817	49,674	53,388	53,388	50,105 -6.15
	JAMAICA	46,407	54,447	37,936	41,402	50,471	50,471	52,803 4.62
	HAITI	79,186	85,449	75,262	48,813	44,896	44,896	30,122 -32.91
	PANAMA	46,673	79,594	48,298	43,961	44,143	44,143	50,646 14.73
	ECUADOR	65,385	51,010	31,908	22,608	36,627	36,627	38,617 5.43
	NICARAGUA	21,882	20,468	19,335	26,077	33,294	33,294	24,127 -27.53
	TRINIDAD AND TOBAGO	29,106	30,037	28,696	24,875	26,483	26,483	28,988 9.46
	COSTA RICA	16,420	21,081	24,247	18,714	24,962	24,962	28,335 13.51
	BAHAMAS, THE	16,195	15,364	14,693	17,758	14,858	14,858	15,583 4.80
	BARBADOS	15,301	7,398	7,995	7,946	13,784	13,784	9,228 -37.34
	BELIZE	6,708	6,941	6,592	8,266	9,427	9,427	7,498 -20.46
	URUGUAY	6,611	5,520	4,569	4,003	7,951	7,951	6,358 -20.04
	BOLIVIA	10,542	9,421	8,633	9,049	7,243	7,243	7,933 9.53
	GUYANA	6,294	5,131	4,077	3,153	4,314	4,314	2,246 -47.94
	SURINAME	6,258	5,225	4,006	2,910	3,676	3,676	3,337 -9.22
	PARAGUAY	4,046	1,608	1,432	1,594	1,367	1,367	2,100 53.62
CONSUMER-ORIENTED	FREE TRADE AREA AMER	7,523,987	8,179,205	8,297,641	9,210,958	10,107,048	10,107,048	9,926,921 -1.78
	CANADA	4,858,522	5,115,215	5,158,963	5,497,250	5,698,065	5,698,065	6,089,201 6.86
	MEXICO	1,581,149	1,893,889	2,027,173	2,603,373	3,244,397	3,244,397	2,818,628 -13.12
	BAHAMAS, THE	92,244	84,938	88,848	98,324	102,118	102,118	102,553 0.43

	GUATEMALA	53,250	67,649	85,242	84,082	101,951	101,951	101,687	-0.26
	VENEZUELA	58,549	80,430	94,654	84,052	99,928	99,928	58,966	-40.99
	DOMINICAN REPUBLIC	86,021	104,421	121,641	99,478	97,654	97,654	103,064	5.54
	PANAMA	61,988	82,052	89,360	81,463	86,142	86,142	82,819	-3.86
	JAMAICA	67,532	72,443	69,429	67,292	76,732	76,732	76,940	0.27
	BRAZIL	160,040	140,822	82,879	67,659	69,827	69,827	50,672	-13.11
	COLOMBIA	86,099	95,299	64,429	80,505	65,144	65,144	52,568	-3.95
	HONDURAS	31,923	44,208	53,404	54,604	57,055	57,055	46,022	-19.34
	COSTA RICA	36,491	46,788	49,443	51,144	55,322	55,322	51,180	-7.49
	HAITI	42,213	47,515	47,120	38,142	50,859	50,859	45,207	-11.11
	ARGENTINA	67,924	67,286	60,627	67,252	45,115	45,115	14,530	-67.79
	CHILE	38,422	35,839	25,856	35,906	40,946	40,946	25,291	-38.23
	EL SALVADOR	17,864	27,295	34,809	42,400	40,297	40,297	33,154	-17.73
	TRINIDAD AND TOBAGO	23,089	27,770	29,346	35,494	39,819	39,819	33,801	-15.11
	BARBADOS	15,535	19,835	22,727	19,939	22,668	22,668	17,481	-22.88
	PERU	32,528	28,844	21,841	20,510	22,109	22,109	21,739	-1.67
	NICARAGUA	9,801	13,537	15,296	20,356	20,924	20,924	21,074	0.72
	ECUADOR	30,269	25,378	11,741	13,186	18,769	18,769	18,762	-0.04
	URUGUAY	7,661	6,402	7,168	11,719	14,805	14,805	10,092	-31.87
	SURINAME	13,919	14,160	7,921	8,462	10,133	10,133	9,860	-2.69
	GUYANA	10,962	10,827	8,305	9,429	9,852	9,852	9,611	-2.45
	BELIZE	6,266	7,346	7,242	9,352	7,966	7,966	7,695	-3.43
	BOLIVIA	6,604	11,197	4,045	2,170	5,188	5,188	3,500	-32.54
	PARAGUAY	27,109	7,921	8,132	7,435	3,266	3,266	827	-74.68
FOREST PRODUCTS	FREE TRADE AREA AMER	2,173,863	2,214,896	2,390,696	2,567,515	2,230,981	2,230,981	2,241,566	0.47
	CANADA	1,585,524	1,540,534	1,672,358	1,818,690	1,627,946	1,627,946	1,607,008	3.01
	MEXICO	292,207	367,247	394,741	432,154	373,545	373,545	383,632	2.70
	DOMINICAN REPUBLIC	73,295	75,170	95,946	89,204	56,137	56,137	46,612	-16.97
	BAHAMAS, THE	45,172	53,285	56,434	57,555	40,314	40,314	36,104	-10.44
	JAMAICA	48,442	41,969	40,432	36,124	27,399	27,399	19,573	-28.56
	BARBADOS	18,023	15,925	23,195	19,937	14,518	14,518	11,412	-21.39
	CHILE	11,953	10,108	11,005	17,436	14,411	14,411	8,418	-41.59
	TRINIDAD AND TOBAGO	18,972	19,558	16,313	14,889	10,749	10,749	9,749	-9.30
	VENEZUELA	10,530	10,516	10,702	7,319	10,152	10,152	2,589	-76.47
	EL SALVADOR	6,311	6,195	1,209	4,709	7,753	7,753	6,455	-16.74
	COSTA RICA	5,205	5,354	9,135	9,437	6,768	6,768	3,800	-42.67
	HAITI	8,344	7,550	8,015	5,969	5,601	5,601	4,595	-17.96
	PANAMA	5,058	6,946	7,985	6,704	5,495	5,495	3,912	-28.81
	GUATEMALA	4,326	8,272	6,296	3,435	4,917	4,917	9,083	84.73
	BRAZIL	12,150	8,395	5,278	5,613	4,648	4,648	5,004	7.66
	HONDURAS	3,493	5,479	5,838	4,647	4,451	4,451	4,084	-8.25
	BELIZE	2,308	1,586	1,729	10,357	4,184	4,184	2,166	-48.23
	ARGENTINA	7,981	11,121	6,878	9,258	3,830	3,830	1,285	-66.45
	COLOMBIA	4,584	8,192	6,069	3,539	2,363	2,363	1,879	-20.48
	PERU	4,661	4,995	5,496	6,338	2,246	2,246	1,681	-25.16
	ECUADOR	2,447	2,689	2,605	1,582	1,806	1,806	1,156	-35.99
	NICARAGUA	737	1,203	774	918	773	773	601	-22.25
	URUGUAY	1,179	1,727	1,133	390	356	356	174	-51.12
	GUYANA	213	253	262	394	258	258	367	42.25
	BOLIVIA	268	241	559	656	137	137	191	39.42
	SURINAME	304	271	258	168	119	119	67	-43.70
	PARAGUAY	177	96	38	74	105	105	89	-15.24
SEAFOOD PRODUCTS	FREE TRADE AREA AMER	490,488	517,054	648,102	681,197	702,941	702,941	667,425	-5.05
	CANADA	425,777	436,009	568,919	591,753	575,477	575,477	574,139	-0.23
	MEXICO	32,921	42,583	38,378	50,176	65,074	65,074	64,602	-0.73
	DOMINICAN REPUBLIC	5,867	3,306	5,288	5,371	28,573	28,573	7,872	-72.45
	VENEZUELA	1,362	2,837	2,745	4,661	6,749	6,749	4,205	-37.69
	BRAZIL	4,048	5,124	3,021	3,227	4,905	4,905	2,395	-51.17
	HONDURAS	4,878	3,009	4,701	5,675	3,824	3,824	619	-83.81
	ECUADOR	1,579	4,214	4,779	3,253	3,746	3,746	1,157	-69.11
	BAHAMAS, THE	2,019	2,536	2,658	1,823	3,109	3,109	3,666	17.92
	PANAMA	2,630	3,893	5,230	5,091	2,085	2,085	1,171	-43.84
	COLOMBIA	1,872	3,308	1,266	1,194	1,294	1,294	633	-51.08
	BELIZE	198	485	1,164	1,256	1,289	1,289	577	-55.24
	JAMAICA	2,574	2,926	2,351	743	1,191	1,191	980	-17.72
	COSTA RICA	937	1,213	853	822	1,171	1,171	872	-25.53
	BARBADOS	670	1,338	1,064	1,428	1,058	1,058	843	-20.32
	GUATEMALA	274	814	1,385	1,747	1,006	1,006	1,529	51.99
	URUGUAY	469	952	521	306	427	427	277	-35.13
	ARGENTINA	823	437	1,152	723	422	422	159	-62.32
	CHILE	436	402	559	517	369	369	426	15.45

HAITI	87	177	286	25	348	348	132	-62.07
TRINIDAD AND TOBAGO	434	268	703	915	306	306	566	84.97
EL SALVADOR	118	204	84	178	261	261	200	-23.37
PERU	55	298	835	211	122	122	205	68.03
GUYANA	117	515	33	3	116	116	140	20.69
BOLIVIA	9	0	0	0	10	10	0	-
SURINAME	290	69	54	35	9	9	54	500.00
NICARAGUA	42	114	172	63	0	0	8	-
PARAGUAY	0	3	0	0	0	0	0	-
AGRICULTURAL TOTAL FREE TRADE AREA AMER	16,821,097	18,064,253	16,825,790	18,002,715	19,608,245	19,608,245	20,101,936	2.52
CANADA	6,779,568	6,992,720	7,057,902	7,640,283	8,121,418	8,121,418	8,653,774	6.55
MEXICO	5,177,244	6,151,138	5,623,927	6,409,796	7,403,937	7,403,937	7,251,596	-2.06
DOMINICAN REPUBLIC	524,918	493,560	551,556	506,350	497,933	497,933	515,379	3.50
COLOMBIA	538,036	575,738	440,215	415,400	452,152	452,152	520,213	15.05
VENEZUELA	570,210	510,725	417,269	406,559	409,081	409,081	340,877	-16.67
GUATEMALA	232,640	280,455	252,839	258,157	293,994	293,994	341,150	16.94
EL SALVADOR	227,973	243,494	199,639	215,057	241,061	241,061	211,578	-12.23
BRAZIL	531,787	485,840	211,910	263,153	221,065	221,065	329,113	48.88
PERU	192,459	362,205	290,608	170,274	212,494	212,494	213,998	0.71
COSTA RICA	190,078	200,806	178,963	185,622	199,010	199,010	225,581	13.35
HONDURAS	153,226	175,208	183,344	195,147	198,075	198,075	183,744	-7.24
JAMAICA	200,016	191,112	184,086	171,397	180,566	180,566	186,010	3.01
HAITI	198,054	212,869	215,950	180,139	179,002	179,002	169,983	-5.04
PANAMA	162,755	226,149	187,140	171,747	176,765	176,765	185,380	4.87
BAHAMAS, THE	114,105	109,324	115,002	127,228	126,908	126,908	127,654	0.59
ARGENTINA	344,031	203,679	145,081	150,001	116,034	116,034	51,980	-55.20
TRINIDAD AND TOBAGO	111,439	106,621	100,444	105,817	114,032	114,032	117,777	3.28
ECUADOR	190,049	179,892	96,259	100,921	109,263	109,263	142,623	30.53
NICARAGUA	63,277	72,969	80,676	74,153	102,754	102,754	84,535	-17.73
CHILE	126,296	135,065	152,020	116,210	98,343	98,343	111,186	13.06
BARBADOS	48,890	42,086	44,818	41,122	49,234	49,234	39,988	-18.78
URUGUAY	14,582	12,294	12,261	16,249	22,941	22,941	16,783	-26.84
GUYANA	27,494	21,617	21,859	22,452	22,122	22,122	21,745	-1.70
BELIZE	15,606	17,161	16,210	20,544	21,206	21,206	19,504	-8.03
SURINAME	24,407	23,150	16,374	16,424	18,748	18,748	17,541	-6.44
BOLIVIA	30,724	28,839	19,836	13,457	15,384	15,384	19,247	25.11
PARAGUAY	31,234	9,538	9,684	9,055	4,723	4,723	2,997	-36.54
AG, FISH, FOREST TOTAL FREE TRADE AREA AMER	19,485,448	20,796,202	19,864,688	21,251,427	22,542,167	22,542,167	23,010,928	2.08
CANADA	8,790,870	8,969,283	9,299,189	10,050,727	10,324,841	10,324,841	10,904,921	5.62
MEXICO	5,502,372	6,560,967	6,057,047	6,892,126	7,842,556	7,842,556	7,699,830	-1.82
DOMINICAN REPUBLIC	604,081	572,036	652,790	600,926	582,643	582,643	569,862	-2.19
COLOMBIA	544,492	587,239	447,530	420,133	455,808	455,808	522,725	14.68
VENEZUELA	582,102	524,078	430,716	418,539	425,983	425,983	347,470	-18.43
GUATEMALA	237,240	289,541	260,540	263,338	299,917	299,917	351,763	17.29
EL SALVADOR	234,402	249,893	200,932	219,944	249,075	249,075	218,233	-12.38
BRAZIL	547,985	499,359	230,209	271,955	230,619	230,619	336,512	45.92
PERU	197,175	367,498	296,939	176,843	214,862	214,862	215,884	0.46
JAMAICA	251,032	236,006	226,870	208,264	209,157	209,157	206,563	-1.24
COSTA RICA	196,219	207,372	188,952	195,880	206,949	206,949	230,333	11.30
HONDURAS	161,597	183,696	193,883	205,469	206,350	206,350	188,448	-8.68
HAITI	206,485	220,596	224,252	186,133	184,951	184,951	174,710	-5.54
PANAMA	170,443	236,987	200,355	183,542	184,345	184,345	190,462	3.32
BAHAMAS, THE	161,296	165,146	174,094	186,605	170,332	170,332	167,423	-1.71
TRINIDAD AND TOBAGO	130,845	126,447	117,460	121,622	125,087	125,087	128,092	2.40
ARGENTINA	352,835	215,236	153,111	159,982	120,286	120,286	53,424	-55.59
ECUADOR	194,075	186,796	103,644	105,757	114,815	114,815	144,936	26.23
CHILE	138,684	145,574	163,584	134,164	113,123	113,123	120,030	6.11
NICARAGUA	64,056	74,286	81,622	75,134	103,527	103,527	85,143	-17.76
BARBADOS	67,583	59,349	69,077	62,487	64,810	64,810	52,243	-19.39
BELIZE	18,112	19,232	19,103	32,156	26,679	26,679	22,247	-16.61
URUGUAY	16,230	14,973	13,915	16,946	23,724	23,724	17,233	-27.36
GUYANA	27,825	22,386	22,154	22,848	22,496	22,496	22,252	-1.08
SURINAME	25,001	23,490	16,585	16,627	18,876	18,876	17,663	-6.43
BOLIVIA	31,001	29,079	20,394	14,113	15,531	15,531	19,438	25.16
PARAGUAY	31,411	9,636	9,722	9,128	4,828	4,828	3,086	-36.08

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

March 10, 2003

 UNITED STATES DEPARTMENT OF AGRICULTURE
 FOREIGN AGRICULTURAL SERVICE
 BICO IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
FREE TRADE AREA AMER BULK	5,059,268	3,982,268	3,585,916	3,234,238	2,541,375	2,541,376	2,643,545 4.01
RAW COFFEE	2,652,382	2,226,254	1,993,194	1,817,873	555,593	955,593	1,019,596 6.71
RAW BEET/CANE SUGAR	660,215	491,361	384,103	328,711	362,271	362,377	355,734 -1.82
TOBACCO	464,321	239,408	310,895	270,022	287,200	287,420	361,016 25.61
WHEAT	354,843	279,689	271,987	228,014	280,632	280,632	253,734 -9.51
OTHER BULK	387,071	331,355	260,322	244,841	261,203	261,203	261,896 0.22
COARSE GRAINS	364,544	229,544	214,394	220,586	236,619	236,619	238,156 -12.02
TEA, INCL HERB	61,766	76,537	85,085	92,973	102,299	102,299	104,696 2.34
COCOA BEANS	103,305	95,387	57,736	26,109	48,467	48,467	72,564 49.72
RUBBER/ALLIED PROD	12,007	4,182	4,418	3,680	4,375	4,375	2,814 -35.61
RICE	3,754	2,652	3,783	1,429	2,389	2,389	3,339 39.77
INTERMEDIATE	3,509,137	3,614,255	3,293,937	3,514,975	3,906,115	3,906,115	3,966,355 1.54
LIVE ANIMALS	1,494,926	1,482,702	1,298,652	1,524,502	1,509,278	1,509,278	1,839,777 -3.64
OTHER INTERMEDIATE	597,102	612,682	609,851	638,153	677,029	677,029	741,262 9.45
OTHER VEG OIL	397,161	471,194	401,187	326,596	319,428	319,428	353,234 10.55
PLANTING SEEDS	211,615	268,953	263,803	289,612	261,874	261,874	258,080 -1.45
SUGARS/SWEETENERS/BASES	212,094	244,428	250,147	226,538	259,864	259,864	289,631 11.44
FEEDS & FODDERS	224,890	200,276	194,219	185,785	184,220	184,220	196,412 8.22
HIDES & SKINS	147,955	125,638	112,412	123,761	115,199	115,199	98,464 -14.52
ESSENTIAL OILS	97,643	95,190	80,333	110,277	97,874	97,874	112,252 14.65
COCOA PASTE/BUTTER	121,153	100,587	82,970	89,330	77,820	77,820	73,132 -6.02
TROPICAL OILS	4,657	6,604	363	421	3,479	3,479	1,018 -70.74
CONSUMER-ORIENTED	11,085,809	12,253,931	13,490,170	14,222,839	15,299,126	15,299,126	16,268,132 6.31
FRESH VEGETABLES	1,542,404	1,959,817	1,837,068	1,985,142	2,295,101	2,295,101	2,332,010 3.36
RED MEATS FR/CHFR	1,175,650	1,206,901	1,546,627	1,784,963	1,546,312	1,546,312	1,862,742 -4.25
OTHER FRESH FRUIT	1,131,913	1,321,766	1,628,143	1,631,890	1,765,631	1,765,631	1,980,050 12.14
SNACK FOODS	1,004,793	1,111,553	1,247,193	1,430,424	1,642,560	1,642,560	1,936,535 17.99
OTHER CONSUMER	1,039,723	1,143,992	1,319,674	1,344,148	1,538,266	1,538,266	1,804,074 17.21
WINE AND BEER	782,146	899,861	1,017,871	1,212,689	1,375,226	1,375,226	1,489,295 8.25
PROCESSED FRUIT/VEG	815,757	927,537	1,100,770	1,150,371	1,238,794	1,238,794	1,317,164 6.32
BANANAS/PLANTAINS	1,189,732	1,171,970	1,171,673	1,100,781	1,146,039	1,146,039	1,141,228 -0.42
NURSERY PRODUCTS	723,968	780,373	793,818	837,296	830,737	830,737	810,633 -2.42
FRUIT/VEG JUICES	524,795	430,156	551,938	495,500	420,024	420,024	406,318 -3.22
ROAST/INSTANT COFFEE	402,234	458,849	405,116	368,511	322,028	322,028	311,656 -3.22
RED MEATS PRE/PRES	295,035	318,555	326,948	302,454	316,432	316,432	346,848 9.61
TREE NUTS	222,241	229,465	225,262	267,129	169,784	169,784	182,245 7.34
SPICES	136,243	155,903	157,448	166,437	154,577	154,577	161,933 4.78
OTHER DAIRY PRODUCT	53,052	78,444	101,641	90,946	124,339	124,339	122,507 -1.41
CHEESE	44,122	58,786	58,961	54,157	52,276	52,276	62,876 20.21
FOREST PRODUCTS	10,769,261	10,953,102	13,386,900	12,458,430	11,892,542	11,892,542	11,980,649 0.74
SOFT/TREATED LUMBER	6,904,103	6,206,423	7,168,700	6,291,337	5,964,293	5,964,293	5,542,528 -7.02
OTHER WOOD PRODUCT	1,953,138	2,301,510	2,969,259	2,957,918	2,976,126	2,976,126	3,264,100 9.61
PANEL/PLYWOOD PROD	1,537,725	2,009,960	2,743,496	2,613,087	2,394,230	2,394,230	2,589,720 8.17
HARDWOOD LUMBER	274,023	324,729	367,823	394,751	377,131	377,131	384,582 1.91
LOGS AND CHIPS	100,233	110,480	137,622	201,337	180,762	180,762	199,719 10.45
SEAFOOD PRODUCTS	3,757,211	3,830,194	4,103,634	4,472,659	4,396,553	4,396,553	4,405,244 0.81
OTHER SEAFOOD	1,292,336	1,391,753	1,615,125	1,955,662	1,966,314	1,966,314	2,014,239 2.44
SHRIMP	1,430,766	1,422,160	1,280,023	1,203,155	1,164,124	1,164,124	975,702 -16.24
LOBSTER	477,597	468,412	633,481	763,904	736,790	736,790	828,048 12.35
SALMON WHOLE/EVIS	313,444	281,086	275,199	272,162	289,126	289,126	310,464 7.31
TUNA	137,787	149,540	179,848	167,773	149,938	149,938	227,688 51.81
GROUND FISH	105,280	117,242	119,959	110,004	90,259	90,259	79,704 -11.61
AGRICULTURAL TOTAL	19,654,154	19,850,554	20,370,023	20,972,052	21,746,615	21,746,615	22,878,012 5.21
AG, FISH, FOREST TOTAL	34,180,626	34,633,850	37,860,557	37,903,141	38,035,710	38,035,710	39,293,905 3.31

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UNITED STATES DEPARTMENT OF AGRICULTURE
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BICO IMPORT COMMODITY AGGREGATIONS

COMMODITIES IMPORTED AND AREA/COUNTRIES OF ORIGIN CONSUMPTION IMPORTS	JANUARY - DECEMBER VALUES IN 1000 DOLLARS					JANUARY - DECEMBER COMPARISONS	
	1997	1998	1999	2000	2001	2001	2002 %CHNG
BULK							
FREE TRADE AREA AMER	5,059,208	3,982,368	3,585,916	3,234,238	2,541,375	2,541,375	2,643,545 4.02
CANADA	1,004,984	806,254	719,272	667,201	760,926	760,926	704,056 -7.47
BRAZIL	862,568	546,487	702,926	448,726	387,142	387,142	460,378 18.92
COLOMBIA	704,853	585,455	464,857	410,176	277,628	277,628	306,421 10.37
MEXICO	648,925	500,949	460,146	464,666	225,562	225,562	239,204 6.05
GUATEMALA	495,411	352,447	383,986	343,818	194,792	194,792	210,786 8.21
ARGENTINA	172,163	140,945	119,494	116,463	128,227	128,227	148,248 15.61
DOMINICAN REPUBLIC	311,495	253,886	116,974	120,880	117,105	117,105	116,671 -0.37
COSTA RICA	151,244	160,646	114,437	110,857	87,652	87,652	109,276 24.67
PERU	200,973	143,885	98,797	92,990	80,042	80,042	75,944 -5.12
EL SALVADOR	136,980	115,740	87,230	152,257	67,852	67,852	52,900 -22.04
HONDURAS	83,581	137,636	60,853	113,599	58,921	58,921	65,950 -22.01
ECUADOR	100,270	54,395	85,200	34,825	46,208	46,208	49,088 6.23
NICARAGUA	49,470	53,416	43,302	78,102	39,253	39,253	42,380 7.97
PANAMA	45,475	46,977	40,190	33,390	26,191	26,191	22,292 -14.89
BELIZE	11,903	7,703	5,961	4,393	11,021	11,021	10,007 -9.70
URUGUAY	1,427	3,268	3,242	2,567	5,650	5,650	3,070 -45.66
GUYANA	12,980	11,896	5,612	13,143	4,992	4,992	5,068 1.52
CHILE	14,930	13,925	5,954	5,769	4,356	4,356	6,209 36.28
PARAGUAY	4,981	4,376	5,143	4,778	4,448	4,448	4,274 -3.91
BOLIVIA	8,246	5,939	4,907	4,148	4,215	4,215	8,828 109.44
TRINIDAD AND TOBAGO	7,312	5,362	3,431	2,657	3,921	3,921	2,993 -23.67
JAMAICA	13,007	9,265	7,380	2,180	2,954	2,954	2,552 -13.61
HAITI	2,090	2,952	1,540	1,284	1,485	1,485	3,735 151.52
VENEZUELA	13,331	18,542	47,318	5,327	536	536	12,841 2295.71
BAHAMAS, THE	0	0	0	53	92	92	142 54.35
BARBADOS	30	5	17	27	0	0	0 -
SURINAME	467	17	46	24	0	0	189 -
INTERMEDIATE							
FREE TRADE AREA AMER	3,509,137	3,614,285	3,393,937	3,514,975	3,906,115	3,906,115	3,966,355 1.54
CANADA	2,678,699	2,648,714	2,287,644	2,384,607	2,786,543	2,786,543	2,884,842 4.28
MEXICO	318,256	363,302	443,948	554,928	587,013	587,013	490,614 -13.47
BRAZIL	140,619	183,433	179,328	150,875	160,429	160,429	197,909 23.36
CHILE	77,817	118,247	111,687	142,500	140,824	140,824	123,369 -12.39
ARGENTINA	82,664	132,875	107,942	113,085	91,480	91,480	106,397 16.31
COLOMBIA	31,647	23,128	33,831	34,928	48,277	48,277	34,963 -27.58
DOMINICAN REPUBLIC	29,466	27,100	28,315	27,269	34,155	34,155	31,187 -8.69
GUATEMALA	18,454	23,572	15,240	18,569	20,285	20,285	27,246 34.32
ECUADOR	42,029	20,630	21,020	25,284	15,634	15,634	7,765 -50.33
PERU	19,497	17,221	18,511	13,626	11,581	11,581	10,925 -5.66
PARAGUAY	7,662	8,902	10,032	11,206	10,627	10,627	10,538 -0.84
HONDURAS	4,446	4,953	3,231	5,291	9,192	9,192	4,599 -49.97
COSTA RICA	12,791	8,697	5,164	4,179	5,737	5,737	9,520 65.94
NICARAGUA	3,579	3,302	1,534	45	5,147	5,147	2,599 -49.50
EL SALVADOR	5,756	6,679	5,819	3,268	4,825	4,825	6,641 37.64
JAMAICA	4,322	4,379	3,921	4,767	4,658	4,658	4,915 5.52
VENEZUELA	12,823	11,149	11,903	10,541	3,631	3,631	4,774 31.48
URUGUAY	8,387	3,444	2,093	2,318	2,745	2,745	3,236 17.89
BELIZE	4,081	969	330	702	1,277	1,277	1,374 7.60
HAITI	932	1,141	597	855	893	893	1,242 39.08
BOLIVIA	1,054	1,071	1,041	465	388	388	455 -22.62
PANAMA	514	690	257	695	284	284	128 -54.93
TRINIDAD AND TOBAGO	3,504	33	23	478	117	117	39 -66.67
BARBADOS	47	119	58	64	107	107	52 -51.40
GUYANA	0	18	453	999	43	43	392 811.63
SURINAME	47	13	22	0	19	19	64 236.84
BAHAMAS, THE	45	475	2	333	3	3	569 18866.67
CONSUMER-ORIENTED							
FREE TRADE AREA AMER	11,085,809	12,253,931	13,490,170	14,222,839	15,298,126	15,298,126	16,268,112 6.33
CANADA	3,762,385	4,331,945	4,982,819	5,605,017	6,335,675	6,335,675	6,758,782 6.68
MEXICO	3,141,765	3,821,987	3,977,082	4,058,621	4,472,274	4,472,274	4,788,600 7.07
CHILE	652,153	651,337	793,489	878,226	877,401	877,401	1,023,970 16.70

COSTA RICA	583,444	603,432	709,656	697,434	711,102	711,102	683,761	-3.84
COLOMBIA	693,869	689,704	691,055	678,285	600,043	600,043	586,912	-2.19
BRAZIL	467,937	494,416	599,598	544,629	451,505	451,505	483,456	9.29
ECUADOR	405,337	443,948	464,097	391,147	422,679	422,679	448,548	6.12
GUATEMALA	260,575	311,600	290,051	347,327	394,016	394,016	449,446	14.07
ARGENTINA	461,873	366,341	445,515	442,762	389,969	389,969	347,803	-10.81
HONDURAS	207,204	158,836	69,389	131,827	169,360	169,360	181,769	7.33
PERU	55,918	61,358	104,311	89,669	114,610	114,610	138,987	38.72
DOMINICAN REPUBLIC	94,729	91,270	95,544	95,301	102,960	102,960	111,786	8.57
URUGUAY	31,556	46,503	55,547	39,628	50,130	50,130	27,465	-45.21
NICARAGUA	41,227	35,455	28,591	30,863	48,044	48,044	51,983	8.20
JAMAICA	31,148	36,993	38,561	41,745	44,772	44,772	50,664	13.16
VENEZUELA	41,832	42,575	46,247	38,813	29,800	29,800	22,054	-25.99
BELEZE	19,676	11,371	17,461	27,584	26,810	26,810	19,969	-25.52
EL SALVADOR	10,595	8,718	7,998	11,367	14,642	14,642	14,917	1.88
PANAMA	71,711	16,985	44,297	15,928	12,556	12,556	12,860	2.42
BOLIVIA	10,204	10,167	8,720	11,672	11,577	11,577	11,516	-0.53
TRINIDAD AND TOBAGO	9,046	9,267	9,314	12,802	10,372	10,372	11,158	7.58
HAITI	7,913	6,345	8,337	7,942	3,789	3,789	5,960	57.30
BAHAMAS, THE	2,701	2,169	2,499	2,298	3,708	3,708	3,416	-7.87
BARBADOS	463	486	573	510	623	623	788	26.48
GUYANA	143	392	215	719	596	596	868	45.64
PARAGUAY	384	319	0	0	113	113	677	499.12
SURINAME	17	11	2	123	0	0	0	-
FOREST PRODUCTS								
FREE TRADE AREA AMER	10,769,261	10,953,102	13,386,900	12,458,630	11,892,542	11,892,542	11,980,649	0.74
CANADA	9,468,470	9,659,567	11,772,760	10,894,889	10,257,057	10,257,057	10,074,134	-1.78
BRAZIL	407,145	403,359	543,107	564,603	640,452	640,452	786,722	22.84
CHILE	252,533	280,094	418,868	392,680	454,622	454,622	555,452	22.18
MEXICO	439,767	407,449	416,091	378,120	313,792	313,792	295,945	-5.69
PERU	24,256	33,703	44,142	40,535	43,599	43,599	62,035	42.29
ECUADOR	33,073	31,110	36,845	34,095	28,336	28,336	30,206	6.60
BOLIVIA	31,732	27,281	19,992	26,438	24,961	24,961	21,782	-12.74
ARGENTINA	19,684	20,627	25,296	21,768	24,887	24,887	55,735	123.95
HONDURAS	18,584	21,626	26,333	22,033	22,648	22,648	19,748	-12.80
COSTA RICA	16,285	24,323	24,536	19,580	20,064	20,064	14,064	-29.90
GUATEMALA	6,483	7,342	9,970	10,477	12,741	12,741	16,968	33.18
GUYANA	17,958	12,646	11,003	12,365	11,551	11,551	9,228	-20.11
PARAGUAY	16,015	8,396	12,794	16,090	10,057	10,057	11,153	16.90
COLOMBIA	1,898	3,483	9,904	11,644	9,855	9,855	9,775	-0.77
URUGUAY	2,798	3,442	5,076	4,081	4,715	4,715	4,246	-9.95
NICARAGUA	5,499	1,788	1,812	1,227	4,617	4,617	3,578	-22.50
PANAMA	768	459	637	1,642	2,976	2,976	3,265	9.71
EL SALVADOR	1,426	1,777	2,130	2,348	1,585	1,585	2,106	32.87
DOMINICAN REPUBLIC	551	1,244	596	906	1,127	1,127	1,220	8.25
JAMAICA	171	615	830	968	1,053	1,053	985	-6.46
BELEZE	1,758	1,619	1,539	1,163	872	872	626	-28.21
TRINIDAD AND TOBAGO	706	340	521	275	354	354	63	-82.20
VENEZUELA	801	243	695	356	241	241	1,362	465.15
SURINAME	73	65	156	136	238	238	153	-35.71
HAITI	804	503	309	204	121	121	85	-29.75
BARBADOS	15	0	3	6	11	11	2	-81.82
BAHAMAS, THE	3	0	955	0	0	0	4	-
SEAFOOD PRODUCTS								
FREE TRADE AREA AMER	3,757,211	3,838,194	4,103,634	4,472,659	4,396,583	4,396,583	4,435,244	0.88
CANADA	1,305,918	1,405,169	1,712,339	1,914,115	1,945,264	1,945,264	2,047,290	5.24
MEXICO	492,190	478,954	407,409	531,935	486,498	486,498	372,431	-23.45
CHILE	316,744	369,245	371,206	499,180	483,645	483,645	307,672	-4.97
ECUADOR	714,872	697,214	548,436	362,987	391,205	391,205	434,941	11.18
BRAZIL	65,577	61,560	84,401	136,724	155,957	155,957	199,340	27.82
HONDURAS	99,394	100,655	109,125	129,134	123,068	123,068	133,744	8.67
VENEZUELA	99,700	68,076	119,875	178,790	118,530	118,530	89,833	-24.21
ARGENTINA	88,785	87,492	89,087	94,443	105,127	105,127	91,322	-13.13
PANAMA	112,987	117,610	91,178	93,547	103,912	103,912	101,759	-2.07
NICARAGUA	71,590	68,059	84,070	104,838	81,632	81,632	83,030	1.71
COSTA RICA	73,591	56,889	61,445	78,055	77,951	77,951	81,348	4.36
GUYANA	28,203	34,091	33,667	45,674	38,367	38,367	40,869	-29.98
COLOMBIA	37,021	30,625	48,203	52,612	47,505	47,505	42,450	-10.64
BAHAMAS, THE	39,360	34,054	47,734	61,767	45,807	45,807	54,155	18.22
BELEZE	19,163	26,695	31,736	33,122	29,272	29,272	26,014	-11.13
TRINIDAD AND TOBAGO	29,018	39,151	45,668	30,501	27,327	27,327	20,948	-11.06
PERU	65,773	59,349	35,042	26,779	23,932	23,932	23,212	-3.01
URUGUAY	13,632	18,713	19,390	29,066	23,702	23,702	19,615	-17.24

GUATEMALA	22,158	20,469	17,858	18,443	21,487	21,487	18,658	-13.17
EL SALVADOR	30,459	33,804	26,936	18,834	18,365	18,365	8,354	-34.51
SURINAME	11,591	11,385	10,460	18,736	17,023	17,023	17,689	3.90
JAMAICA	8,216	11,002	12,703	8,187	6,243	6,243	5,795	-7.18
HAITI	3,055	3,183	2,822	3,131	2,286	2,286	2,272	-0.61
BARBADOS	2,433	1,615	1,381	1,437	1,251	1,251	927	-25.90
DOMINICAN REPUBLIC	1,836	1,134	440	843	1,196	1,196	2,179	82.19
PARAGUAY	4	0	4	0	0	0	0	-
AGRICULTURAL TOTAL FREE TRADE AREA AMER	19,654,154	19,850,554	20,370,023	20,972,052	21,746,615	21,746,615	22,878,012	5.20
CANADA	7,446,068	7,786,913	7,989,735	8,660,824	9,863,145	9,863,145	10,347,720	4.91
MEXICO	4,108,946	4,686,238	4,881,176	5,077,314	5,264,849	5,264,849	5,518,418	4.82
CHILE	744,900	783,510	910,130	1,026,494	1,022,782	1,022,782	1,153,548	12.79
BRAZIL	1,471,124	1,224,335	1,481,852	1,144,231	959,076	959,076	1,151,743	15.28
COLOMBIA	1,430,370	1,298,287	1,189,744	1,123,389	925,948	925,948	928,296	0.25
COSTA RICA	747,478	772,774	829,258	812,470	804,490	804,490	802,356	-0.24
ARGENTINA	716,700	640,161	672,952	672,250	609,677	609,677	607,420	-1.19
GUATEMALA	774,442	687,619	689,278	709,714	609,093	609,093	687,479	12.87
ECUADOR	547,636	518,973	568,317	451,256	484,521	484,521	505,401	4.31
DOMINICAN REPUBLIC	435,690	372,256	240,833	243,450	254,221	254,221	259,643	2.13
HONDURAS	295,330	301,425	133,474	250,717	237,474	237,474	232,318	-2.17
PERU	276,388	222,465	221,819	196,284	206,232	206,232	245,856	19.21
NICARAGUA	94,276	92,173	73,428	109,010	92,445	92,445	96,962	4.89
EL SALVADOR	153,341	131,138	101,947	167,492	87,319	87,319	74,458	-14.73
URUGUAY	61,365	53,215	60,882	64,512	58,525	58,525	33,771	-42.30
JAMAICA	48,478	50,636	49,652	48,691	32,384	32,384	58,132	10.97
BELIZE	35,660	20,043	23,452	32,677	39,108	39,108	31,351	-19.83
PANAMA	117,700	64,652	84,743	50,013	39,030	39,030	35,280	-9.61
VENEZUELA	67,985	72,266	105,467	54,682	33,967	33,967	30,669	-16.79
BOLIVIA	19,505	17,177	14,669	16,285	16,380	16,380	20,799	26.98
PARAGUAY	13,026	13,598	15,165	15,985	15,188	15,188	15,489	1.98
TRINIDAD AND TOBAGO	19,862	14,662	12,768	15,937	14,409	14,409	14,190	-1.52
HAITI	10,934	10,439	10,474	10,081	6,167	6,167	10,937	77.35
GUYANA	13,128	12,306	6,279	14,861	5,632	5,632	6,328	12.36
BAHAMAS, THE	2,746	2,644	2,501	2,684	3,803	3,803	4,126	8.49
BARBADOS	539	610	648	601	731	731	840	14.91
SURINAME	531	41	70	147	19	19	254	1236.64
AG.FISH,FOREST TOTAL FREE TRADE AREA AMER	34,180,626	34,633,850	37,860,587	37,963,141	38,035,710	38,035,710	39,253,905	3.31
CANADA	18,220,455	18,851,649	21,474,834	21,469,838	22,065,465	22,065,465	22,469,144	1.83
MEXICO	5,040,903	5,572,640	5,794,677	5,987,369	6,065,139	6,065,139	6,186,793	2.01
CHILE	1,314,177	1,432,849	1,700,203	1,918,335	1,961,049	1,961,049	2,216,672	13.04
ECUADOR	1,947,846	1,689,254	2,109,359	1,845,558	1,795,495	1,795,495	2,137,805	19.06
COLOMBIA	1,469,289	1,332,395	1,247,851	1,187,645	983,308	983,308	980,525	-0.28
ECUADOR	1,295,585	1,247,295	1,154,598	848,338	904,062	904,062	970,548	7.35
COSTA RICA	837,353	853,986	915,239	909,905	902,506	902,506	897,968	-0.50
ARGENTINA	825,169	748,280	787,335	788,461	739,691	739,691	749,505	1.33
GUATEMALA	803,083	715,429	717,106	738,634	643,321	643,321	723,105	12.40
HONDURAS	413,309	423,706	268,932	401,885	383,190	383,190	385,810	0.68
PERU	366,418	315,517	301,003	263,598	273,764	273,764	331,104	20.95
DOMINICAN REPUBLIC	438,076	374,634	241,869	245,199	256,543	256,543	263,042	2.53
NICARAGUA	171,165	162,021	159,311	215,074	178,694	178,694	183,570	2.73
VENEZUELA	168,487	140,585	226,037	233,828	152,738	152,738	130,865	-14.32
PANAMA	231,455	182,721	176,559	145,201	145,918	145,918	140,304	-3.85
EL SALVADOR	185,226	166,719	130,113	188,674	107,269	107,269	84,918	-20.84
URUGUAY	77,799	75,370	85,348	97,659	86,942	86,942	57,632	-33.71
GUYANA	59,290	59,043	50,949	72,900	75,550	75,550	56,425	-25.31
BELIZE	56,781	42,357	56,728	66,964	69,252	69,252	57,990	-16.26
JAMAICA	56,865	62,253	63,295	57,847	59,681	59,681	64,912	8.76
BAHAMAS, THE	42,049	36,698	51,190	64,450	49,610	49,610	58,285	17.49
TRINIDAD AND TOBAGO	49,586	54,154	58,977	46,513	42,090	42,090	44,601	5.97
BOLIVIA	51,236	44,457	34,651	42,723	41,340	41,340	42,381	3.00
PARAGUAY	79,046	21,994	27,563	32,074	35,243	35,243	26,642	-5.53
SURINAME	12,195	11,492	10,687	19,018	17,282	17,282	18,095	4.70
HAITI	14,793	14,125	13,405	13,416	8,574	8,574	13,394	55.05
BARBADOS	2,987	2,225	2,032	2,044	1,993	1,993	1,770	-11.19

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Note: All zeroes for a data item may show that statistics exist in the other import type. Consumption or General.

FREE TRADE AGREEMENT OF THE AMERICAS

Mr. Hinchey: In your testimony, Undersecretary Penn notes that in the course of negotiating the Free Trade Agreement of the Americas, "countries tabled specific offers to reduce trade barriers in key areas, including agriculture." What were the key issues in this decision?

Response: During the weeks February 10-22, all participants in the Free Trade Area of the Americas (FTAA) negotiations tabled market access offers in the areas of tariffs, services, investment and government procurement. These offers were made in accordance with guidelines approved by the FTAA Trade Ministers at their November 2002 meeting in Quito, Ecuador. For tariffs these guidelines included the scheduling of all tariff lines within four categories for elimination: immediate, within five years, within ten years and longer than ten years. The guidelines further provided that reductions should be made from currently applied tariff rates for most countries and that all products were subject to negotiation. In accordance with the requirements of the Trade Agreements Act of 2002, the U.S. offers were presented for comment to the Congressional Oversight Group at the end of January.

Mr. Hinchey: I did not support giving the President fast track authority to negotiate trade agreements without any input from Congress. I am very concerned that the FTAA will become a "race to the bottom," as you strive to -- as you put it -- "provide greater trade opportunities in this market of 800 million consumers with an annual GDP of \$13 trillion."

I am concerned that rather than use this agreement to boost environmental standards in the hemisphere toward our levels -- for clean air, water, erosion control, soil conservation, and pesticide use -- we will give other countries a pass because we are so desperate to sell into their markets.

I am also concerned about labor standards. The Department of Labor just published the index of labor costs for farm workers in 2003. The rate in New York State is right around \$8 an hour. I am worried that rather than bring up agricultural wages in South America, FTAA will be used as an excuse to erode hard fought battles to ensure decent wages and safe working conditions on American farms.

What are you doing to ensure that the FTAA is fair to American farmers, that it takes into account our strong labor and environmental standards, and that it brings our trading partners up to our standards so that we will be competing on a level playing field?

Response: The FTAA agreement is not going to change existing differences in labor costs or environmental protection. However, it is a component of the larger Summit of the Americas process that includes action plans on a wide range of issues of common concern, including sustainable development and Labor and Employment. One element of the action plan from the April 2001 Quebec Summit of the Americas provides that the countries will "promote the adoption, implementation and enforcement of national legislation, regulations, standards and policies that provide for high levels of environmental protection....". Another element pledges the countries to "respect the International Labor Organization (ILO) *Declaration on the Fundamental Principles and Rights at Work and its Follow-Up*, adopted in 1998", and to "adopt and implement legislation and policies that provide for the effective application of core labor standards as recognized by the ILO..." The Administration is committed to attaining the environmental and labor objectives of the Trade Act of 2002, including strengthening the capacity of our negotiating partners to protect the environment through the promotion of sustainable development and to promote respect for core labor standards. Further, we are committed to achieving the objective of ensuring that parties to any free trade agreement with the United States do not fail to effectively enforce their domestic environmental and labor laws in a manner affecting trade between the our countries.

TRADE ADJUSTMENT ASSISTANCE FOR FARMERS

Mr. Hinchey: I am encouraged that you are working to implement the Trade Adjustment Assistance for Farmers program. Apple growers were devastated three years ago by China, when they dumped apple juice concentrate into the U.S., depressing the price for concentrate so far below the cost of production, that it wasn't economical for growers to pick the fruit off the trees.

Because the rules for the TAA program are still being written, it looks like you have not included any funding in your budget for this program. Is it a mandatory program that will be paid out of CCC as the need arises, or is it something that we will need to pass a specific appropriation to fund? When do you expect the rules to be final?

Response: The TAA proposed program regulations will be submitted to OMB shortly for review and clearance. Once clearance has been received, FAS will publish the proposed rule in the Federal Register. The rule will be available to the public to make comments that will be taken into account before release of the final rule. We anticipate that the final rule will be ready this summer.

The Commodity Credit Corporation is not funding TAA. Instead, the Trade Act of 2002 both authorized and appropriated \$90 million annually for TAA through FY 2007. As such, program funding is mandatory spending and is not subject to the annual appropriations process.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MR. OBEY
PUBLIC LAW 480

With respect to your proposal for 2004 funding for PL 480, Title II, please answer the following:

Mr. Obey: Was this your request or was this imposed on you by OMB?

Response: This is the Administration's request and we believe that the requested amount is adequate. In addition, the President's FY 2004 budget request includes \$200 million for a new Famine Fund.

Mr. Obey: Please explain why the Administration believes no increase is needed.

Response: The budget assumption in this regard is that FY 2003 is an aberrant year in terms of the magnitude of emergency requirements (Horn and Southern Africa droughts) and high commodity prices, and that both will return to more typical levels in FY 2004.

Mr. Obey: Please tell us what assumptions you used for commodity prices and emergencies in the 2004 request.

Response: As stated earlier, the budget assumes that FY 2003 is an aberrant year in terms of the magnitude of emergency requirements and high commodity prices, and that both will return to more typical levels in FY 2004.

Mr. Obey: Does the 2004 request assume that you will or will not comply with the requirement in the Farm Bill that 1.875 million metric tons be made available for non-emergency purposes under Title II?

Response: The budget assumes that the sub-minimum requirement for non-emergency programs will be met.

Please answer these questions regarding 2003 funding:

Mr. Obey: Is it true that the interagency food aid committee is not allowing USAID to release the remaining \$155 million in 2003 funds for the Title II non-emergency programs, even though Congress added \$265 million to the 2003 request?

Response: Between the regular Title II appropriation and the additional \$250 million appropriated to Title II specifically for emergencies, the administration is committed to providing a minimum of \$1.22 billion for emergency activities at the present time. Given concerns about the unexpected magnitude of emergency requirements and the reduced buying power of Title II with higher commodity prices, there are significantly fewer resources available for Title II development activities in FY 2003.

Mr. Obey: Is it true that the interagency food aid group has determined that to meet just one third of the emergency needs in Ethiopia and Eritrea, a total of \$480 million above the 2003 request level of \$1.185 billion for Title II is needed?

Response: The interagency food aid group looked at the possibility that up to \$480 million in additional emergency food aid might be necessary in FY 2003 to meet at least one third of emergency needs across the Title II emergency portfolio (Africa, Asia, etc.) if unanticipated emergency requirements and commodity prices remain sharply higher than in FY 2002.

Mr. Obey: Are Title I and Food for Progress agreements at USDA delayed because the interagency food aid group is considering using some of these funds for emergencies?

Response: In light of the major food emergencies occurring around the world and primarily in Africa, the Administration reviewed all financing options for food aid. That review is complete, and the Title I and Food for Progress programs are announced and agreements are being negotiated.

Mr. Obey: How far below the minimum level of 1.875 million metric tons for non-emergency assistance under P.L. 480 Title II do you estimate you will fall for 2003?

Response: It is still too early to tell exactly where we will come out on the tonnage level under Title II for non-emergency activities this year. While formal consultations with the appropriate congressional committees have not yet taken place, they are being scheduled.

Mr. Obey: On page 242 of "The Budget for Fiscal Year 2003," the White House budget document, the Administration promised that in 2003 "the U.S. government will continue to feed people at similar levels as in recent years." Since USAID is directing PVOs to cut their regular FY 2003 P.L. 480 Title II programs and USDA appears to be holding back Title I money for possible diversion to emergency funding, it is hard to believe that you will keep that promise for 2003, or that you will continue in 2003 to reach the same numbers of people in non-emergency situations. Would you comment? And for this purpose, please do not include the additional \$265 million provided by Congress over your 2003 request.

Response: This is an unusual year with the continuing resolutions and increasing international emergency food aid requirements. To provide for these emergencies during the beginning of the year, it was necessary to reduce development programs. Now with the completed appropriation for Title II and year-end carry-over funds we have a total of about \$1.6 billion for the 2003 fiscal year Title II programs. As we see the needs at this time, this should be enough to support significant U.S. government contributions to critical emergency requirements worldwide; however, the development programs remain at a reduced level. If crop conditions deteriorate in the developing countries, our resource situation will worsen. On the other hand, weather could improve in some countries.

Mr. Obey: On page 222 of the "The Budget for Fiscal Year 2004," the White House budget document, there is a chart that says the administration "successfully reformed federal food aid policy to provide greater certainty of funding to feeding hungry people and to increase consistency in USDA and USAID management of food aid programs."

In terms of certainty of funding for hungry people, the P.L. 480, Title II program this year limped along under a CR and had to be increased by \$265 million by Congress. And even with the additional funding the program still appears to be hundreds of millions of dollars short of what is needed for 2003.

In terms of increasing consistency, the administration revoked a number of its own proposals; several others were blocked legislatively because of their deleterious impacts on the programs.

How can the Administration possibly give itself a positive evaluation on the status and progress of its reform of food aid programs?

Response: There has been progress in implementing several of the recommendations of the Administration's food aid review. For example, the fiscal year 2003 budget requested an additional \$300 million of discretionary funds for PL 480 Title II donations. This increase is in line with the Administration's decision to place greater emphasis on discretionary funding. In addition, the Administration's review called for reduced reliance of U.S. foreign food aid activities on the year-to-year availability of surplus commodities. Consistent with this decision, donations under section 416(b) in fiscal year 2003 will be limited to commodities acquired by the Commodity Credit Corporation in the normal course of their domestic support operations. The Administration's review also called for greater reliance on the Bill Emerson Humanitarian Trust to meet emergency food needs. In fiscal year 2002, the Trust was used to assist six countries in southern Africa.

Mr. Obey: Was USDA details when OMB agreed to the new USAID "Famine Fund" in the 2004 budget?

Response: While USDA was not consulted on the specific details of a "Famine Fund", USDA staff do participate in interagency meetings that address ways to mitigate famine and to avoid such in the future.

Mr. Obey: Under Secretary Penn's testimony last year said that "the proposed program level of Title II is expected to support 3 million metric tons of commodity assistance." Please update your estimate of the level of assistance you expect will be provided through the regular FY 2003 appropriation for Title II this year, not including the \$265 million in additional funding provided by Congress and explain any differences from the original estimate.

Response: The estimated 3 million tons of Title II commodities presented in the President's budget for fiscal year 2003 was based on a proposed funding level of \$1,185 million. The estimate in the fiscal year 2004 President's budget for fiscal year 2003 shows a tonnage of 2.2 million tons for that same funding level. This decrease in estimated tonnage is the result of higher commodity prices.

Now that Congress added \$265 million to the fiscal year 2003 Title II budget and given the addition of Title II carry over and de-obligated funds, it is estimated that about 3 million tons of commodities will be available for Title II foreign donations.

SECTION 416(b)

Mr. Obey: What was the total use (in dollars and tons) of 416(b) for 2002 and where do you stand with respect to 2003 and 2004?

Response: [The information follows:]

FY 2002 - FY 2004 SECTION 416(B) FOREIGN DONATION PROGRAM TOTAL TONNAGE/VALUE

Year	Metric Tons	Thousand Dollars
FY 2002	1,641,850	410,016
FY 2003	264,170	147,024
FY 2004	60,000	105,840
TOTAL	1,966,020	662,880

Note: The values above do not include transportation or administrative costs.

GLOBAL FOOD FOR EDUCATION PROGRAM

Mr. Obey: Please provide an update on the obligation of the initial \$300 million for the global feeding program and the \$100 million provided in the farm bill.

Response: Under the \$300 million pilot Global Food for Education Program, USDA provided about 800,000 tons of U.S. commodities to support 48 programs in 38 countries. The pilot reached approximately 7 million children in a wide range of school feeding programs. The program was administered through the World Food Program, 14 private voluntary organizations and one national government (Dominican Republic).

Implementation of the new McGovern-Dole International Food for Education and Child Nutrition Program (FFE program) authorized by the 2002 Farm Bill, requires the promulgation of new program regulations. USDA has been working to quickly develop and publish proposed program regulations for the FFE Program. USDA anticipates the proposed rule will be released either the week of March 17 or the following week. The guidelines will be released at the same time as the proposed rule. Program proposals will be requested once a final rule for FFE is published. USDA expects to approve programs providing just over 200,000 tons of U.S. agricultural commodities at a funding level of \$100 million.

FOREIGN FOOD ASSISTANCE

Mr. Obey: Please provide a table showing total available funding for P.L. 480, Titles I, II and III, 416(b), Food for Progress and the Food for Education programs, for fiscal years 1994-2004, including carry-in, carry-out, reimbursements, unobligated balances and any other appropriate detail. Please also provide metric tons supported for each of those years under those programs.

Response: [The information follows:]

Export Donations:		FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Value of Commodities		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Est.
Section 416		405,044	43,717	4,256	-45	0	615,727	250,564	438,563	432,837	120,032	115,275
Food for Progress		218,559	56,771	94,669	59,092	98,153	49,548	60,716	78,825	163,810	153,998	112,955
Total		623,603	100,488	98,922	59,047	98,153	665,275	351,280	517,388	596,647	279,030	228,230
Ocean Transportation Expenditures												
Section 416		134,435	17,590	28,215	-4,267	-51	289,721	334,033	23,409	283,681	6,740	6,740
Food for Progress		21,854	32,177	42,948	37,801	39,731	32,928	35,786	338,758	38,463	74,135	52,623
Total		156,290	49,767	69,161	33,534	39,680	322,649	369,819	362,168	302,144	80,875	59,363
Total Export Donations Program Costs												
Section 416		539,460	61,307	30,471	-4,312	-51	905,448 a/	624,597	461,972	696,518	128,772	122,015
Food for Progress		240,413	88,948	137,612	89,893	137,884	82,476	95,502	417,584	202,073	233,133	165,578
Total		779,873	150,255	168,083	92,581	137,633	987,924	721,099	879,556	898,591	359,905	287,593
Tonnage		1,187	193	259	120	236	4,997	2,206	2,118	2,670	815	625

a/ Includes FY 1999 Food Assistance to Russia.

FOREIGN AGRICULTURAL SERVICE
QUESTIONS SUBMITTED BY MR. BISHOP
HOMELAND SECURITY

Mr. Bishop: For some time now, I have been quite concerned the importation of food and food products, and in particular, protecting our borders and ultimately our citizenry from threat potential posed in this area. It seems to me that the problem that we have is one of resources and personnel and equipment and adequate attention given to the work that APHIS and the other border security agencies have had to perform with limited resources.

If there is any vulnerability that we have, it is not so much who has a responsibility -- but more importantly, how we coordinate among all relevant agencies to adequately scrutinize the food and fiber that is brought into our borders.

Can you provide for us your view of this situation, and the Department's current efforts both in terms of its activities, but also, in coordination with other Agencies, including Homeland Security, responsible for these and related security issues?

Response: Foreign Agricultural Service (FAS) offices in our Embassies overseas are conducting hundreds of outreach activities -- speeches, seminars, Web-based dissemination of information -- for foreign exporters and host government officials, to inform them of the requirements of the Bioterrorism Act of 2002, which will significantly improve our ability to ensure the safety of the U.S. food supply. We formally notified our trading partners in the WTO of new FDA regulations implementing the Act, which require that foreign firms register with FDA, and that prior notice of every type of product in every shipment be given to FDA. Some of our trading partners are developing laws and regulations that mirror ours; and we are carefully making every effort to be as transparent as possible in this process, urging that foreign interested parties review and comment on all aspects of our proposed regulations, so that our final regulations may be as minimally trade restrictive as possible.

[Clerk's Note. — The President's budget request for fiscal year 2004 was submitted on February 3, 2003. This preceded final Congressional action of the fiscal year 2003 bill, which was completed in the House of Representatives on February 13, 2003. The President's fiscal year 2004 budget request (including the explanatory notes) compared the submission with the budget request for fiscal year 2003, NOT with the fiscal year 2003 enacted amounts. The following material covers portions of the fiscal year 2004 explanatory notes revised to reflect enactment of the fiscal year 2003 appropriations act.]

FOREIGN AGRICULTURAL SERVICE

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

Foreign Agricultural Service (Including Transfers of Funds):

- For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954 (7 U.S.C. 1761-176[9]~~8~~), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed \$158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766),
1 ~~[\$129,948,000]~~ \$140,798,000, of which \$5,000,000 is to support the Montreal Protocol
 Multilateral Fund: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development.
- 2 [In fiscal year 2003 and thereafter, n] ~~None~~ of the funds in the foregoing paragraph shall be available to promote the sale or export of tobacco or tobacco products.

The first change supports a scheduled increase in the U.S. Government's financial contribution to the Montreal Protocol Multilateral Fund. The requested funding will allow the Department of Agriculture to contribute to U.S. financial support for the Fund, which in previous years has been provided exclusively by the Department of State and the Environmental Protection Agency.

The second change deletes appropriation language added in the 2003 Appropriations Act that makes this limitation permanent.

Note to Committee: The language is no longer needed because the fiscal year 2003 appropriation language makes permanent the limitation on use of funds appropriated for Foreign Agricultural Service salaries and expenses to promote the sale or export of tobacco or tobacco products.

**FOREIGN AGRICULTURAL SERVICE
SALARIES AND EXPENSES**

Appropriations Act, 2003.....	\$134,205,000
Budget Estimate, 2004.....	<u>145,191,000</u>
Increase in Appropriation.....	<u>+10,986,000</u>

Adjustments in 2003:

Appropriations Act, 2003.....	\$134,205,000
Rescission under P.L. 108-7 a/.....	<u>\$872,000</u>

Adjusted base for 2003.....	133,333,000
Budget Estimate, 2004.....	<u>145,191,000</u>
Increase over adjusted 2003.....	<u>+11,858,000</u>

a/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

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

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Market Access.....	\$31,218,000	\$565,000	\$1,142,000	\$32,865,000
Market Development.....				
Promotion and Outreach.....	35,370,000	430,000	960,000	36,760,000
Market Intelligence.....	29,782,000	449,000	1,015,000	31,246,000
Financial Marketing Assistance.....	10,531,000	169,000	383,000	11,083,000
Long-term Market and Infrastructure Development.....	26,432,000	318,000	1,471,000	28,221,000
Montreal Protocol.....				
Multilateral Fund.....	0	0	5,000,000	5,000,000
Federal Employees Compensation Act Act.....	0	0	16,000	16,000
Total Available.....	<u>133,333,000</u>	<u>1,871,000</u>	<u>9,987,000</u>	<u>145,191,000</u>

**FOREIGN AGRICULTURAL SERVICE
Account: SALARIES AND EXPENSES (CONT'D)**

**PROJECT STATEMENT
(On basis of appropriation)**

	<u>2002 Actual</u>		<u>2003 Estimated</u>		<u>Increase or Decrease</u>	<u>2004 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
RECAP:							
1. Market Access.....	\$29,439,000	214	\$31,218,000	217	\$1,647,000	\$32,865,000	217
2. Market Development.....							
Promotion and Outreach.....	33,856,000	182	35,370,000	185	1,390,000	36,760,000	185
3. Market Intelligence.....	26,202,000	190	29,782,000	193	3,580,000	31,246,000	193
4. Financial Marketing Assistance.....	9,939,000	71	10,531,000	72	592,000	11,083,000	72
5. Long-term Market and Infrastructure Development.....	24,314,000	135	26,432,000	137	2,118,000	28,221,000	137
6. Montreal Protocol.....							
Multilateral Fund.....	0	--	0	--	5,000,000	5,000,000	--
7. Federal Employees Compensation Act.....	0	--	0	--	16,000	16,000	--
Unobligated Balance.....	229,000	--	--	--	--	--	--
Total Available or Estimate.....	<u>125,979,000</u>	<u>792</u>	<u>133,333,000</u>	<u>804</u>	<u>11,858,000</u>	<u>145,191,000</u>	<u>804</u>
Credit Reform Funds from CDC Export Loans and P.L. 480 Program Accounts.....	-4,257,000	-57	-4,257,000	-57	-136,000	-4,393,000	-57
Rescission.....	91,000	--	872,000	--	-872,000	0	--
Total, Appropriation.....	<u>121,813,000</u>	<u>735</u>	<u>129,948,000</u>	<u>747</u>	<u>10,850,000</u>	<u>140,798,000</u>	<u>747</u>

[Clerk's Note. -- Following are the explanatory notes submitted as part of the President's fiscal year 2004 budget request prior to enactment of the fiscal year 2003 appropriations act.]

2004 Explanatory Notes
Foreign Agricultural Service

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FOREIGN AGRICULTURAL SERVICE

PURPOSE STATEMENT

The Foreign Agricultural Service was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. Secretary's Memorandum No. 1020-39 dated September 30, 1993, transferred the functions of the former Office of International Cooperation and Development to the Foreign Agricultural Service.

FAS' mission is to serve U.S. agriculture's interests by expanding export opportunities for U.S. agricultural, fish, and forest products and promoting world food security. The outcomes envisioned are a level playing field for U.S. agricultural producers and exporters in the global marketplace and a safe, nutritious, and reliable food supply for consumers worldwide.

FAS has two goals: (1) expand export opportunities for U.S. agricultural, fish, and forest products, and (2) promote world food security. The following program activities reflect the strategic objectives FAS will employ to achieve these goals:

Market Access:

FAS initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to those markets. In virtually every foreign market, U.S. agricultural exports are subject to import duties and non-tariff trade restrictions. Trade information sent to Washington from FAS personnel overseas is used to map strategies for improving market access, pursuing U.S. rights under trade agreements, and developing programs and policies to make U.S. farm products more competitive.

Market Development, Promotion and Outreach:

FAS develops foreign markets for U.S. farm products through aggressive market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build, and maintain overseas markets for U.S. agricultural products. Public Law 83-690, approved August 28, 1954, includes authority to establish up to 25 Agricultural Trade Offices. During FY 2002, 17 such offices were in operation at key foreign trading centers to assist U.S. exporters, trade groups, and State export marketing officials in trade promotion. Promotional activities are carried out chiefly in cooperation with non-profit agricultural trade associations and firms on a cost-sharing basis. The largest of FAS' promotional programs are the Foreign Market Development Cooperator Program and Market Access Program. In addition, FAS sponsors U.S. participation in several major trade shows and a number of single-industry exhibitions each year. These programs are designed to create demand for U.S. agricultural products in foreign markets, introduce U.S. food and agricultural products to potential foreign customers, and show foreign customers how to use U.S. products.

FAS strategic outreach efforts focus on facilitating export readiness and help link both export-ready and new-to-export firms to market entry opportunities, and increase domestic awareness of export opportunities and global consumer quality and product safety expectations. These efforts are designed to strengthen the export knowledge/skills of producers and exporters so they can compete more effectively in the international marketplace. Outreach also includes targeting foreign buyers in educating them about the merits of U.S. products and how they can be purchased.

Market Intelligence:

FAS provides U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 63 posts located throughout the world covering some 130 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships, and market opportunities. This information is essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Increasingly, FAS Agricultural Counselors and Attaches are focusing on the government policies and issues that can affect the competitiveness of U.S. exports, particularly competitor activities within that market, host country compliance with existing trade rules, and the formation of cooperative links for the upcoming trade round.

Financial Marketing Assistance:

FAS administers a number of price/credit and risk assistance programs designed to leverage overseas market expansion for U.S. agricultural, fish, and forest products. These programs include CCC Export Credit Guarantee Programs and the Export Enhancement Program and Dairy Export Incentive Program. These programs give U.S. producers the ability to counter export subsidies of foreign competitors and allow U.S. exporters to compete with sales terms offered by foreign competitors.

Long-term Market and Infrastructure Development:

FAS promotes trade capacity building, fosters world food security, and deploys USDA resources and expertise to advance market-based policies, trade and investment, sustainable agricultural systems, and agricultural research and education in developing countries and emerging markets. FAS also provides linkages to worldwide agricultural resources and international organizations to gain access to emerging technologies that can help create new U.S. agricultural products and markets. Direct program activities include administering the Cochran Fellowship Program and managing USDA's bilateral exchange and cooperative research programs with foreign governments and institutions. The Emerging Markets Program, under which technical assistance and related activities are carried out, facilitates international agribusiness relationships, enhances food systems in developing and transitional countries, and helps expand U.S. agricultural exports. At the request of the U.S. Agency for International Development, international organizations, and foreign governments, technical assistance and training in agriculture and rural development are provided on a reimbursable or advance-of-funds basis.

FAS also administers a number of foreign food assistance activities under which agricultural commodities are made available to food deficit countries. These include: (a) Title I of Public Law 480 which provides for sales of commodities to developing countries under long-term credit agreements and assists in meeting their food import needs; (b) the Food for Progress Program under which commodities are made available to developing countries and emerging democracies which have made commitments to introduce and expand free enterprise in their agricultural economies; (c) donations of surplus CCC-owned commodities to developing and other, friendly countries under the authority of section 416(b) of the Agricultural Act of 1949; and (d) the McGovern-Dole International Food for Education and Child Nutrition Program which provides for the donation of U.S. agricultural commodities and associated technical and financial assistance to carry out preschool and school feeding programs in foreign countries.

Montreal Protocol Multilateral Fund: The Montreal Protocol Multilateral Fund was created in 1991 to help developing countries switch from ozone depleting substances (ODS) to safer alternatives. Developing countries' commitment to comply with the Protocol's strict requirements is contingent on developed countries providing help through the Fund. In other words, if developed countries do not make their Fund contributions, developing countries would likely not comply. With Fund assistance, developing countries as a group have exceeded initial reduction commitment by almost 25%. Maintaining their commitment matters to ozone protection. If developing countries revert to historic use and growth rates of ODS, they could

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offset all reductions made by the U.S. and other developed countries, and lead to significant health and environmental damage. Thus, continued support for the Fund is critical.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 80 posts around the world. As of September 30, 2002, there were 852 permanent full-time employees, 598 in headquarters and 254 in field locations abroad.

OIG/GAO REPORTS ISSUED IN FY 2002

<u>OIG Reports</u>	<u>Issue Date</u>	<u>Subject</u>
OIG-50601-4-HQ	August 2002	Assessment of USDA's Controls Over Website Content
<u>GAO Reports</u>	<u>Issue Date</u>	<u>Subject</u>
GAO-02-183	January 2002	Mad Cow Disease: Improvements in Animal Feed Ban and Other Regulatory Areas Would Strengthen U.S. Prevention Efforts
GAO-02-294	February 2002	UN Peacekeeping: Estimated U.S. Contributions, Fiscal Years 1996-2001
GAO-02-6	February 2002	Information Technology: Enterprise Architecture Use Across the Federal Government Can Be Improved
GAO-02-328	February 2002	Foreign Assistance: Global Food for Education Initiative Faces Challenges for Successful Implementation
GAO-02-662T	April 2002	Human Capital: Major Human Capital Challenges at SEC and Key Trade Agencies
GAO-02-659T	May 2002	Overseas Presence: Observations on a Rightsizing Framework
GAO-02-801T	June 2002	Food Aid: Experience of U.S. Programs Suggests Opportunities for Improvement
GAO-02-590	June 2002	State Department: Sale of Unneeded Overseas Property Has Increased, but Further Improvements are Necessary
GAO-02-657	July 2002	Fruits and Vegetables: Enhanced Federal Effort to Increase Consumption Could Yield Health Benefits for Americans
GAO-02-780	July 2002	Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives

GAO-02-790R	July 2002	Current Law Limits the State Department's Authority to Manage Certain Overseas Properties Cost Effectively
GAO-02-808	July 2002	Foot and Mouth Disease: To Protect U.S. Livestock, USDA Must Remain Vigilant and Resolve Outstanding Issues
GAO-02-1056	September 2002	World Trade Organization: Selected U.S. Company Views About China's Membership
GAO-02-879	September 2002	World Trade Organization: Early Decisions on Key Issues Vital to Progress in Ongoing Negotiations
GAO-02-876	September 2002	International Trade: Advisory Committee System Should be Updated to Better Serve U.S. Policy Needs
GAO-02-850	September 2002	Export Promotion: Mixed Progress in Achieving a Governmentwide Strategy

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff Years
2002 Actual and Estimated 2003 and 2004

Item	2002		2003		2004	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Foreign Agricultural Service.....	121,813,000	735	131,214,000	747	140,798,000	747
Rescission.....	-91,000	-	0	-	0	-
Credit Reform Funds from Other Accounts:						
CCC Export Loans Program Account.....	3,224,000	43	3,224,000	43	3,327,000	43
P.L. 480 Program Account.....	1,033,000	14	1,033,000	14	1,066,000	14
Total Credit Reform Funds.....	4,257,000	57	4,257,000	57	4,393,000	57
Total, FAS.....	125,979,000	792	135,471,000	804	145,191,000	804
Obligations under other USDA appropriations:						
Commodity Credit Corporation for:						
MAP Evaluations.....	250,000	3	250,000	3	250,000	3
Landset data and support of export programs.....	1,000,000	2	1,000,000	2	1,000,000	2
IRM Activities.....	10,386,000	-	10,735,000	-	10,735,000	-
FSA - President's Travel Expense.....	50,000	-	0	-	0	-
Emerging Markets Program.....	10,000,000	-	10,000,000	-	10,000,000	-
Support of and access to the USDA satellite						
imagery library: NASS, RMA, ARS, NRCS.....	300,000	-	300,000	-	300,000	-
FSIS - Processing Facility Inspections.....	24,000	-	12,000	-	12,000	-
Agricultural Marketing Service for Cotton						
Research and Soybean Board.....	29,000	-	29,000	-	29,000	-
FS, NAL, NRCS, FSIS, ARS, APHIS for						
FODAG Office in Rome.....	181,000	1	181,000	1	181,000	1
Office of the Secretary: Congressional Relations.....	183,000	3	183,000	3	183,000	3
Office of the Secretary: Trade Negotiations & Biotechnology.....	0	-	0	-	0 ^{a/}	20
USTR - WTO Ministerial - Qatar.....	26,000	-	0	-	0	-
FSA - On-site Training.....	16,000	-	0	-	0	-
CSREES Salary and Benefits for FAS detail.....	99,000	1	99,000	1	99,000	1
Total, Other USDA Appropriations.....	22,544,000	10	22,789,000	10	22,789,000	30
Total, Agriculture Appropriations.....	148,523,000	802	158,260,000	814	167,980,000	834
Other Federal Funds:						
U.S.A.I.D and others for						
developmental assistance.....	49,626,000	169	49,000,000	171	49,000,000	171
Total, Foreign Agricultural Service.....	198,149,000	971	207,260,000	985	216,980,000	1,005

^{a/} Funding will be made available from the Trade Negotiations and Biotechnology Fund established in the Office of the Secretary. The level of funding to be transferred will be determined during fiscal year 2004 based on agency workload needs, Department objectives, and related considerations.

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary

2002 Actual and Estimated 2003 and 2004

Grade	2002			2003			2004		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-6	-	-	-	-	-	-	-	-	-
ES-5	1	-	1	1	-	1	1	-	1
ES-4	2	-	2	2	-	2	2	-	2
ES-3	1	-	1	1	-	1	1	-	1
ES-2	-	-	-	-	-	-	-	-	-
ES-1	3	-	3	3	-	3	3	-	3
GS-15	47	-	47	47	-	47	49	-	49
GS-14	89	-	89	89	-	89	94	-	94
GS-13	176	-	176	176	-	176	184	-	184
GS-12	110	-	110	110	-	110	115	-	115
GS-11	41	-	41	41	-	41	41	-	41
GS-10	1	-	1	1	-	1	1	-	1
GS-9	44	-	44	44	-	44	44	-	44
GS-8	28	-	28	28	-	28	28	-	28
GS-7	48	-	48	48	-	48	48	-	48
GS-6	17	-	17	17	-	17	17	-	17
GS-5	9	-	9	9	-	9	9	-	9
GS-4	3	-	3	3	-	3	3	-	3
GS-3	0	-	0	0	-	0	0	-	0
GS-2	0	-	0	0	-	0	0	-	0
Other Graded Positions.....	64	266	330	64	266	330	64	266	330
Total Permanent Positions.....	684	266	950	684	266	950	704	266	970
Unfilled Positions end-of-year.....	-86	-12	-98	-72	-12	-84	-72	-12	-84
Total, Permanent Full-Time Employment, end-of-year.....	598	254	852	612	254	866	632	254	886
Staff Year Ceiling.....	712	259	971	726	259	985	746	259	1,005

FOREIGN AGRICULTURAL SERVICE

Classification By Objects
2002 Actual and Estimated 2002 and 2003

Personnel Compensation:	<u>2002</u>	<u>2003</u>	<u>2004</u>
Washington, D.C.....	\$37,750,000	\$38,797,000	\$39,861,000
Field.....	20,269,000	20,891,000	21,464,000
11 Total personnel compensation.....	58,019,000	59,688,000	61,325,000
12 Personnel benefits.....	15,812,000	16,229,000	16,617,000
13 Benefits for former personnel.....	43,000	43,000	43,000
Total pers. Comp. & Benefits.....	73,874,000	75,960,000	77,985,000
Other Objects:			
21 Travel.....	5,185,000	5,435,000	5,735,000
22 Transportation of things.....	610,000	610,000	624,000
23.2 Rental payments to others.....	5,750,000	5,750,000	6,238,000
23.3 Communications, utilities and miscellaneous charges.....	2,177,000	4,177,000	4,273,000
24 Printing and reproduction.....	100,000	100,000	102,000
25.0 Other Services.....	34,600,000	37,735,000	44,264,000
26 Supplies and materials.....	1,400,000	1,400,000	1,432,000
31 Equipment.....	1,202,000	3,202,000	3,276,000
41 Grants, Subsidies and Contributions.....	852,000	1,102,000	1,262,000
Total other objects.....	51,876,000	59,511,000	67,206,000
Total direct obligations.....	125,750,000	135,471,000	145,191,000

Position Data:

Average Salary, ES Positions.....	\$139,031	\$143,341	\$146,208
Average Salary, FO Positions.....	\$91,767	\$94,611	\$96,504
Average Salary, GS Positions.....	\$66,320	\$68,375	\$69,743
Average Grade, GS Positions.....	11.6	11.6	11.6

FOREIGN AGRICULTURAL SERVICE

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

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954 (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed \$158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), \$140,798,000, of which \$5,000,000 is to support the Montreal Protocol Multilateral Fund: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development.

None of the funds in the foregoing paragraph shall be available to promote the sale or export of tobacco or tobacco products.

**FOREIGN AGRICULTURAL SERVICE
SALARIES AND EXPENSES**

President's Budget, 2003.....	\$135,471,000
Budget Estimate, 2004.....	<u>145,191,000</u>
Increase in Appropriation.....	+9,720,000

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Market Access.....	\$31,730,000	\$505,000	\$634,000	\$32,669,000
Market Development, Promotion and Outreach.....	35,793,000	430,000	541,000	36,764,000
Market Intelligence.....	30,238,000	449,000	563,000	31,250,000
Financial Marketing Assistance.....	10,703,000	169,000	212,000	11,084,000
Long-term Market and Infrastructure Development.....	27,007,000	318,000	899,000	28,224,000
Montreal Protocol				
Multilateral Fund.....	0	0	6,000,000	5,000,000
Total Available.....	<u>135,471,000</u>	<u>1,871,000</u>	<u>7,849,000</u>	<u>145,191,000</u>

Account: SALARIES AND EXPENSES

STRATEGIC GOAL 1: Expand U.S. Share of World Export Markets

STRATEGIC GOAL 2: Improve Global Food Security

PROJECT STATEMENT

	<u>2002 Actual</u>		<u>2003 Estimated</u>		<u>Increase or Decrease</u>	<u>2004 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Goal 1:							
Market Access.....	\$29,464,000	214	\$31,730,000	217	\$1,139,000 (1)	\$32,869,000	217
Market Development, Promotion and Outreach.....	33,877,000	182	35,793,000	185	971,000 (2)	36,764,000	185
Market Intelligence.....	28,224,000	190	30,238,000	193	1,012,000 (3)	31,250,000	193
Financial Marketing Assistance.....	9,947,000	71	10,703,000	72	381,000 (4)	11,084,000	72
Subtotal, Goal 1.....	101,512,000	657	108,464,000	667	3,503,000	111,967,000	667
Goal 2:							
Long-term Market and Infrastructure Development.....	24,329,000	135	27,007,000	137	1,217,000 (5)	28,224,000	137
Montreal Protocol							
Multilateral Fund.....	0	-	0	-	5,000,000 (6)	5,000,000	-
Subtotal, Goal 2.....	24,329,000	135	27,007,000	137	6,217,000	33,224,000	137
Unobligated Balance.....	229,000						
Total, Available.....	<u>126,070,000</u>	<u>792</u>	<u>135,471,000</u>	<u>804</u>	<u>9,720,000</u>	<u>145,191,000</u>	<u>804</u>

FOREIGN AGRICULTURAL SERVICE
Account: SALARIES AND EXPENSES (CONTD)

PROJECT STATEMENT

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
RECAP:							
1. Market Access.....	\$29,494,000	214	\$31,726,000	217	\$1,139,000	\$32,865,000	217
2. Market Development, Promotion and Outreach.....	33,877,000	182	35,789,000	185	871,000	36,760,000	185
3. Market Intelligence.....	28,224,000	190	30,234,000	193	1,012,000	31,246,000	193
4. Financial Marketing Assistance.....	9,947,000	71	10,702,000	72	381,000	11,083,000	72
5. Long-term Market and Infrastructure Development.....	24,329,000	135	27,004,000	137	1,217,000	28,221,000	137
6. Montreal Protocol Multilateral Fund.....	0	--	0	--	5,000,000	5,000,000	--
7. Federal Employees Compensation Act.....	0	--	16,000	--	0	16,000	--
Unobligated Balance.....	229,000						
Total Available or Estimate.....	126,070,000	792	135,471,000	804	9,720,000	145,191,000	804
Credit Reform Funds from CCC Export Loans and P.L. 480 Program Accounts.....	-4,257,000	-57	-4,257,000	-57	-136,000	-4,393,000	-57
Rescission.....	-91,000	--	0	--	0	0	--
Total Appropriation.....	121,722,000	735	131,214,000	747	9,584,000	140,798,000	747

Performance Goals and Indicators

	FY 2002 (\$ Millions)			
	Target	Actual	FY 2003	FY 2004
Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through the WTO notification process (\$Million)	\$2,200	\$1,327	\$2,200	\$2,400
Gross trade value of markets created, expanded or retained annually due to market access activities other than WTO notifications (\$Million)	\$2,700	\$3,818	\$2,700	\$3,000
Annual sales reported by U.S. exporters from on-site sales at international trade shows (\$Million)	\$250	\$332	\$250	\$250
U.S. agricultural exports supported by USDA export credit	\$3,826	\$3,388	\$4,225	\$4,155

JUSTIFICATION OF INCREASES AND DECREASES

The fiscal year 2004 budget reflects a total increase of \$9,720,000 for FAS, including \$4,220,000 of which applies to five budget activities. The increase of \$4,220,000 is comprised of:

- a. An increase of \$1,871,000 to cover higher personnel compensation costs associated with the anticipated FY 2004 pay raise. Pay cost increases are non-discretionary and must be funded. Absorption of these costs in fiscal year 2004 would primarily come from reductions in agency personnel levels and would likely necessitate a reduction-in-force to be undertaken. This would significantly affect FAS efforts to address declining levels in the U.S. share of world agricultural exports.
- b. An increase of \$1,539,000 for inflation. Using the OMB economic assumption of 2.3 percent, this is the amount needed to offset anticipated inflationary cost growth. This increase is of particular importance for maintaining FAS offices overseas at current levels.
- c. An increase of \$594,000 for higher ICASS payments to the Department of State (DOS). The DOS provides overseas administrative support for foreign affairs agencies through the International Cooperative Administrative Support Services (ICASS) system. FAS has no administrative staff overseas, and thus relies entirely on DOS/ICASS for this support. For FY 2004, DOS has informed agencies that it anticipates an increase of 6.5 percent over FY 2003 levels. That 6.5 percent estimate includes amounts for increasing staffing under the Diplomatic Readiness Initiative, continuing the Overseas Infrastructure Initiative, and budgeting for overseas comparability pay. Under ICASS rules, participating agencies are required to pay their portion of these "platform" costs. Total ICASS costs for FAS are estimated as follows:

(\$000)

FY 2002	\$8,460
FY 2003	\$9,137
FY 2004	\$9,731

- d. An increase of \$356,000 for increased overseas rental expenses arising from the sale of dedicated FAS overseas housing by DOS. In response to a continuing practice of selling residences historically occupied by Agricultural Attaches and originally purchased with agriculture program funding, Congress adopted Section 738 of the fiscal year 2001 Agriculture Appropriations Act that limits DOS's authority to sell "unneeded" property by making sales decisions contingent on FAS approval.

DOS has sold FAS residences in Quito, Ecuador; Rabat, Morocco; and Santiago, Chile and is proposing to sell residences in Cairo, Egypt; Stockholm, Sweden; and Vienna, Austria. Section 213 of the Foreign Relations Authorization Act, Fiscal Year 2003, (P.L. 107-228) repealed section 738. In view of this action and State's intention to sell 3 additional residences, FAS must now seek additional funding to finance moves into commercial space where government owned space is not available.

- e. A decrease of \$140,000 for the savings associated with centralization and improvement of information technology. Savings are associated with consolidated buys for infrastructure and office automation, and consolidation of enterprise architecture projects within the Department. USDA continues to ensure that information technology investments utilize enterprise licenses for hardware and software where appropriate and reduce the information technology costs.

For brevity and clarity, a single line reference to these non-discretionary current service requirements is included in the justification of increases for the following budget activity on a pro-rated basis using the FY 2002 staff year distribution as the model as follows:

Market Access	27%
Market Development and Promotion	23%
Market Intelligence	24%
Financial Marketing Assistance	9%
Long-term Market and Infrastructure Development.....	17%
TOTAL	100%

1. An increase of \$1,139,000 for Market Access (\$31,730,000 available in 2003) for non-discretionary current service requirements.
2. An increase of \$971,000 for Market Development, Promotion, and Outreach (\$35,793,000 available in 2003) for non-discretionary current service requirements.
3. An increase of \$1,012,000 for Market Intelligence (\$30,238,000 available in 2003) for non-discretionary current service requirements.
4. An increase of \$381,000 for Financial Marketing Assistance (\$10,703,000 available in 2003) for non-discretionary current service requirements.
5. An increase of \$1,217,000 for Long-Term Market and Infrastructure Development (\$27,007,000 available in 2003) consisting of:
 - (a) \$717,000 for non-discretionary current service requirements.
 - (b) \$500,000 for Trade Capacity Building.

Representatives from 170 countries are currently negotiating international provisions governing the shipment and use of products from biotechnology under the Cartagena Protocol on Biosafety. Parameters set under this agreement are intended to provide uniform international requirements for ensuring the safe transport and use of these products. The Biosafety Protocol can offer a framework to guide countries that currently lack national regulatory systems for products of biotechnology. However, if member countries misinterpret the Protocol, it can seriously impede international trade, product development, technology transfer, and scientific research. This was well exemplified earlier this year by Zambia's rejection of corn donated by the United States because it was a transgenic product. Zambia indicated that the World Food Program (WFP) and the U.S. Agency for International Development acted unethically and illegally by going against the spirit of the Biosafety Protocol, which requires advanced informed agreement for the transboundary movement of transgenic food. The Biosafety Protocol was proposed for adoption in Montreal in January 2000, but has not come into force. However, it is expected that the Biosafety Protocol will become an internationally legally binding instrument in mid-2003 as more countries ratify the agreement.

Of concern is that the benefits of the Biosafety Protocol may be significantly offset by onerous costs, uncertainty, and delays if it is misinterpreted or selectively invoked. Thus, the ratification and enforcement of the Biosafety Protocol by countries that are major U.S. export markets, and countries that represent priority emerging markets, may significantly impact market access for bulk and processed products derived from modern biotechnology. In order to ensure that the implementation of these standards under the Biosafety Protocol

are science-based, transparent, and non-discriminatory, FAS must actively engage parties to the Protocol in regional informational seminars.

The budget proposes an increase of \$500,000 to support a series of regionally based short-courses on the specifics of the Biosafety Protocol. These courses will be coordinated in conjunction with other USDA agencies such as the Animal and Plant Health Inspection Service (APHIS), industry representatives, academia, the non-governmental organization community, and international regulatory agencies. Specifically, the short-courses will increase the capacity of countries to:

- Assess the risks associated with bio-engineered crops using science-based techniques;
- Understand the implications that the Biosafety Protocol can have on international agricultural trade;
- Work more closely with international standard setting and regulatory bodies such as Codex Alimentarius;
- Work within the framework of the Protocol while at the same time minimizing the additional transaction costs that will result in its enforcement.

The short-courses will be regionally based in order to tailor the message and seminar content. This funding is expected to cover the costs of approximately 100 participants from regulatory agencies at 4-5 seminars. The expected outcome of these courses is that parties to the Protocol will have a more sophisticated understanding of the agreement's purpose and potential benefits. In addition, it will help to ensure that countries do not use the Biosafety Protocol as an instrument to distort global agricultural trade markets.

6. An increase of \$5,000,000 for a USDA contribution to the Montreal Protocol Multilateral Fund (no funds available in 2003).

The Montreal Protocol Multilateral Fund was created in 1991 to help developing countries switch from ozone depleting substances (ODS) to safer alternatives. Developing countries' commitment to comply with the Protocol's strict requirements is contingent on developed countries providing help through the Fund. In other words, if developed countries do not make their fund contributions, developing countries would likely not comply. With Fund assistance, developing countries as a group have exceeded their initial reduction commitment by almost 25 percent. Maintaining their commitment matters to ozone protection. If developing countries revert to historic use and growth rates of ODS, they could offset all reductions made by the U.S. and other developed countries, and lead to significant health and environmental damage. Thus, continued support for the Fund is critical.

In 1992, the Parties to the Protocol classified the fumigant methyl bromide as an ozone-depleting substance and in 1997 agreed to a phase out schedule. However, due to the fact that a technically and economically feasible alternative with acceptable health and environmental effects is not currently available, the U.S. will ask the parties to approve what may be a large request for an exemption to allow continued use of methyl bromide beyond the protocol's mandated 2005 phase out date. This is a critical issue for U.S. farmers, as much of the California and Florida strawberry, tomato, and pepper production markets depend on methyl bromide for pre-plant and post-harvest crop and soil treatment. Based on models of markets for strawberries, tomatoes, and other vegetable crops, the University of Florida and the National Center for Food and Agricultural Policy estimate the net annual welfare loss to consumers and producers resulting from a methyl bromide phase out to be in the range of \$400-\$450 million.

Historically, the Department of State and the Environmental Protection Agency have provided nearly all U.S. payments to the Montreal Protocol Multilateral Fund. This has funded projects that are leading to the phase out of the production and use by developing countries of industrial chemicals that deplete the ozone layer, such as chlorofluorocarbons and halons. In the future, there will be an

increasing focus on reducing the use of methyl bromide. In recognition of the growing importance of agricultural issues in the Montreal Protocol process, USDA is requesting a \$5 million contribution to the Fund. This contribution should help to increase U.S. leverage within the Protocol once the methyl bromide exemption issues are discussed at the Council of Parties.

APPROPRIATIONS FOR THE COCHRAN FELLOWSHIP PROGRAM

Fiscal Year 2002 Actual	4,000,000
Fiscal Year 2003 Estimated	5,000,000
Fiscal Year 2004 Estimated	5,000,000

FOREIGN AGRICULTURAL SERVICE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2002 Actual and Estimated 2003 and 2004

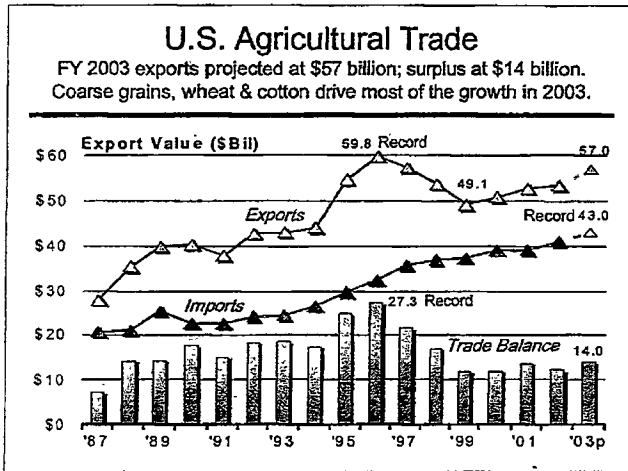
	2002		2003		2004	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	\$80,327,728	533	\$89,262,395	545	\$96,372,061	545
Overseas.....	45,513,272	259	46,208,605	259	48,818,939	259
Subtotal, Available or Estimate.....	125,841,000	792	135,471,000	804	145,191,000	804
Unobligated balance.....	229,000					
Total, Available or Estimate.....	126,070,000	792	135,471,000	804	145,191,000	804

FOREIGN AGRICULTURAL SERVICE

STATUS OF PROGRAM

SUMMARY OF AGRICULTURAL TRADE

Fiscal year (FY) 2003 U.S. agricultural exports are projected at \$57 billion. This represents a \$3.7-billion increase over 2002, and a sales level \$7.9 billion higher than the recent low of \$49.1 billion set in 1999. However, 2003 exports would still fall \$2.8 billion short of the 1996 record. Bulk commodity export volume is projected at 112.2 million metric tons (mmt), down 1.4 mmt from 2002 and 15.1 mmt below the strong showing in 1995. Overseas sales remain vitally important to U.S. farmers, and an important source of income for food processing companies, transportation and other related industries. As in recent years, agricultural exports account for about one-quarter of total farm cash receipts (excluding government payments) and support about 850,000 jobs both on and off the farm.



Footnote: These projections are based on USDA's "Outlook for U.S. Agricultural Trade" published on December 2, 2002. The next release is scheduled for late February 2003. All data used comes from the Bureau of the Census.

The FY 2003 trade projection is set against the backdrop of reduced global grain supplies, while some recovery in the U.S. and global economy supports increased foreign demand. Rising prices, especially for grains, oilseeds, and cotton, are boosting the total value of U.S. exports; however, the U.S. dollar remains relatively strong against most currencies which continues to hamper U.S. export competitiveness.

Looking at key individual commodities, increased export volume and prices for coarse grains results in a projected gain of \$1.6 billion. Despite a reduced domestic crop and lower exports, higher prices should result in a \$600-million gain for wheat. For soybeans and soybean meal, lower export volumes are offset by higher prices leaving value largely unchanged. Higher export unit value for cotton supports a \$500-million rise in export value. Beef and pork exports should rise \$300 million, partly supported by improved sales prospects to Japan and Korea, but little if any growth in broiler meat exports is expected. A modest increase for horticultural exports is projected.

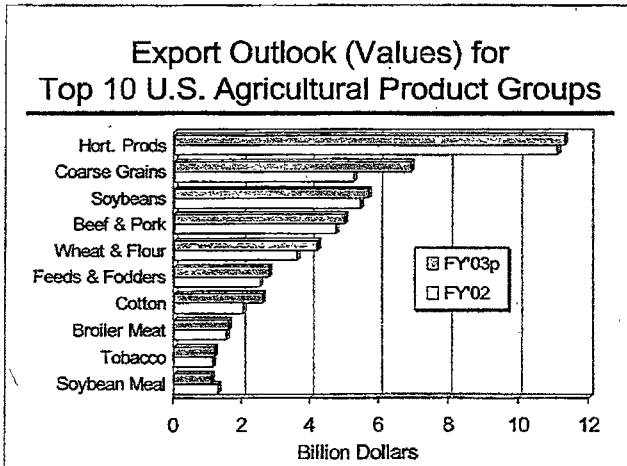
As for major markets, FY 2003 exports to the Asian Pacific-Rim region are expected to rise \$1.5 billion over the previous year to \$20.1 billion as exports to Japan are expected to rise \$700 million. Closer to home, sales in the Western Hemisphere are projected to reach a record \$21.7 billion, with new records to both Canada and Mexico expected. Canada and Japan are now tied for first place with projected U.S. exports of \$9 billion each.

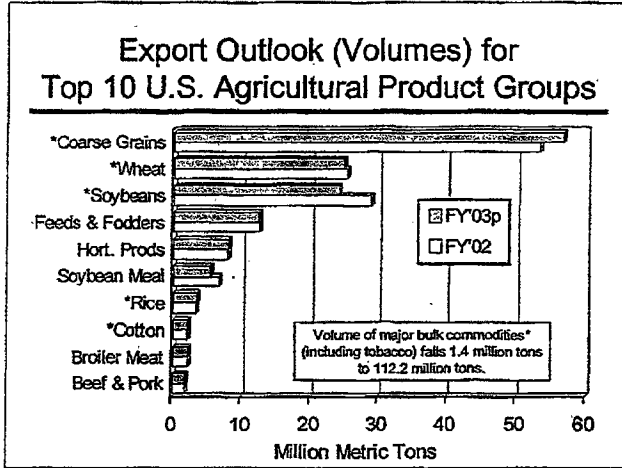
At a record \$43 billion, projected FY 2003 U.S. agricultural imports are \$2 billion above the previous year. Some growth in the U.S. economy, a relatively strong U.S. dollar, and continued growth in the demand for horticultural products (including beer and wine) keeps agricultural import expansion on track with historical trends. Projected at \$14 billion in FY 2003, the U.S. agricultural trade surplus remains in the same range (\$12-14 billion) it has been since 1999, and about \$13 billion below the 1996 record.

COMMODITY EXPORT HIGHLIGHTS

Bulk commodity exports are projected to rise \$2.9 billion to \$22 billion in FY 2003. Export unit prices for wheat and corn should be significantly higher, and a significant increase in corn shipments is projected as well. Higher export volume and prices for cotton also support the improved outlook for bulk commodities. Despite gains for corn and sorghum, total export volume for major bulk commodities is projected to fall 1.4 mmt to 112.2 mmt, down just over 1 percent from 2002 and 15.1 mmt below the strong performance in 1995. Soybeans account for most of this volume decline, the result of increased competition from South American suppliers and a somewhat smaller domestic crop. Compared to the previous year, the highlights for FY 2003 are:

- *Wheat exports* are projected to fall 400,000 tons to 25 mmt, but a 20-percent increase in export unit value raises total value \$600 million to \$4.1 billion. The 2002/03 U.S. crop is the smallest in 30 years. However, the same is true for Canada's wheat crop, and intense drought has cut Australia's wheat crop to less than half of the previous year's harvest. The United States is benefiting from tight global supplies of high-quality wheat. Competition from the European Union (EU) and the Black Sea region is intense.





- *Coarse Grain* exports are projected to reach 56.8 mmt valued at \$6.9 billion boosted by gains in unit value and export volume for both corn and sorghum. Average unit values should rise 22-24 percent, and shipping volumes are projected to rise 3.1 mmt and 300,000 tons for corn and sorghum, respectively. Despite a somewhat smaller U.S. crop, the improved outlook for U.S. coarse grain exports is largely due to reduced competition from Argentina and increased demand from Mexico and Canada. China's corn exports are projected to rise 1.4 mmt in marketing year (MY) 2002/03.
- *Soybean* exports are projected to fall 4.7 mmt to 24.2 mmt due to a somewhat smaller U.S. crop and further increases in South American production and competition in export markets. The combined production and exports of Brazil and Argentina are projected to exceed U.S. production and exports for the first time in MY 2002/03. On the positive side, a significant increase in soybean export unit value is expected due to strong demand, higher vegetable oil prices, and higher prices for competing grains and animal feeds. China's soybean imports are projected to increase 4 mmt to 14 mmt in MY 2002/03.
- *Cotton* exports are projected to rise 200,000 tons to 2.4 mmt. Increased volume coupled with higher export unit value should boost total value \$500 million to \$2.6 billion. While there is some reduction in the size of the U.S. crop, foreign demand remains fairly strong.

High-value product exports are projected to rise \$800 million to \$35 billion in FY 2003. *Intermediate product* exports are projected to fall \$100 million to \$12.5 billion, as declines for soybean meal are offset by gains in animal feeds. Little change is expected for hides and skins, but U.S. soybean and other vegetable oils should benefit from generally tighter global vegetable oil supplies. *Consumer food* exports are projected to rise \$900 million to \$22.5 billion, thereby matching the record set in 2001. Beef and pork and horticultural products are driving most of the gains. Compared to the previous year, the highlights for 2003 are:

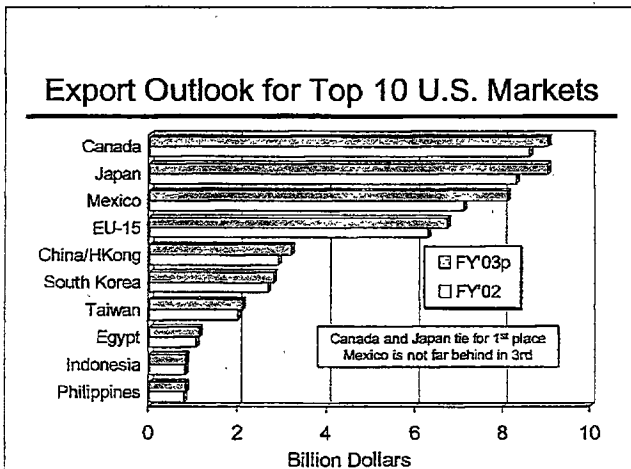
- *Beef and Pork* exports are projected to rise 80,000 tons and \$250 million to 2 mmt valued at \$5 billion. Japanese demand for beef remains soft due to a weak economy and lingering concerns over meat safety, but U.S. pork sales to Japan are showing steady gains. U.S. beef exports to South Korea were up sharply in FY 2002 to a record \$671 million and further gains are expected in 2003. Mexico is expected to remain the second largest buyer of U.S. red meats with sales exceeding \$1 billion.

- *Broiler Meat* exports are projected to remain largely unchanged at 2.3 mmt valued at \$1.6 billion. After years of continued expansion up until 1997, U.S. broiler meat exports are suffering from repeated trade disruptions to Russia and China/Hong Kong, our two largest markets, and increasing competition from Brazilian suppliers.
- *Horticultural Product* exports are projected to rise only \$200 million to a record \$11.3 billion. This is a 2-percent increase over 2002, and the 4th year of solid growth since 1999. Modest economic growth and a somewhat weaker dollar support sales to the European Union and Canada, and a stronger Mexican economy should support increased sales to that country. A record U.S. almond crop and large export volume also support the aggregate sales. Prospects for continued strength in the U.S. dollar, somewhat smaller domestic apple and pear crops, and market access uncertainty for apples to Mexico and Taiwan limit the projected increase.

TOP EXPORT MARKETS

Rising grain and soybean prices and increased red meat sales support most of the U.S. sales gain to the Asian Pacific-Rim region. In this region, Japan is responsible for half of the expansion, but sales gains to China, Taiwan, and South Korea should also be significant. Closer to home, sales increases are again projected for Canada, and an especially large increase (\$1 billion) is projected for Mexico. Compared to the previous year, the highlights for FY 2003 are:

- U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, *Mexico* and *Canada*, are projected to reach a record \$17.1 billion, up a remarkable \$1.4 billion from the previous year. If realized, this would boost U.S. exports in the Western Hemisphere region to a record \$21.7 billion (38 percent of total). Exports to Canada consist of a broad range of high-value consumer foods, whereas sales to Mexico tend to be concentrated in grains, soybeans, cotton, meats, and increasingly fruits. Canada, which took 1st place as the top U.S. export market for the first time in FY 2002, is projected to tie with Japan in FY 2003. Prospects for Mexico appear bright as its economy is projected to grow 5 percent in 2003, up from 1.5 percent in 2002. Improved economic prospects, the impact of drought which has increased demand for animal feed, and rising grain and soybean prices account for most of the annual increase in U.S. exports.



- U.S. agricultural exports to the *Asian Pacific-Rim* region are projected to rise \$1.5 billion to \$20.1 billion (35 percent of total). An increase of \$700 million to \$9 billion is estimated for Japan. The main reasons for this expected increase are higher grain and soybean prices and increased pork shipments. Increased sales of other products are expected to remain limited due to Japan's weak economic outlook, although a stronger yen could offset the situation somewhat. China's economy, still relatively sheltered from global economic slowdowns, is expected to grow at a relatively high 6-7 percent stimulating demand for many goods. Nevertheless, only a \$300-million increase is projected for China due to its many trade restrictions.
- Exports to the *European Union* are forecast to rise a modest \$400 million to \$6.7 billion. A weaker dollar (against the euro) and higher soybean prices are the main factors for the improved outlook. However, the trade-restricting impact of the Common Agricultural Policy and ongoing food safety disputes continue to limit U.S. export opportunities. The European Union now only accounts for 12 percent of total U.S. agricultural exports; it has slipped to a distant fourth place behind Mexico and the gap is widening.

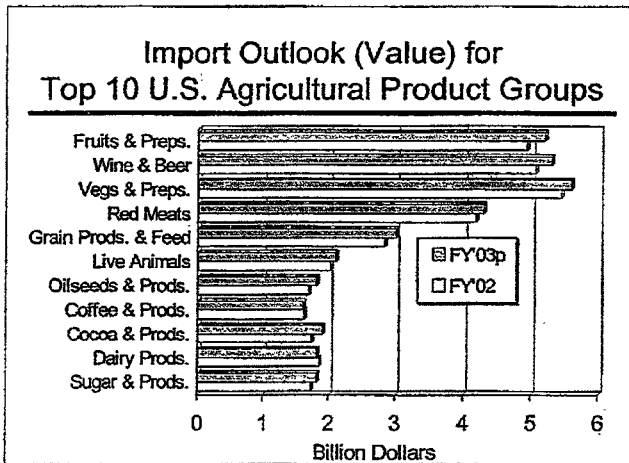
COMMODITY IMPORT HIGHLIGHTS AND TOP SUPPLIERS

U.S. agricultural imports are projected at a record \$43 billion in FY 2003. Some growth in the U.S. economy, a relatively strong U.S. dollar, and continued growth in the demand for horticultural products (including beer and wine) keeps agricultural import expansion on track with historical trends. Some increases for live animals and animal products as well as grain and products are also expected. With respect to suppliers, Western Hemisphere countries (especially Canada, Mexico and Brazil) are projected to account for half of the annual increase. Compared to the previous year, the highlights for FY 2003 are:

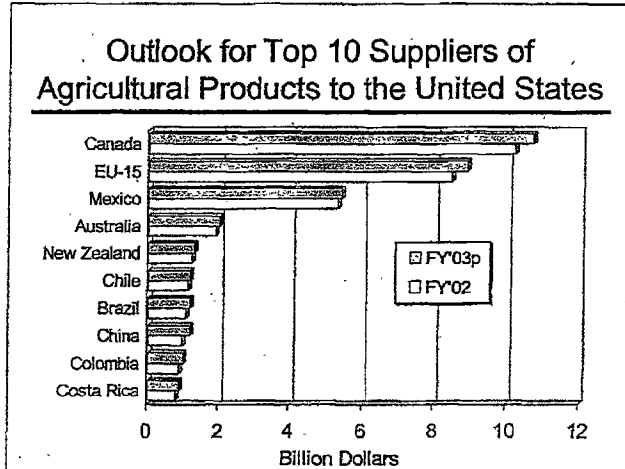
- *Horticultural Product* imports are projected to rise \$900 million to a record \$18.4 billion. Imports of fresh and processed fruits and juices should rise \$300 million to \$5.2 billion, fresh and processed vegetables are expected to rise \$150 million to \$5.6 billion, wine and beer should rise \$250 million to \$5.3 billion, and nursery products and cut flowers should rise \$70 million to \$1.2 billion. Mexico and other Latin American countries are the major suppliers of fruits, vegetables, and juices although Canada and China are important suppliers of processed vegetables. Canada, Colombia, and the European Union are the main suppliers of nursery products and cut flowers. The European Union is the largest wine and beer supplier, but Mexico has risen in a few short years to become a major supplier of beer, and Australia and Canada are important beer suppliers as well.
- *Grain, Animal Feed, and Grain Product* imports are projected to rise \$300 million to \$3.9 billion, mostly due to rising purchases of crackers, cookies, and other bakery products as well as pastas and noodles. Canada is the major supplier of bulk grains and animal feeds with about \$1 billion in annual sales.
- *Live Animal and Animal Product* imports are projected to rise \$200 million to \$9.3 billion, largely on the strength of red meat sales. Canada (beef and pork) followed by Australia and New Zealand (beef and lamb) are the major chilled and frozen meat supplier.

Countries in the Western Hemisphere account for half the \$2-billion gain in agricultural imports for FY 2003 with a regional total projected at \$23.3 billion. A large increase in U.S. purchases from Canada, the largest agricultural supplier, is expected. As for other regions, projected imports from Western Europe are up \$500 million, imports from Australia and New Zealand are up \$200 million, and imports from the Asian Pacific-Rim are up \$250 million. Compared with the previous year, the highlights for 2003 are:

- Imports from *Canada* (25 percent of total) are projected to rise \$500 million to \$10.7 billion. Most of this increase is due to greater sales of snack foods (both grain-based products and confectionaries), live animals, and fresh and processed vegetables. Purchases from *Mexico* are expected to rise \$100 million to \$5.4 billion.



- Imports from the *European Union* (21 percent of total) are projected to rise \$400 million to \$8.9 billion despite a stronger euro. The major suppliers are Italy, France, and Germany, and the major import by a wide margin is wine and beer which has more than doubled in value since the early-1990s to over \$3 billion in annual sales. Other major products include crackers and confectioneries, olive oil, pastas, cheese, and processed fruits and vegetables. The U.S. agricultural trade deficit with the European Union-15 is projected at \$2.2 billion.
- Imports from *Australia and New Zealand* (8 percent of total) continue to grow and are projected to reach \$3.3 billion in FY 2003. Beef, lamb, and other animal products are driving most of the growth, but wine sales are also very strong.
- *China* (3 percent of total) is now the largest Asian supplier with sales projected to rise \$200 million to \$1.2 billion. China supplies a number of high-value consumer foods, including processed fruits and vegetables, fresh vegetables, savory snack foods, apple juice, walnuts, and spices.



CURRENT ACTIVITIES

MARKET ACCESS

FAS initiates, directs, and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to those markets. In virtually every foreign market, U.S. agricultural exports are subject to import duties and non-tariff trade restrictions. Trade information sent to Washington from FAS personnel overseas is used to map strategies for improving market access, pursuing U.S. rights under trade agreements, and developing programs and policies to make U.S. farm products more competitive. An important part of FAS' work to open and retain foreign markets relates to access barriers based on sanitary and phytosanitary (SPS) concerns. Addressing these types of barriers requires coordination with a number of USDA agencies, such as the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS), as well as with private sector companies and associations. Following are some examples of FAS' successes during the past year.

- **U.S. Comprehensive Agricultural Negotiating Proposal Shaped World Trade Organization (WTO) Negotiations.** In July 2002, the United States unveiled its comprehensive WTO agricultural negotiating proposal that called for significant new disciplines in the areas of market access and export competition, and for harmonization of domestic subsidies. FAS was an essential partner with the United States Trade Representative (USTR) in shaping the strategy for this proposal as well as for conducting the supporting analysis. U.S. negotiators consulted with other WTO members to develop an international consensus on the need for bold change, working in an atmosphere of heightened awareness of the need for a balance of benefits between the developed and the developing world. The U.S. proposal was one of the few comprehensive plans offered and it set the tone for the negotiations during the year. The detailed U.S. proposal is one step along the negotiating path of the Doha

Development Agenda, but a critical one, because trade in agricultural goods is the focus of most members of the WTO in this round of talks. The U.S. proposal provides a roadmap to reach the common goal of a fairer trading system for farmers and ranchers in the United States and around the world.

- **Other Trade Negotiations.** FAS has also been an active participant in several other trade negotiations, including the Free Trade Area of the Americas, WTO accession negotiations with Russia and Saudi Arabia, and the recently completed Singapore and Chile Free Trade Area agreements. In addition, FAS worked with the U.S. Trade Representative's Office to obtain new tariff concessions from Hungary on almonds, pecans, grapefruit, bovine semen, and baby chicks in exchange for continued access to the U.S. Generalized System of Preferences (GSP) program. While pursuing these new negotiations we have also begun to see the benefits from earlier agreements. For example, U.S. exports of forest products, rice, cotton, citrus, and wheat to Taiwan and China have increased by over \$100 million in total as a result of those two countries' accessions to the WTO, and U.S. soybean meal and corn exports to Jordan have nearly doubled as a result of the U.S.-Jordan Free Trade Area agreement.
- **Monitoring and Enforcement of WTO Agreements Resulted in \$1.8 Billion in Preserved U.S. Market Opportunities.** Monitoring of trade agreements is essential to ensure that the benefits gained through long, hard negotiations are realized. FAS' monitoring efforts of the Agreement on Agriculture and Sanitary and Phytosanitary Agreement ensured that nearly \$1.8 billion in U.S. trade was protected or expanded. Major illustrations include: the monitoring of China and Taiwan's WTO accession commitments; Venezuela's import licensing for numerous commodities (corn, soybean meal, rendered products, dairy, grapes, apples, pears, pork, and poultry); and Costa Rica's rice import permits.
- **China WTO Accession.** In China's first year of membership in the WTO, FAS has closely monitored implementation of its commitments. A new USDA China Task Force was established to address trade problems with China. When China stopped imports of U.S. chicken paws, a market valued at \$140 million annually, FAS reopened the market by negotiating an agreement that allows FSIS to provide health inspection certificates. China also blocked U.S. frozen french fries until USDA found an acceptable solution whereby the Agricultural Marketing Service would issue an official plant inspection certificate. The market for U.S. french fries in China is valued at over \$35 million. FAS was also able to win a delay in implementation of China's new labeling requirements for meat and poultry that would have seriously impacted trade. Currently, FAS is working on improving China's implementation of its tariff rate quota (TRQ) allocation system regarding state trading enterprises in order to facilitate exports of U.S. grains and cotton.
- **Secured Access for U.S. Organic Exports to Japan and Europe.** Access to the Japanese and European markets for U.S. organic products was protected during the year due to interventions by FAS, in cooperation with the Agricultural Marketing Service and the Organic Trade Association. Following several months of discussions, the Japanese Ministry of Agriculture, Forestry and Fisheries declared USDA's National Organic Program (NOP) equivalent to Japan's organics standards on March 13, 2002. This means that products which meet the U.S. standards do not have to be re-certified by Japanese authorities. Annual U.S. exports of organic products to Japan are currently valued at over \$100 million. The EU has not yet accepted the NOP as equivalent to its organic standards. Several EU member states considered suspending import authorizations for U.S. organic products because of the difference in standards, but FAS successfully averted those suspensions by clarifying that U.S. exporters would continue to meet the European organic import standards while we seek EU recognition of the U.S. standards. Annual exports of U.S. organic products to Europe are currently valued at more than \$50 million.
- **EU Grain Import Restrictions Averted.** In June 2002, the EU announced it would unilaterally withdraw its Uruguay Round concessions on grain tariffs, replacing them with TRQs. While the EU had the right to do so under WTO rules, USDA and USTR fought vigorously against the changes,

which threatened \$400 million in U.S. grain exports. In October 2002, U.S. and EU officials reached an agreement that would maintain existing import treatment for major grains, while allowing the EU to impose TRQs on items of limited interest to the United States.

- **Australian Market Opens to U.S. Table Grapes.** Following years of bilateral discussions and exchanges of technical information, Australia lifted its phytosanitary-based ban on U.S. table grapes, and the first shipments arrived in July 2002. The market is estimated to be worth \$10 million annually.
- **Russian Poultry Ban.** On August 23, 2002, USDA officially concluded negotiations with Russia over the veterinary certificate for U.S. poultry exports, ending a 6-month dispute over the terms of trade for U.S. poultry that engaged the highest levels of the U.S. and Russian governments. FAS Moscow coordinated the release of shipments that were detained due to the lack of proper documentation by the Russian Veterinary Service by obtaining information from FSIS, APHIS, and traders that verified each shipment's compliance with local law. FAS Moscow forwarded this data through official letters to the Chief Veterinarian and through extensive consultations with the Ministry of Agriculture's Foreign Relations Department. The total value of shipments facilitated was in excess of \$14.4 million. Russia is the largest export market for U.S. poultry, with shipments totaling \$660 million in 2001. The ban and subsequent trade uncertainty during the negotiations drove down prices for U.S. chicken leg quarters and had a negative impact on other meat prices.
- **Other SPS and technical barriers removed.** FAS, in coordination with regulatory agencies such as APHIS, FSIS, and FDA, used a number of strategies to address Sanitary and Phytosanitary and technical barriers to U.S. exports during the past year. These included establishment of formal consultation mechanisms, such as the Consultative Committees on Agriculture with Canada, Mexico, Peru, and Uruguay and the U.S.-Chile Ad-Hoc SPS Working Group, established as part of the U.S.-Chile free trade agreement negotiations. These efforts have already resulted in the easing of Mexico's import requirements for Pacific Northwest apricots and California avocados, a delay in Canadian restrictions on the labeling of U.S. produce, and the removal of Chile's barriers to Arizona and California citrus, Oregon apples and pears, and California kiwi fruit and table grapes. FAS has addressed other barriers on a case-by-case basis. Examples include: working with FSIS to obtain system and plant approvals from Costa Rica and Bulgaria to allow exports of U.S. poultry, meat, and meat products to continue; working with APHIS to obtain approval for U.S. cotton exports to Turkey and Colombia; and working with FDA to obtain approval of a food additive commonly used in U.S. processed foods.
- **FAS Maintains Market Access for Biotech Products.** FAS worked to ensure continued market access for products of modern agricultural biotechnology in numerous countries. FAS was a key component of the interagency team that worked with officials in China to ensure that interim biotech regulations on imports of bulk commodities did not negatively impact U.S. exports. FAS brought together an influential coalition of Canadian and U.S. food processors and government officials from both countries to fight passage of a mandatory biotech food labeling law in Canada. FAS worked closely with the Government of Korea to implement new non-biotech self-certification procedures for U.S. food exports, eliminating onerous paperwork requirements. FAS continued to work to remove the EU's illegal moratorium on approvals of new biotech events.
- **FAS Pushes Science-Based Regulatory Policy for Biotechnology.** FAS worked with trading partners and in multilateral organizations to highlight the need for science-based regulatory policies for biotechnology. The United States participated in the first Asia Pacific Economic Cooperation (APEC) Policy Dialogue on Biotechnology where the 21 member countries reached a consensus that biotechnology is a revolutionary tool with great potential for food security and the environment. In an effort to foster closer cooperation, the North American Biotechnology Initiative identified science, marketing, and regulatory issues as priority discussion areas for Canada, Mexico, and the United States. Separately, the Philippines enacted well-crafted biotech commercialization guidelines after 3 years of sustained FAS interaction through seminars, educational events, and Cochran Fellowship

training programs. FAS worked closely with third countries and allies within the EU to counter misinformation and to highlight the practical implications of pending EU legislation on biotech food and feed products. On the multilateral front, seminars co-sponsored by FAS on biotech labeling guidelines in the CODEX Committee on Food Labeling supplied key allies useful information on the topic which strengthened support for the U.S. position. FAS also participated in numerous U.S. Government sponsored events highlighting the practical implications of mandatory "traceability" requirements for biotech products and mandatory labeling for biotech food products.

- **FAS Seoul Protects U.S. Meat Trade.** In 2002, Korea was considering implementation of new "country of origin" requirements on imported meat that would have seriously and adversely affected U.S. exporters. The new regulation would have required the U.S. meat industry to develop a "trace-back" system on all animals. This would have resulted in a significant increase in paperwork (and costs) for the U.S. meat industry and USDA. U.S. exports would have been severely disrupted if not completely shut down for 3-4 months if the measure had been put into effect. U.S. exports to Korea are estimated to have reached \$300 million in 2001 and are forecast to increase to \$400 million in 2002. Post successfully intervened and clarified the U.S. position by putting it into the WTO context and in terms of costs to the industry. FSIS assisted FAS by providing supporting information to post. The Government of Korea relented and removed the implementing regulation from its books in December 2002. As a result of post's quick and decisive action, the rule was never implemented saving approximately \$100 million in trade that could have been disrupted or shut down.
- **FAS Seoul Resolves Poultry Problem.** On November 6, 2001, ProMED-mail reported an outbreak of highly pathogenic avian influenza in Connecticut. On November 9, based on that article, Korea implemented a 100% mandatory laboratory testing requirement for all imported U.S. poultry and poultry products. With the laboratory test requirement, the clearance time for U.S. products stretched out to 1 month, in effect closing the market for U.S. products during this period. Working together, FAS and APHIS successfully educated Korean quarantine officials on the U.S. situation, clarified to the Korean government the avian influenza in Connecticut was not the highly pathogenic avian influenza of concern and assured them the U.S. system was operating effectively to prevent contaminated product from entering the U.S. and international supply distribution system. On November 17, the Korean government lifted the mandatory 100% laboratory test requirement and that same day released detained U.S. products. In recent months, high domestic poultry prices spurred by high demand have forced Korean end-users to the international market for suppliers. The combination of newly available low-priced Chinese chicken and aggressive marketing efforts of Thailand provided an environment ripe for the U.S. to lose hard earned market share in Korea because of the new testing regime. FAS estimates the virtual suspension of U.S. poultry by the 100% laboratory testing requirement would have cost the U.S. poultry industry, at minimum, 6,700 MT (approximately \$700 million) in trade to this market. Post believes effective action taken in Korea may have positively influenced measures adopted in neighboring countries as well.
- **FAS Warsaw Protects Polish Poultry Trade.** FAS Warsaw worked out an agreement with the Polish Veterinary Service in February 2002, which maintains access for U.S. poultry and red meat pending full implementation of EU border controls as Poland prepares for EU accession. If such arrangements had not been achieved, U.S. poultry and red meat entry into Poland would have been blocked beginning on February 13, 2002 and a minimum estimated \$81.4 million (FY 2002, \$37 million; FY 2003, \$44.4 million) in future sales would have been lost. In addition, FAS Warsaw successfully obtained preliminary assurances that U.S. poultry meat will be permitted transshipment via Poland after EU accession.
- **FAS Athens Supports Biotech Education.** In March 2002, FAS Athens organized a conference addressing the most recent developments in U.S. agricultural practices, including advantages of applying biotechnology. Expert speakers focused on cotton plant behavior and growth under certain environmental conditions including plant response to lack of rainfall at critical development stages. The conference was organized in Larisa and Volos, an exclusive farming region known for cotton

production. Approximately 350 people participated in the Larisa conference, mainly farmers, agronomists, local associations, and seed and agricultural inputs traders, while 150 participants attended the Volos Conference, mainly research fellows, teaching staff, graduate, and post-graduate students. The activity proved to be one of the best ways to pass new technology, show how plant breeding can respond to resource constraints, and to create opportunities for U.S. agricultural products. The conference succeeded in advancing the acceptance of genetically modified organisms (GMOs), which will help pave the way for the sale of U.S. biotech products.

- **ATO Dubai Facilitates Bean Entry.** A shipment of 18 MT of U.S. black-eyed beans exported to Dubai by Minnesota's Knight Seed Company (KSC) was refused entry to the UAE market on grounds that the bean bags carried only stickers showing label information. UAE labeling regulations require all labeling information be directly printed on the bags. ATO Dubai convinced municipal authorities that the mistake was an honest one, and was attributable to the company being new to this market. More importantly, ATO Dubai was also able to convince municipal authorities that the product was fit for human consumption. The local authorities reconsidered and reversed their decision and permitted the sale of the products in the local market.
- **FAS Mexico Brings on the Beef.** FAS Mexico intervened on behalf of several U.S. beef and beef product companies to clarify documentation required at the border for entry into Mexico. FAS Mexico's decisive efforts and close working relationship with its Mexican counterpart agency eventually enabled approval of the entries. Companies assisted included: Trofeo Cattle Company; I.B.P.; Sugar Creek Packing, Co.; Greater South Texas Services, Inc.; Conagra; Blue Ribbon Flavors; Hatfield Quality Meats; and Ranchers Lamb of Texas. The total value of exports facilitated was \$500,000. FAS Mexico also facilitated Mexico's acceptance of several more U.S. meat establishments on its Approved Exporters List. FAS Mexico's close working relationship with both FSIS and its Mexican counterpart agency enables fast, efficient approval of U.S. establishments to export meat to Mexico. These efforts have contributed substantially to continuous growth in U.S. meat exports to Mexico over the past year. Recently authorized U.S. companies assisted by FAS Mexico include: Cameco, Inc., Verona, NJ; Trim-Rite Food Corp., Carpentersville, IL; P&O Cold Logistics, San Antonio, TX; Sapar USA, Inc., Haward, CA; Houston Refrigerated Services, Houston, TX; Ranchers Lamb of Texas, San Angelo, TX; Bartlow Brothers, Inc., Rushville, IL; Premio Foods Inc., Hawthorne, NJ; Sam Hausman Meat Packer, Inc., Corpus Christi, TX; Triple T Country Meats, Welsburg, IA.
- **FAS Tel Aviv Facilitates Frozen Fruit.** For several years the Israel Customs Authority has allowed duty free entry for frozen fruit of U.S. origin for industrial use. In March 2002, without prior notice, importers were suddenly required to pay 80 percent of the most-favored nation tariff on frozen fruit. Had this situation persisted, U.S. exporters would have lost their share (\$1.5 million) of this \$4 million market to European exporters. Israel's largest dairies and ice cream manufacturers, the main buyers of U.S. frozen fruit, informed the importer that if the situation were not corrected, they would discontinue all orders from the United States. The importer approached FAS Tel Aviv for assistance. Over a period of a number of months the FAS Agricultural Specialist discussed the matter in depth with senior officials in the Ministry of Industry and Trade and in the Israel Customs Authority. In a recent trade negotiating session in Geneva, the Israeli negotiators informed the U.S. team that they had arranged to have the tariff lifted and had prepared an Administrative Order for the Minister of Finance to sign.
- **FAS Ankara Protects U.S. Cotton Trade.** In 2002, the Government of Turkey made sudden changes to phytosanitary requirements for cotton shipments, temporarily halting U.S. cotton imports and threatening exports of U.S. cotton that had already been shipped. FAS Ankara engaged the assistance of APHIS to develop an acceptable change to cotton phytosanitary requirements that would permit shipments to resume. In the interim, post negotiated the clearance of several shipments of cotton held by customs in Turkish ports. Post also successfully convinced the Turkish Government to subject shipments en route only to preexisting phytosanitary requirements. FAS Ankara then negotiated a change to the phytosanitary certificate that was acceptable to U.S. exporters, APHIS, and Turkish

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authorities. This non-tariff barrier affected nearly all U.S. cotton exporters to Turkey either directly or indirectly. Post's quick and decisive action saved approximately \$20 million in U.S. cotton exports that could have been lost.

- **FAS Seoul Expands Market for U.S. Beef.** Korean imports of chilled U.S. beef have risen to \$27.9 million in 2002 (January - September basis), an increase of \$11 million (165%) compared to the previous year according to just released Korean import statistics. Changes in Korean regulations, negotiated by FAS Seoul, now permit greater flexibility to importers in the freezing of chilled beef, which has accounted for most of the increase. Continued strong economic growth (over 5% in 2002) and record overall beef import demand account for the remainder of the increase. The U.S. has a 65% market share of chilled beef exports to Korea, which is why the impact of these new regulations has been so great.

MARKET DEVELOPMENT, PROMOTION AND OUTREACH

FAS develops foreign markets for U.S. farm products through aggressive market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build, and maintain overseas markets for U.S. agricultural products. The largest of the promotional programs administered by FAS are the Market Access Program (MAP) and the Foreign Market Development (FMD) Cooperator Program. FAS has 16 Agricultural Trade Offices (ATO) in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion. In addition, FAS sponsors U.S. participation in several major trade shows and a number of single-industry exhibitions each year.

MARKET ACCESS PROGRAM/FOREIGN MARKET DEVELOPMENT PROGRAM

- **School Soy milk Program to Reach Indonesia's Poorest Children.** Monetization of 20,000 metric tons of soybean meal in Indonesia provided under section 416(b) authority made it possible to develop the world's first known school soy milk program on Indonesia's island of Sumatra. The American Soybean Association (ASA) utilized this opportunity not only to stimulate the first large-scale production of soy milk in the country, but also to introduce U.S. de-hulled soybean meal to the feed industry on a large scale. ASA, using FMD funds combined with U.S. farmer check-off dollars, has worked closely with the Indonesian feed milling industry to develop a preference for U.S. de-hulled soybean meal. Commercial sales of U.S. soybean meal to Indonesia have grown from \$1.7 million to \$166 million over a 3-year period largely because of this effort. In FY 2001, the Indonesian market became America's second largest customer for U.S. soybean meal and sixth largest customer for soybeans.
- **Taking Advantage of Market Environment in Europe.** Using MAP and FMD funds, U.S. Wheat Associates aggressively pursued improved market opportunities in Europe, meeting with over 500 buyers within just 1 month to present the current year's supply availability and quality attributes of all U.S. wheat classes. These efforts were particularly useful in Spain (where sales quadrupled) and Italy (where exports increased 38 percent). The European Union has been a steadily growing market for U.S. wheat since reaching bottom in 1993, but this year U.S. Wheat Associates took advantage of market developments and helped U.S. export sales to Western Europe climb to over 2.2 MMT - the highest level since the mid-1980's.
- **Wisconsin Company Utilizes Mid-America International Agri-trade Council (MIATCO) Services to Break into Top Mexican Retailer.** A company in Wisconsin recently expanded their presence in Mexico with their first shipment of precooked sausage to Sam's Club Mexico. Founded in 1889, the family owned business currently employs 275 people. They export processed sausage, ham, and bacon to 20 countries around the world.

This sale was the latest accomplishment for the company, which only started targeting Mexico 4 years ago. Today, the company ships 12 percent of their total worldwide exports to this market. "Our success

in Mexico would not have been remotely possible without our early participation in MIATCO's programs" states their International Sales Manager.

The company made initial contact with Sam's Club through MIATCO's Food Show PLUS! service offered at the Antad trade show in Guadalajara. The service included matchmaker meetings with potential buyers and key decision makers from Sam's Club. MIATCO administers its Food Show Plus services through MAP funding.

- **FAS Programs Facilitate Development of Wood-Frame Housing Market.** Using MAP and FMD funds, the American Forest and Paper Association (AFPA) has played a significant role in the development of China's building codes for wood-frame housing. Prior to this work, China had no modern history of wood frame construction in the housing market. In July 2002, China's Ministry of Construction (MOC) finalized the building inspection codes and is now in the process of completing the design codes for wood-frame construction. Fire resistance requirements were added to the draft design codes, an inclusion representing a major victory for AFPA. U.S. exports of wood products into China's construction market are expected to increase from the current annual value of \$1 million to over \$10 million.
- **Fresh Grapefruit Sales Increase by 16 Percent in the United Kingdom.** The Florida Department of Citrus (FDOC) reports that Florida fresh grapefruit sales increased 16 percent in 2002 over the previous marketing year. Strategic changes implemented through the use of MAP funds have contributed to FDOC's success in this market. Specifically, FDOC reduced its role in conducting promotions with major retailers in favor of public relation activities to increase consumer demand. In exchange, the Florida grapefruit industry took over more of the role in coordinating promotions directly with retailers. This strategy has proven effective. Retailers have supported the combined FDOC and industry efforts. As a result, Florida grapefruit exports increased substantially this past year, lending credence to the FDOC perception that the UK market is one in which seasonal growth is possible. Prior to the 2001-02 season, FDOC was concerned that a strengthening U.S. dollar against the British pound would negatively affect Florida grapefruit exports.
- **COTTON USA Mark Licensing and Promotion Programs Boost U.S. Cotton Exports to Hong Kong.** Cotton Council International (CCI), using MAP and industry funds to promote U.S. cotton at local mills and retail customers, helped to expand U.S. cotton exports to Hong Kong from 151,700 bales in 1997 to 373,500 bales in 2002. The estimated value of last year's shipments is expected to reach \$74 million, representing a growth in U.S. market share from 26 percent to 71 percent for the same period. Moreover, COTTON USA Mark-labeled units in Hong Kong in 2001 grew by 51 percent to 1.4 million product units over previous year levels. CCI uses advertising and retail sales promotions to build trade and consumer demand for both U.S. cotton and qualified Mark-labeled products containing 100 percent cotton and at least 50 percent U.S.-grown cotton. Independent research clearly shows that the strength of consumer preference has nearly doubled since the 1995 baseline for U.S.-grown cotton products versus products made with cotton of other origins.
- **MAP Increases Spanish Imports of U.S. Sunflower Seeds.** Spain is currently the largest export market for U.S. confection sunflower seed. The primary use for sunflower seeds in Spain is for snacks. Three years ago, using MAP funds, grower check-off and industry dollars, and in partnership with key Spanish snack roasters, the National Sunflower Association (NSA) kicked off a national point-of-sale (POS) campaign to promote U.S. confectionary sunflower seeds. Since the inception of the campaign, U.S. confectionary sunflower seed exports have grown from just over \$13,000,000 to \$16,700,000. This represents a 28 percent increase in the export value of U.S. confectionary sunflower seeds. In 2001/02, U.S. export volume and value is expected to increase in Spain. Exported sunflower seeds are a value-added product with processing facilities located in rural locations of North Dakota, Minnesota, and Kansas.

- **U.S. Meat Export Federation (USMEF) Brings US Beef Back To Japanese Tables.** FAS administered market development funds, combined with industry funds, are rebuilding Japanese consumer confidence in beef. The discovery of Bovine Spongiform Encephalopathy (BSE) in Japan sent Japanese beef consumption in a downward spiral with beef consumption dropping nearly 70 percent. Even though BSE was discovered in the Japanese domestic herd, imported beef was hit hard. USMEF countered with a campaign featuring US beef industry spokeswomen telling the food safety and nutrition message of US beef directly to the Japanese consumer, housewife to housewife. The campaigns have clearly impacted market recovery--Japanese chilled beef imports are steadily rising and US market share has surpassed Australia, reaching 56 percent. Japanese beef imports in 2002 were still 35-40 percent lower and beef consumption down 15 percent from 2001. However, USMEF projects that the beef campaign will allow the US industry to return to the 2000 record level of \$2 billion by 2004, rather than by 2007 or later. The additional exports projected to result from the beef campaign is estimated at over \$1 billion in the 3-year period.
- **Trade mission to Orient will lead to millions.** A joint project between Nevada and Washington State in April proved successful for 10 companies attempting to do business in Asia. Using MAP funding, the group led the companies on trade missions to Malaysia and the Philippines. Organizers set appointments for foreign buyers and American sellers as well as arranged for educational tours of the markets. On site sales topped \$150,000 and sales for the next 12 months are estimated to reach \$2.1 million. Reports from the companies are positive. They said they made excellent contacts and received valuable insights into the market.
- **2001 DIETEXPO Show a Million Dollar Success.** FAS Paris participated in the DIETEXPO Show on October 20-22, 2001. Post worked with U.S. exhibitors at DIETEXPO, which took place shortly after September 11th, to ensure participation as planned. Products highlighted at the show included enzymes, fat blockers, and anti-aging products made from fruits and plants. DIETEXPO 2001 attracted 7,000 visitors from France and Europe; 20 percent of show visitors hailed from outside the European Union. Visitors included pharmaceutical buyers, supermarket representatives, importers/distributors, retail shop owners, and manufacturers. This show generated \$1 million in sales for U.S. companies.
- **FAS Paris Organizes Wine Tasting.** The Paris American Wine Tasting event was conducted on March 19, 2002. The event generated preliminary sales of \$240,000, with 61 new U.S. wines introduced to French food service and retail sector buyers. FAS Paris expects subsequent sales from this year's event to double over the results from last year. The event attracted top quality visitors including wine cellar representatives, sommeliers, importers/distributors, and the press. FAS Paris also arranged for a Zinfandel Seminar, organized by the California Wine Institute, prior to the event.
- **FAS Brussels Scores Success with Seafood.** The European Seafood Exposition is the largest seafood trade show in the world. It is the premier event for U.S. firms wanting to make contacts with European buyers and enter the seafood market. It is also a good place to check on the competition, since all major competitors attend. The total size of the four U.S. exhibitor areas increased by 12 percent over last year, and the total number of booths increased 25 percent to 35 booths. FAS Brussels participated in a U.S. exhibitor seminar with the National Marine Fisheries Service (NMFS). FAS staff also led a seminar on the Belgian, Dutch, U.K., Spanish, Austrian, Croatian, Hungarian, and Czech seafood markets. The number of products test marketed was slightly higher than last year. On site sales and total projected 12-month sales reported by U.S. firms were almost \$150 million, \$36 million higher than last year's totals. Additionally, the Maine International Trade Center (MITC) organized a trade mission for five Maine companies to this exposition. FAS Brussels supported this activity and solicited suggestions for buyers from other FAS posts. The MITC reported that over \$2 million in sales during the next 12 months were expected from participation in this trade show.
- **FAS Paris Supports American Indian Products.** In June 2002, FAS Paris sponsored a trade show composed of four member companies of the Inter-tribal Agriculture Council (IAC). These companies exhibited a variety of products including seafood, olive oil, cotton, citrus, fried bread, and a variety of

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Caribbean specialty chutneys and sauces. Each IAC company reported an average 8-12 solid sales leads each day of the exhibition. These companies also reported on-site sales of \$25,000 for their smoked and dried salmon as well as their organic cranberries. Estimated 12-month sales for these products are \$400,000. IAC participants granted four press interviews about their products and about American Indians in general. Both IAC and Caribbean Specialty Foods reported successful meetings with France's major importers/distributors and supermarket buyers such as Monoprix and "La Grande Epicerie de Paris."

- **FAS Warsaw Wins with Wine.** In January 2002, post worked with the USDA/Cochran Fellowship Program to select a group of Polish importers to visit U.S. exporters in California, Washington, and New York. Post followed this activity with a U.S. wine promotion in Poland, which resulted in a business agreement with one of the largest U.S. wine exporters. FAS Warsaw then worked with Wine Institute of California to organize the "California Dreaming Festival," which included official welcoming remarks at the event by U.S. Ambassador Christopher Hill and a luncheon/tasting at the Ambassador's residence for U.S. wine exporters, Polish wine importers, and media representatives. During the Festival, U.S. exporters showcased wines that are already available in Poland as well as those that are new to the Polish market. The Canandaigua Wine Company of New York reported expected sales to Poland of \$240,000 in 2003. Canandaigua Wine Company brands that are being exported to Poland include Paul Masson, Vendange, and Talus.
- **FAS Brazil Promotes U.S. Specialty Foods.** U.S. products do not enjoy the same status as European products do in the Brazilian market. European companies have had relatively more experience and enjoy easier entry into the Brazilian market because Brazilian consumers have a better perception of EU products, as they are viewed as traditional and sophisticated. To help promote U.S. products, FAS Brazil organized the participation of a Brazilian importer, Impexco, in the Fancy Food Show in New York. As a result of the show, Impexco identified two U.S. suppliers of specialty products, Alexia Foods (Brooklyn, NY) and Eden Food, Inc. (Clinton, MI); made on-the-spot purchases of \$10,000; and reported plans for additional purchases later in the year.

FAS Brazil also arranged for Impexco to take part in a Cochran Fellowship Program wine promotion in the U.S. As a result of this program, three new brands of U.S. wines were introduced in the Brazilian market: Trefethen Vineyards and Farniente Winery (California), and Duck Pond Vineyards (Oregon). Initial purchases resulting from the program were \$70,000.

- **FAS Paris Promotes Health Food Products.** In 2002, FAS Paris supported participants in the American Pavilion at Health Ingredient Trade Show in Paris. Twelve U.S. companies exhibited in the American Pavilion and 14 additional U.S. companies had booths in the Organic Pavilion.

Representatives of the State of Iowa and the American Soybean Association also participated in the show. Exhibitors within the U.S. Pavilion reported 12-month expected sales of \$2.83 million, and reported the successful introduction of a total of 89 new products to the market, and a total of 250 new business contacts. U.S. exhibitors reported being highly satisfied with the show and are interested in returning next year.

EMERGING MARKETS PROGRAM

- **Cooperation on Seeds Improves U.S. Market in Russia.** In January 2002, the American Seed Trade Association (ASTA), utilizing Emerging Markets Program funding, hosted an industry and government delegation from Russia including the Vice Minister of Agriculture of the Russian Federation. The goal was to create a unified force at the highest levels of government and industry aimed at strengthening the seed sector and creating regulatory reform. This visit was part of a continuing movement to unify the two seed associations which operate in Russia. As the government of Russia continues to increase its focus on the seed sector, it continues to receive information from the

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- U.S. seed industry regarding reforms that will allow a less restrictive planting seed market. Also, the development of the Russian seed sector is creating seed companies that demand improved germ plasm. U.S. seed companies are well positioned to fill this demand.
- Export Readiness Training for Minority U.S. Agriculture Producers at Trade Shows. Ten producers in the southeastern United States which are owned and/or managed by minorities are participating in the export readiness training component of the Southern U.S. Trade Association's (SUSTA) Central American Food Service Initiative, which is supported by funding from the Emerging Markets Program. As a result of this initiative, six of these companies participated in their first international trade event in 2002 and one has already made its first export shipment. Trade events included the "America's Food and Beverage Trade Show" in Miami and the "InterBev Trade Show" in Atlanta.

FAS OUTREACH PROGRAM

During FY 2002, FAS focused its outreach efforts on educating and energizing U.S. business and agricultural interests to export; educating the public on the importance of trade and the role of state, federal, and trade association partnerships; building support for trade policy, world food security, export credit, and foreign market development initiatives; and engaging the traditionally underserved in the export arena.

The fact that agriculture is one of the most export-dependent industries in the United States, that 96 percent of the world's food consumers live outside the borders of the United States, and that sales of agricultural products to the export market are growing at a faster rate than the domestic market dramatically highlights the need to make the agricultural community aware of the dynamic export market. It is clearly in the best interest of the agricultural community that the U.S. Government engage in outreach and increase domestic awareness of global opportunities, USDA export programs, and the importance of agricultural trade.

In FY 2002, the FAS Office of Outreach & Exporter Assistance (OOEA) directed the FAS Outreach Program and created partnerships, facilitated communication and education, and enhanced outreach coordination among customers and constituents with the overall goal to create knowledge of, and support for, USDA export programs, trade policies, and food security initiatives. As a result, important partnerships were forged with universities, export assistance centers, farm groups, state departments of agriculture, other government agencies both federal and state, the media, and agricultural youth groups. FAS effectively used this network of "partners" to convey to customers and stakeholders alike the message of export opportunities, USDA programs, and the importance of agricultural trade. The FAS Outreach Program effectively:

- broadened grassroots support for U.S. agricultural trade policy, food security, export credit, and market development efforts;
- enhanced FAS's exporter assistance efforts resulting in more U.S. companies being aware of USDA export services;
- created a more effective outreach network of state, legislative, university, and government partners;
- expanded the FAS Ag Attache Education Program to focus on key export market opportunities and importance of trade;
- expanded the state legislator outreach program to increase trade mission participation by key state legislators;
- more closely partnered with the Department of Commerce to create an enhanced and seamless exporter assistance delivery system with other multiplier groups such as the State Regional Trade Groups to provide better and more timely customer service;
- strengthened outreach to under-served, women-owned, new-to-export, and small business contacts;

- identified new industry sectors for trade assistance using the FAS Domestic Trade Show program; and
- expanded outreach opportunities and FAS linkages with 1890, 1996, and Land Grant university programs.

MARKET INTELLIGENCE

The Foreign Agricultural Service's Production Estimates and Crop Assessment Division produces USDA's global grain, oilseed, cotton, and rice crop forecasts each month, in cooperation with the World Agricultural Outlook Board. Analysts combine reports from USDA's attaches abroad with the latest innovations in interpretation of remote satellite imagery and advanced crop and precipitation models to forecast global field crop production. FAS/PECAD is providing more detailed information, faster to U.S. commodities markets, the U.S. agricultural industry and others.

- New Crop Explorer web-based agro-meteorological database attracts users. Crop Explorer is USDA's new web-based system of global precipitation, temperature, and crop vegetative indices and was provided to the public in August 2002. The database provides easy-to-read crop condition information for most agricultural regions in the world. With this data, U.S. and international producers, traders, researchers, and the public can access weather and satellite vegetation information used by agricultural economists and scientists who predict crop production worldwide.

Crop Explorer automates the processing and extraction of certain agro-meteorological indicators and provides that information graphically to the public. The site includes almost 9,000 charts and maps—updated with new satellite and precipitation data every 10 days. About 3,000 U.S. private and foreign visitors use the website each month. The Crop Explorer site can be found on the Web at <http://www.fas.usda.gov/pecad>.

- New Web-based USDA Imagery Archive Spawns Better Service to other agencies. During FY 2002, the USDA Imagery Archive developed and deployed a secure, web-enabled interface to allow subscribers to access and search the Archive inventory. This interface added much needed functionality to the existing database, and permits users to search using either the existing grid references, or by using a map to locate areas of interest. Additional features of the search include the ability to enhance the map to show, for the United States, state and county boundaries, major highways and thoroughfares, and cities. The security features ensure that only qualified researchers can access the system. The system's administrative module greatly simplifies and automates the actual processing of access requests.

In addition to the interface, the Archive has developed a procedure for and begun conversion of its extensive collection of 8-mm tape cartridges to CD format. The Archive also began investigation of the possibility of moving data from 8-mm to DVD format, and likely will begin this process in FY 2003.

- FAS Forges Agreement with Geospatial Services Branch of Statistics Canada to use Ag District Boundaries. Ag district boundaries were used in combination with spatial data (i.e. satellite imagery and precipitation data) to monitor the drought in western Canada this year. The boundaries appeared in maps seen in Crop Explorer and a September web update. Organizations such as the Canadian Wheat Board were then able to put the vegetation condition data in context with historical area, production, and yield data from each district to monitor the situation. The 2002 growing season was the third consecutive year of declining production in Canada, and conditions in places in western Canada were the worst since the 1930's. Because of variability associated with the expanse of the prairie, it was critical that data could be presented in maps that were already familiar to users.

Through the combination of FAS's spatial data with Statistics Canada's Ag District Boundaries, appropriate production estimates were published throughout the growing season.

Below are some of the major global monitoring cases covered by FAS during the year:

- **Drought in Central Asia.** Satellite imagery analysis and mapping of weather data show that the fourth year of drought has moderated in some areas of Central Asia. FAS/PECAD developed new utilities to analyze agricultural conditions using satellite imagery and more precisely determined the location of agricultural zones. The 2003/04 crop is being closely monitored to determine grain production shortfalls. This analysis was provided for quick turnaround and was presented to the USDA policy makers, USAID, and published on the FAS website.
- **Accurate Assessment of El Nino Impact on Australia Wheat Production.** FAS/PECAD combined innovative uses of satellite imagery and ground truth in Australia to analyze the current drought relative to a previous severe (1994) El Nino induced drought. The FAS/PECAD analysis revealed a high probability of a much smaller 2002/03 crop. This early assessment sped up USDA's release of lower crop forecasts.
- **Earlier and More Accurate Assessment of India Rice Production.** FAS satellite imagery analysis, and Geographic Information System (GIS) modeling of rice water requirements indicated 2002/03 rice production was lower than that of all the various India agricultural forecasting agencies. The USDA World Agricultural Outlook Board recognized the excellent job performed by PECAD analysis in correctly and accurately assessing the impact of a failed Southwest Monsoon on India's 2002/03 rice crop. Subsequent interviews from the Indian Minister of Agriculture substantiated FAS' analysis.
- **Earlier and More Accurate Assessment of Brazilian Soybean Production.** FAS used careful analysis of state by state planting data, Landsat satellite imagery, and newly available Air Force gridded weather data to accurately estimate Brazilian 2001/02 soybean production. Rapidly expanding production of this important competitor's crop has been habitually underestimated over the past 2 decades by available private and official Brazilian government sources. Frequently, estimates are revised substantially upward up to a year after harvest is complete, and the marketing season has come to an end. FAS' benchmark forecast was set prior to the completion of harvest, and has been maintained. Recent increases in estimates by non-USDA sources have substantiated FAS' early estimate.

FINANCIAL MARKETING ASSISTANCE

FAS administers price/credit and risk assistance programs designed to develop overseas markets and expand U.S. agricultural exports. These programs include Commodity Credit Corporation (CCC) Export Credit Guarantee Programs and export subsidy programs that include the Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP). These programs allow U.S. exporters to compete with sales terms offered by foreign competitors and to counter export subsidies of foreign competitors.

CCC EXPORT CREDIT GUARANTEE PROGRAMS

The primary objective of the CCC export credit guarantee programs is to improve the competitive position of U.S. agricultural commodities in international markets by facilitating the extension of export credit to middle income countries that do not have access to adequate commercial credit. These CCC programs encourage U.S. lenders (typically commercial banks) to extend credit which is used by overseas customers to pay U.S. exporters. Increasingly these guarantee programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the United States. The GSM-102 program provides guarantees for commercial credit with repayment terms up to 3 years, and the GSM-103 program provides guarantees for commercial credit with repayment terms of more than 3 years and up to 10 years. The FY 2002 GSM-102 program

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provided credit guarantees which facilitated sales of more than \$2.9 billion of U.S. agricultural exports to 11 countries and 6 regional groupings shown below. In FY 2002, there were no exporter applications under GSM-103 program.

<u>FY 2002 PROGRAM SUMMARY</u>	
(\$ Millions)	
GSM 102	\$2,935.99
GSM 103	0.00
Supplier Credit Guarantee Program	<u>452.14</u>
TOTAL	\$3,388.13

**SUMMARY OF FY 2002
GSM EXPORT CREDIT GUARANTEE ACTIVITY**
(Export Applications Received)
(\$ Millions)

<u>COUNTRY</u>	<u>GSM 102</u>	<u>GSM 103</u>
Algeria	\$89.10	--
Caribbean Region	309.90	--
Central American Region	368.60	--
China/Hong Kong Region	189.50	--
Dominican Republic	1.20	--
Jordan	19.10	--
Kazakhstan	2.30	--
Korea	379.70	--
Lebanon	6.99	--
Mexico	308.70	--
Nigeria	4.20	--
Philippines	19.80	--
Russia	1.10	--
South America Region	649.90	--
Southeast Asia Region	189.30	--
Turkey	395.40	--
West African Region	<u>1.20</u>	--
TOTAL	\$2,935.99	0.0

SUPPLIER CREDIT GUARANTEE PROGRAM

In FY 1996, the Supplier Credit Guarantee Program (SCGP) was introduced on a pilot basis and was fully implemented in FY 1997. Under the program, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to importers for the purchase of U.S. agricultural commodities and products. The program initially targeted only high value and value-added products that are sold in smaller-size export transactions, though bulk commodities were added in the second year. In FY 1997, SCGP was made available in 5 countries and 2 regions with \$3.74 million in sales registered. The program has been growing rapidly, with the number of sales registrations doubling each year. In FY 2002, approximately \$452 million in credit guarantees facilitated sales to 11 countries and 9 regions.

**SUMMARY OF FY 2002
SUPPLIER CREDIT GUARANTEE ACTIVITY**
(Export Applications Received)
(\$ Millions)

COUNTRY

Baltic Region	\$0.10
Caribbean Region	3.79
Central American Region	37.46
China / Hong Kong Region	0.56
Egypt	11.83
India	0.01
Israel	0.09
Japan	0.07
Kazakhstan	1.70
Korea	9.30
Mexico	286.57
Poland	0.06
Russia	5.43
South America Region	1.87
Southeast Asia Region	70.92
Southeast Balkans Region	0.65
Taiwan	0.01
Turkey	2.00
West Africa Region	19.11
West Europe Region	.61
TOTAL	\$452.14

Specific program accomplishments for the GSM-102 and Supplier Credit Programs:

- **Caribbean Region** - Sales registrations for the Caribbean region totaled \$309.9 million in FY 2002. The bulk of the registrations were for feed grains and protein meals.
- **Central America** - FY 2002 sales registrations for Central America totaled \$368.6 million, making it the second largest regional program. Feed grains, oilseeds, and protein meals accounted for the bulk of registrations.
- **Korea, GSM-102** - Sales registrations for Korea totaled \$379.7 million in FY 2002, including \$165.3 million worth of wheat, \$87.8 million of oilseeds, \$20.6 million of feed grains, and \$72.7 million of cotton.
- **Mexico, GSM-102** - GSM Sales registrations for Mexico totaled \$308.7 million. Cotton (\$69.4 million), oilseeds (\$34.1 million), feed grains (\$124.5 million), and wheat (\$26.1 million) were the major commodities imported under the program.
- **South America Region, GSM-102** - The South America Region was the largest regional program in FY 2002 with \$649.9 million in sales registrations. Feed grains at \$204.4 million and wheat at \$281.8 million accounted for the major portion of sales registered.

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- **Turkey, GSM-102** -- Turkey, with GSM sales registrations totaling \$395.4 million, was the largest single country program in FY 2002. The bulk of the registrations for the program were for protein meals, oilseeds, feed grains, vegetable oils, and cotton.
- **Mexico, Supplier Credit** -- The SCGP for Mexico continued to be the most actively used SCGP, with the number of sales registrations in FY 2002 more than double those of FY 2001. In FY 2002, sales registrations for Mexico totaled \$286.5 million with feed grains and oilseeds accounting for the bulk of the registrations.

MARKET EXPANSION PROGRAMS

The EEP and DEIP facilitate the commercial sale of United States agricultural commodities in world markets at competitive prices. In addition, these programs are designed to promote market development in a market sensitive manner and to offset the adverse effects of unfair trade practices consistent with WTO guidelines.

- **Export Enhancement Program**. In FY 2002, no bonuses were awarded.
- **Dairy Export Incentive Program**. This program helps exporters of U.S. dairy products meet prevailing world prices and helps develop foreign markets for targeted dairy products. The major markets assisted in FY 2002 included Asia and Latin America with \$54.61 million in bonuses awarded on 86,473 metric tons of dairy products as listed below:

DEIP BONUSES AWARDED BY COMMODITY - FY 2002

<u>COMMODITY</u>	<u>QUANTITY AWARDED</u> (Metric Tons)	<u>BONUS AWARDED</u> (\$ Millions)
Cheddar Cheese	60	.05
Monterey Jack Cheese	590	.45
Mozzarella Cheese	572	.43
Nonfat Dry Milk	<u>85,251</u>	<u>53.68</u>
TOTAL	86,473	\$54.61

LONG-TERM MARKET AND INFRASTRUCTURE DEVELOPMENT

In FY 2002, FAS administered several food assistance programs to help developing countries with humanitarian crises, economic development, or the transition from food aid recipients to commercial markets. Programs run by FAS consist of P.L. 480, Title I; Section 416(b); Food for Progress (FFP); and the pilot Global Food for Education Initiative (GFEI). Fiscal year activities focused on helping countries move toward graduation and develop their agricultural economies. U.S. food assistance helped to avert famine in southern Africa and helped to offset food deficiencies in other regions in Africa, Asia, and the Middle East. FAS programs continued to help East European economies to develop but also continued to expand into Africa and Asia. The programs featured a mixture of monetization and direct distribution to meet the specific needs of recipient countries.

FAS programmed more than 2.4 mm of food assistance with a commodity value of about \$600 million during FY 2002. Donations of food represented approximately 80 percent of the assistance, and the remaining commodities were supplied through concessional sales agreements with countries. More than 60 countries received food assistance under these programs.

P.L. 480 TITLE I PROGRAM

The objectives of this concessional sales program include providing food assistance to targeted developing countries and supporting the development of future markets in these countries. The program is administered by USDA and promotes market development by encouraging economic growth and development and by introducing U.S. products

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to recipient countries. Long-term trade relationships frequently develop as a result of the program. The program is intended to promote the recipient country's transition to commercial trade by gradually reducing the concessionality of the program, eliminating ocean freight financing, and graduating countries from Title I to the more commercial CCC export credit guarantee programs. In FY 2002, more than \$101 million were provided to 9 countries to finance the sale of more than 500,000 metric tons of commodities.

<u>FOOD ASSISTANCE PROGRAM SUMMARY</u>		
	<u>Millions a/</u>	<u>000 MT</u>
P.L. 480 Title I	\$101.6	504.1
CCC Funded Food for Progress	86.2	285.4
Section 416(b)	<u>410.0</u>	<u>1,642.0</u>
TOTAL FOOD ASSISTANCE	\$597.8	2,431.5

a/ Excludes the costs of ocean freight and ocean freight differential.

FY 2002 P.L. 480 TITLE I COUNTRY ALLOCATIONS a/
(\$ Millions)

<u>COUNTRY</u>	
Ecuador	5.0
Eritrea	8.0
Guatemala	6.3
Indonesia	19.0
Pakistan	10.0
Peru	9.7
Philippines	20.0
Sri Lanka	8.0
Uzbekistan	<u>15.6</u>
Total	\$101.6

a/ Excludes financing for the costs of ocean transportation.

COMMODITIES PROGRAMMED IN FY 2002 UNDER TITLE I

<u>COMMODITY</u>	<u>000 MTs</u>
Rice	185.7
Soybeans	45.3
Soybean Meal	57.4
Wheat	<u>215.7</u>
Total	504.1

TITLE I

Specific program accomplishments included:

- Philippines - In FY 2002, the Philippines used \$20 million in concessional credits to purchase 37,100 metric tons of rice and 57,400 metric tons of soybean meal.
- Uzbekistan - Uzbekistan received \$20 million of concessional credits to purchase 58,500 metric tons of rice. This included \$4.4 million in ocean freight financing.

– Indonesia - Indonesia used \$19 million of concessional credits to buy 90,100 metric tons of rice.

– Guatemala - Two private entities in Guatemala received \$6.3 million of concessional credits to purchase more than 30,000 metric tons of wheat.

FOOD FOR PROGRESS

The Food for Progress program (FFP) assists developing countries in expanding private enterprise and making the transition to a market economy. FFP agreements with countries may be funded with CCC or P.L. 480, Title I resources. In FY 2002, FFP agreements were carried out using CCC resources only. USDA completed FFP programs with both private voluntary organizations (PVO) and foreign governments. These implementing partners usually monetize the commodities and use the sales proceeds to fund development projects. In FY 2002, USDA funded projects in the republics of the former Soviet Union, Africa, Latin America, and Asia. The countries receiving CCC-funded FFP assistance and the quantity of the commodities programmed are shown in the tables below:

FY 2002 CCC-FUNDED FOOD FOR PROGRESS a/

	(\$000)
<u>COUNTRY</u>	<u>COMMODITY VALUE</u>
Armenia	4,873.10
Burkina Faso	2,924.46
Bulgaria	3,399.76
Cambodia	1,432.64
Central African Republic	1,637.25
Colombia	1,349.12
Congo, Republic of	1,236.07
Cote D'Ivoire	2,116.40
Dominican Republic	7,528.00
Ecuador	3,618.00
El Salvador	1,194.00
Guyana	4,895.30
Honduras	1,791.00
Indonesia	10,927.00
Kenya	1,483.02
Kyrgyzstan	1,979.42
Nigeria	2,750.00
Philippines	1,091.80
Romania	936.47
Russia	5,970.00
Sierra Leone	724.50
Tajikistan	13,727.50
Ukraine	2,687.50
Uzbekistan	4,927.00
Vietnam	992.00
Total	\$86,191.31

a/ Excludes ocean transportation costs.

**COMMODITIES PROGRAMMED IN FY 2002 UNDER
CCC-FUNDED FOOD FOR PROGRESS**

<u>COMMODITY</u>	<u>000 MTS</u>
Beans	1.82
Buckwheat	0.45
Corn	10.60
Commeal	0.20
Corn Soy Milk	0.59
Corn Soy Blend	1.38
Dehydrated Potatoes	0.85
Dehydrated Vegetable	0.08
Lentils	1.11
Nonfat Dry Milk	9.11
Peas	1.14
Rice	31.88
Soybeans	19.50
Soybean Meal	73.00
Textured Soy Protein	0.50
Vegetable Oil	31.25
Wheat	67.00
Wheat Flour	34.96
Total	285.42

Specific accomplishments under Food for Progress include the following:

- **Armenia** - Under a FY 2002 FFP agreement, the Armenian Technology Group, Inc., used proceeds from the sale of 17,000 metric tons of donated wheat to carry out the Seed Industry Program. This program established a credit project that offered loans to seed farmers for land preparation, inputs, and harvesting costs. Technical assistance was also provided to seed farmers to assist them in proper cleaning, sorting, treating, processing, storing, and marketing planting seeds. The project also helped refugees in the Ararat region by offering grants to dig wells, establish irrigation systems, and donate planting seeds and farm equipment. Research grants were provided to agricultural institutions for the development of new seed varieties suitable to the region.
- **Armenia** - United Methodist Committee on Relief (UMCOR) established three demonstration farms that provided high quality livestock to vulnerable families and served as models of efficient agricultural practices for the benefit of the agricultural community at large. UMCOR instituted a livestock distribution program to improve the breeds in the region and to donate animal products to poor families. UMCOR also established a loan program for women engaged in agricultural and non-agricultural activities. UMCOR used proceeds from the sale of 500 metric tons of nonfat dry milk (NFDm) and 2,700 metric tons of vegetable oil donated under an FY 2002 FFP agreement to fund the projects.
- **Vietnam** - USDA signed an FFP agreement with Catholic Relief Services (CRS), Church World Service (CWS) and Counterpart International (CPI) to provide approximately 19,500 metric tons of soybean meal and 500 metric tons of NFDm. The PVOs used proceeds from the monetization of commodities to expand rural agriculture and enterprise. Activities increased opportunities to boost household income and introduced sustainable agriculture techniques. The PVOs addressed public health concerns by improving water and sanitation facilities. Other activities consisted of education in

good health practices, disaster awareness and mitigation, and expanded educational services for disabled and ethnic minority children.

- **Cote D'Ivoire** - Opportunities Industrialization Centers International (OICI) received 9,620 metric tons of brown rice under the FFP program. OICI will use the sales proceeds to assist at least 450 farm families in improving their farming skills and technologies. This objective will be supported through training and extension, establishment of 15 local farmer marketing associations, training for entrepreneurs, and establishment of more than 300 income-generating enterprises.
- **Dominican Republic** - USDA signed an FFP agreement with the National Rural Electric Cooperative Association International, Ltd., (NRECA). The organization received 8,000 metric tons of soybean oil and 1,000 metric tons of NFDM. NRECA will use the proceeds from the sale of these commodities to provide grants and loans to finance rural electrification expansion and rehabilitation projects. NRECA also plans to provide loans to promote rural economic development through the provision of electric services to small industries, commercial activities, agricultural processing activities, water supply, and other income-generating activities throughout the Dominican Republic.

FY 2002 COMMODITIES PROGRAMMED UNDER SECTION 416(b)

Section 416(b) of the Agricultural Act of 1949 provides for the donation of commodities owned by CCC to assist needy people overseas. During FY 2002, USDA programmed about 1.6 mmt of commodities valued at more than \$400 million. These donations averted humanitarian crises, supported agricultural development, and funded HIV/AIDS awareness and prevention programs. Fifty-nine countries received donations through these programs. Seven foreign governments and 19 PVOs received commodities through this program. USDA also donated more than 600,000 metric tons of food to 22 countries where the World Food Program (WFP) identified critical food needs.

Part of the Section 416(b) donations consisted of about 42,000 metric tons of NFDM. USDA removed this commodity from CCC stocks and donated it to 17 countries throughout the world. The value of this milk was about \$84 million.

More than 270,000 metric tons supported the completion of the pilot GFEL. These commodities were valued at more than \$50 million and funded extensions for food for education programs that started during FY 2001. During the 2 years of the GFEL, more than 7 million children in 35 countries received food, educational materials, and improved facilities.

FY 2002 SECTION 416(b) a/ (\$000)

<u>COUNTRY</u>	<u>COMMODITY VALUE</u>
Afghanistan	\$22,073.50
Albania	4,280.84
Angola	4,985.10
Azerbaijan	1,340.00
Bangladesh	12,871.40
Benin	665.06
Bhutan	143.38
Bolivia	1,620.69
Bosnia-Herzegovina	3,269.60
Burundi	39.62
Cambodia	9,920.00
Cameroon	85.80

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<u>COUNTRY</u>	<u>COMMODITY</u> <u>VALUE</u>
Congo	3,254.50
Congo, Democratic Rep.	3,980.10
Cote D' Ivoire	175.45
Dominican Republic	155.52
El Salvador	995.09
Eritrea	2,318.20
Ethiopia	13,263.04
Gambia	349.80
Gaza Strip & West Bank	9,790
Georgia	6,466.40
Ghana	2,502.40
Guatemala	3,232.76
Guinea	2,434.33
Guinea-Bissau	634.01
Honduras	1,783.67
India	11,961.18
Indonesia	11,209.60
Jordan	26,800.00
Kenya	5,053.06
Korea, North	50,398.78
Kyrgyzstan	204.19
Laos	330.00
Lebanon	6,587.00
Lesotho	2,010.00
Liberia	384.00
Madagascar	112.27
Malawi	904.20
Moldova	3,088.12
Mongolia	3,350.00
Mozambique	1,776.50
Nicaragua	2,942.50
Pakistan	76,615.07
Peru	2,976.00
Philippines	12,787.00
Romania	2,009.21
Rwanda	1,678.85
Sierra Leone	1,824.00
Sudan	5,398.23
Tajikistan	8,568.88
Tanzania	5,700.35
Uganda	2,023.85
Ukraine	1,892.00
Uzbekistan	9,856.00
Vietnam	3,674.95
Yemen	30,657.00
Zambia	3,031.20
Zimbabwe	1,617.00
Total	\$410,051.25

a/ Excludes ocean transportation costs.

COMMODITIES PROGRAMMED IN FY 2002
UNDER SECTION 416(b)

<u>COMMODITY</u>	<u>000 MTS</u>
Bulgur	17.84
Corn	192.29
Corn Soy Blend	27.68
Corn Soy Milk	12.54
Commeal	49.77
Nonfat Dry Milk	42.32
Rice	88.88
Soybean Meal	6.25
Soybeans	78.85
Soy-fortified Bulgur	.11
Vegetable Oil	156.80
Wheat	875.40
Wheat Flour	93.13
Wheat Soy Blend	9.10
Total	1,641.96

Specific accomplishments for programs with foreign governments and PVO's include the following:

- **Guinea** - A Section 416(b) agreement with International Partnership for Human Development (IPHD) was signed providing approximately 1,750 metric tons of commodities including corn-soya blend, rice, and vegetable oil. IPHD used sale proceeds to expand and continue a food bank helping 1,000 farmers and providing training and credit for 100 low-income farmers. IPHD will also provide income-generating loans to 25 women, improve access to potable water, and begin a prevention and treatment program for HIV/AIDS and other sexually transmitted diseases. IPHD also started a direct feeding program targeted to 6,333 children in 85 community-run centers and five street-children's centers.
- **Philippines** - USDA signed an FY 2002 Section 416(b) agreement with the Government of the Philippines (GOP) for a donation of 22,050 metric tons of rice. The GOP will monetize the rice and use the proceeds to improve the economic lives and mitigate conflict among the impoverished people in the Mindanao and Sulu Archipelago regions. The program will expand safe water supplies, improve agricultural development, provide small-scale infrastructure improvement, implement natural resource protection, and improve health and education.
- **Pakistan** - USDA signed two FY 2002 Section 416(b) agreements with the Government of Pakistan for a total donation of 97,000 metric tons of soybean oil. The commodity sale proceeds of nearly \$40 million will help fund Pakistan's long-term poverty reduction and rural development programs. The first agreement broadly addresses long-term poverty and agricultural development goals while the proceeds under the second agreement will boost the Pakistan Poverty Alleviation Fund. The fund will support projects in agricultural productivity enhancement, sprinkler irrigation systems, drought mitigation and preparedness, and hydro-power projects.
- **El Salvador** - USDA responded to the earthquake devastation in El Salvador by donating 32,130 metric tons of wheat to the Government of El Salvador through the Section 416(b) program. Monetization proceeds will help poor people in rural areas by funding International Fund for Agricultural Development (IFAD) activities. These projects will include construction of potable water systems and latrines and new storage, packaging, and distribution systems for fruits and vegetables. Other projects will include rural infrastructure improvements, technical assistance in food safety, and

plant health and diversification. The proceeds will also procure a daily nutritional beverage for distribution for 62,500 school children in 542 schools over a 12-month period.

- **Jordan** - Through a Section 416(b) agreement, the Government of Jordan received 200,000 metric tons of wheat, which was sold to fund a wide range of agricultural projects. These projects consisted of increasing agricultural productivity through outreach services to farmers and rehabilitating and allocating land to recent university agricultural graduates. Five projects will promote the efficient use of limited water resources by providing means to conserve and store water, as well as reuse treated water for agricultural purposes. Funding will also help the government to diminish the incidence of the illegal entry of foods and agricultural products.
- **Lebanon** - Mercy Corps repaired irrigation systems to provide more efficient sources of water for villagers and to expand farming areas through land reclamation and terracing. Development projects provided farmers year-round access to markets by opening and shoring-up agricultural roads. Mercy Corps constructed drainage canals and repaired agricultural facilities such as barns, cold storage facilities, and greenhouses. Farmers received training and demonstration classes to improve crop and livestock production. Farmers also received information on the use of renewable energy sources and low-cost technologies, marketing, and promotion. Mercy Corps also promoted organic farming, increased environmental awareness through reforestation, and improved waste and water treatment programs. Finally, Mercy Corps provided partial and full scholarships for disadvantaged students at the American University of Beirut and the Lebanese American University. These projects were funded through the sale proceeds from the donation of 40,000 metric tons of wheat under the Section 416(b) program.
- **Uzbekistan** - USDA signed a Section 416(b) agreement with the Government of Uzbekistan that provided 86,500 metric tons of donated soybeans, wheat, and NFD. Proceeds from the sale of the commodities will be used to fund activities designed to promote broad-based, private sector growth in the rural economy and the development of an ecologically sound and economically viable agricultural sector. The Government of Uzbekistan, in consultation with officials from the United States, will determine appropriate project activities to transform the Uzbek agricultural sector. Land of Lakes will participate in the agreement by implementing a pilot school feeding program and providing technical assistance and training to the local milk processing industry.
- **Yemen** - The Government of Yemen received 88,000 metric tons of commodities under the Section 416(b) program. Commodities consisted of wheat, wheat flour, and NFD. Proceeds from the sale of the commodities will build and equip schools, small health care and family planning units, medium-sized vocational training centers, and training centers for the disabled. The Government of Yemen will improve water and sewage management and sanitation. Projects will also improve training for social and technical service personnel, develop depressed communities, and improve nutritional and economic conditions by providing credit and extension services.

Specific accomplishments for humanitarian programs with the WFP include the following:

- **Afghanistan and Central Asia** - USDA provided the majority of worldwide assistance to victims of drought and internal conflict in FY 2002. The WFP received 79,600 metric tons of wheat; 2,740 metric tons of corn-soy blends; and 1,400 metric tons of vegetable oil. A major goal of the WFP is to provide the people of Afghanistan with enough food to prevent them from migrating and increasing the already large refugee populations outside the country (mainly in Pakistan and Iran).
- **Ethiopia** - USDA provided 71,500 metric tons of wheat and 9,500 metric tons of corn-soy blend to victims of drought in FY 2002.
- **Kenya** - USDA donated commodities to WFP programs in Kenya through the Section 416 (b) program. Kenya received 10,000 metric tons of wheat; 8,050 metric tons of wheat flour; and 2,500

metric tons of corn-soy blend to help feed victims of drought in the Rift Valley, and North-Eastern and Coast provinces of the country.

- **North Korea** - USDA continued to help avert widespread starvation in North Korea by providing the country with 197,000 metric tons of wheat, rice, soybeans, vegetable oil, corn-soy milk, and NFDM in 2002. All of this assistance was provided through the WFP. The assistance was primarily targeted at children (North Korea has the highest rate of acute malnutrition in East Asia), pregnant and nursing mothers, and the elderly. A food-for-work component of the operation provided food to workers in exchange for labor on projects that will improve North Korea's agricultural infrastructure.

Specific accomplishments for the Section 416(b) milk programs include the following:

- **Indonesia, Pakistan, and Philippines** - USDA signed agreements with Land O' Lakes (LOL) for the donation of approximately 12,450 metric tons of NFDM to Indonesia, Pakistan and the Philippines to benefit 745,000 school children throughout schools in rural areas. LOL bartered a portion of the NFDM for the formulation, additional ingredients, packaging, and distribution of a fortified milk product. Some of the NFDM was sold to fund supplies for the schools with the most need and to provide training in quality control and management in the dairy and food processing industries. These program activities will help improve nutrition and health, increase school attendance and enrollment, especially for girls, and improve the learning environment for the school children. The program will also help improve quality control measures to improve food product durability, safety, marketability, operational capacity, and cost-efficiency.
- **Indonesia** - USDA signed an agreement with International Relief and Development, Inc. for the donation of 1,200 metric tons of NFDM to provide soy-enriched noodles as an affordable nutritional supplement, to increase the availability of an inexpensive food supply, and to provide training and technical assistance to strengthen business skills and increase employment and income-generating opportunities. The proceeds from the sale of the NFDM funded the purchase of wheat flour and defatted soyflour to produce soy-enriched dry noodles, which will be marketed to low-income consumers on the island of Java. Some of the proceeds will provide funds for microcredit loans to microenterprises or agribusiness owners. Loans ranging from \$100 - \$25,000 could be used to support agricultural production or food processing of local crops.
- **Afghanistan, Kazakhstan, and Tajikistan** - USDA donated 5,000 metric tons of NFDM to the Aga Khan Foundation U.S.A. (AKF) for use in Afghanistan, Kazakhstan and Tajikistan. AKF will sell and barter the donated commodity in Afghanistan, Kazakhstan, and Tajikistan to improve food security and nutrition by converting part of the NFDM into a reconstituted dairy product and distributing it free of charge to needy individuals and institutions. The program will create incentives for increased school attendance for both girls and boys, improve child and maternal nutrition and health services, provide resources for improved livestock production, and provide additional funding for AKF educational programs.

Specific accomplishments under the Global Food for Education Initiative include the following:

- **Bangladesh** - LOL received about 59,000 metric tons of wheat and NFDM to implement a school feeding program that will distribute aseptically packed, ultra-high-temperature-treated milk, and fortified wheat biscuits to approximately 350,000 school children throughout 2 school years. LOL will also use sales proceeds to support the costs of training dairy and food processors to upgrade their operational capacity, monitoring, and evaluation.
- **Eritrea** - During the 2001/02 and 2002/03 school years, Mercy Corps (MC) will distribute high-energy biscuits to approximately 35,000 primary school students in 150 schools. In addition, MC also will provide training and small grants to Parent-Teacher Associations (PTA) in targeted schools, as well as

- funds to the PTA to conduct information campaigns promoting education for girls. USDA provided about 17,000 metric tons of wheat during FY 2002 to support the project.
- Kyrgyzstan - MC will provide meals and food-for-work projects in 447 kindergartens and 50 boarding schools in Kyrgyzstan. Funds generated by the sale of part of the commodities will be used to buy additional food locally, set up food-for-work programs, provide grant assistance for rebuilding and repairing school facilities, and provide school supplies. During FY 2002, USDA provided about 600 metric tons of rice, vegetable oil, and wheat flour to continue this project.
 - Kenya - The WFP will provide food assistance to thousands of school children in disadvantaged and arid regions of Kenya under this specialized school feeding program. The USDA donation of about 11,000 metric tons of corn will help feed approximately 47,400 children as part of this program. Multiple evaluations of this program concluded that the WFP food assistance is instrumental in encouraging attendance, limiting dropout rates, and maintaining caloric intake for nutritionally vulnerable students. Under the school feeding component of the emergency operation, the USDA donation will provide a mid-day meal to about 1.7 million school children in arid and semi-arid land districts. Half the schoolchildren receiving food assistance are girls. The program will help encourage school attendance for vulnerable populations during a time of drought.
 - Nicaragua - USDA provided 8,000 metric tons of corn, corn-soy milk, and rice to the WFP to support school feeding through several programs in Nicaragua. Through an ongoing program, WFP is providing a hot lunch to 10,000 pre-school children and providing 70,000 primary school children with a snack consisting of a high-protein biscuit and fortified drink. Through the introduction of GFEL, WFP was able to introduce an additional school feeding project which provides a cooked meal to an additional 250,000 preschool children and provides a snack consisting of a high-protein biscuit and fortified drink to an additional 250,000 primary school children. All of these projects encourage children to return to school, maintain attendance, and continue studying, particularly during the coffee harvesting period.

COCHRAN FELLOWSHIP PROGRAM

The Cochran Fellowship Program (Cochran Program) provided short-term training in the U.S. for 972 international participants from 78 countries in FY 2002. This is the largest number of participants in the history of the program for a single year. Since its inception in 1984, the Cochran Program has provided training to 9,430 participants from over 85 countries. Cochran participants attend trade shows, meet with U.S. agribusiness, attend policy and food safety seminars, and receive technical training related to market development. A summary of the FY 2002 activities follows:

SUMMARY OF COCHRAN FELLOWSHIP PROGRAM PARTICIPANTS

	<u>Direct</u> <u>Appropriations</u>	<u>USDA</u> <u>Emerging</u> <u>Market Program</u>	<u>USAM</u> <u>Freedom</u> <u>Support Act</u>	<u>FY02</u> <u>Total</u>
ASIA				
China	16	42	0	58
India	13	0	0	13
Indonesia	13	0	0	13
Malaysia	13	0	0	13
Pakistan	1	0	0	1
Philippines	20	0	0	20
South Korea	7	0	0	7
Thailand	18	0	0	18
Vietnam	19	8	0	27
Subtotal	120	50	0	170
LATIN AMERICA & CARIBBEAN				
Argentina	0	7	0	7
Barbados	0	1	0	1
Bolivia	2	0	0	2
Brazil	0	29	0	29
Chile	11	4	0	15
Colombia	25	6	0	31
Costa Rica	12	1	0	13
Dominica	1	0	0	1
Dominican Republic	16	0	0	16
Ecuador	10	3	0	13
El Salvador	6	0	0	6
Guatemala	14	0	0	14
Honduras	8	0	0	8
Jamaica	6	0	0	6
Mexico	24	5	0	29
Nicaragua	4	0	0	4
Panama	12	1	0	13
Paraguay	0	8	0	8
Peru	17	3	0	20
St. Kitts & Nevis	2	1	0	3
St. Lucia	2	0	0	2
Trinidad & Tobago	4	2	0	6
Uruguay	0	10	0	10
Venezuela	2	3	0	5
Subtotal	185	84	0	269

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	<u>Direct</u> <u>Appropriation</u>	<u>USDA</u> <u>Emerging</u> <u>Market Program</u>	<u>USAID</u> <u>Freedom</u> <u>Support Act</u>	<u>FY02</u> <u>Total</u>
<u>NON-EU EUROPE</u>				
Albania	1	0	0	1
Bulgaria	11	4	0	15
Bosnia	9	2	0	11
Croatia	10	2	0	12
Czech Republic	12	0	0	12
Fed Rep of Yugoslavia	6	2	0	8
Estonia	11	3	0	14
Hungary	7	0	0	7
Latvia	21	4	0	25
Lithuania	1	3	0	4
Macedonia	1	0	0	1
Poland	36	5	0	41
Romania	11	0	0	11
Slovakia	5	2	0	7
Slovenia	8	0	0	8
Turkey	11	0	0	11
Subtotal	161	27	0	188
<u>AFRICA & MIDDLE EAST</u>				
Algeria	2	0	0	2
Botswana	5	0	0	5
Burkina Faso	1	0	0	1
Cote d'Ivoire	4	0	0	4
Ethiopia	1	0	0	1
Ghana	4	0	0	4
Kenya	14	0	0	14
Morocco	11	0	0	11
Mozambique	7	3	0	10
Namibia	7	2	0	9
Nigeria	36	0	0	36
Oman	5	0	0	5
Senegal	2	0	0	2
South Africa	27	11	0	38
Tanzania	5	0	0	5
Tunisia	22	0	0	22
Uganda	8	0	0	8
Yemen	14	0	0	14
Subtotal	175	16	0	191

NEW INDEPENDENT STATES (NIS)

Armenia	0	1	10	11
Azerbaijan	0	0	5	5
Georgia	0	0	6	6
Kazakhstan	0	0	14	14
Kyrgyzstan	0	0	7	7
Moldova	0	0	13	13
Russia	0	10	35	45
Tajikistan	0	0	8	8
Turkmenistan	0	0	5	5
Ukraine	0	0	27	27
Uzbekistan	0	0	13	13
Subtotal	0	11	143	154
Total Participants	641	188	143	972

Several examples of FY 2002 program benefits include:

- **Costa Rica** – FAS/San Jose reports that the participation of a Costa Rican importer in the Cochran Program last year resulted in purchases of at least 3,500 metric tons of U.S. black beans valued at about \$2.1 million. After returning from the trip to Michigan, this company official shared information with other importers who then combined to import beans. Although Costa Rica has imported black beans from the U.S. in the past, most beans are imported from Canada and Argentina.
- **Honduras & Guatemala** – The National Potato Promotion Board (NPPB) reports that Honduran participants in seed potato training were instrumental in supporting the purchase of two containers of U.S. seed potatoes in 2001. These buyers hope to purchase additional seed later in 2002. FAS/Guatemala City reports that after attending the NPPB frozen potato handling training, the participants have been providing seminars to Burger King restaurants on frozen potato handling and have also begun to work with Wendy's. Presently, they import a half container of frozen potatoes for Wendy's and expect to increase to one and a half containers within the next few months. Each container is valued at \$35,000.
- **Brazil** – FAS/Brasilia and the Cochran Fellowship Program brought together a group of 12 important wine importers, journalists, consultants, restaurant owners, and policy makers for a visit to the U.S. in 2002. The visit was very successful, with most importers reporting that they are negotiating with the wineries that were visited. As a result, three importers are currently importing wine from the U.S. and expect to purchase over \$500,000 of U.S. wine over the next 2 years. Also, the local wine magazine *Vinho Brasil* (similar to the *Wine Spectator*) published a series of articles about U.S. wine in two consecutive editions.
- **Mexico, Chile & Ecuador** – FAS/Mexico City reports that the 2002 Cochran Latin America Buyers Mission to Houston and Atlanta resulted in immediate purchases of \$30,000 of U.S. specialty foods, spices, and condiments. In just 6 weeks following the mission, an additional \$52,000 in orders was placed for products such as offals, beef, beef products, and seafood. Based on surveys of the participants, it is estimated that results of this mission will be seen over the next 12 months and will amount to approximately \$1 million. FAS/Santiago reports that the Chilean team that attended the buying mission made 10 new U.S. supplier contacts. Two of the companies are expecting to make purchases in the next 12 months valued at \$85,000. FAS/Quito reports that the three Ecuadorian participants were able to meet with exporters of the products they were interested in buying. No sales were made on the spot, but sales of about \$50,000 are being negotiated in the short run, and probable long-term business will start as a result of this activity.

- **Guatemala** - As a result of restaurant management training, the restaurant manager for the Guatemala City Marriott Hotel is currently implementing a series of U.S. wine promotions on the hotel's menu. Specifically, he is training room-service employees on the quality of California wines and ways to suggest combinations of food and U.S. wines. He believes that this new technique has increased U.S. wine sales by \$5,000 per month.
- **Jamaica** - FAS/Kingston reports that training provided to a University of Technology lecturer in baking technology is now being used to develop new short courses for the baking industry. These new and innovative ways of using wheat flour will encourage greater consumption of U.S. wheat. On another training program, FAS/Kingston reports that the Director of Food Specifications and Quality Control at two of Jamaica's premier local restaurants used his training to develop a new approach to food preparation, safety, and quality control. The quality of U.S. meats served at the restaurants has significantly improved, and the director is now better able to advise his U.S. suppliers of meat products to purchase on his behalf. He has become more aware of the quality and variety of U.S. wines and is negotiating with local distributors to start importing wines from the Lodi region of California.
- **China** - The Alaska Seafood Marketing Institute reports that their Cochran-supported team has imported over 40 metric tons (MT) of Alaskan seafood to China/Hong Kong for local consumption as a result of the training. One company imported 20 MT of salmon; another company imported a large quantity of salmon, king crab, and geoduck clams; and a third company has started to import products to supply local hotels. In another program, a U.S. exporter reports \$250,000 in sales of hardwood lumber to a Chinese company.
- **Vietnam** - FAS/Hanoi highlights the following as trade benefits of the FY 2002 Cochran Program:
 - (1) a participant on the hardwood training has already imported about 100 cubic meters of U.S. hardwood. In the last 2 years, the U.S. hardwood trade has jumped from roughly \$1 million to almost \$10 million -- in large part, thanks to the Cochran program;
 - (2) a participant in food retail training increased his purchases of U.S. table grapes, apples, and other fruits to 5 containers per month. Another participant signed contracts with 3 U.S. suppliers to import confectionary products and processed grain products;
 - (3) a participant in the cotton classification and grading trip will be importing U.S. high-quality cotton in 2003;
 - (4) a participant in the grain purchasing program worked with another Vietnamese company to purchase 25,000 metric tons of U.S. wheat monetized in Vietnam under the Food for Progress program. His training on U.S. wheat grades and standards convinced him that this was an opportunity not to be missed;
 - (5) a participant involved in the potato processing course manages a chain of fast-food shops. He has already imported a 40-foot container of frozen U.S. french fries and is keen to try some new products ranging from twice-baked potatoes to curly fries; and
 - (6) an FY 2000 Cochran participant recently imported a container of U.S. processed foods to Hanoi. This is the first import of U.S. processed foods for a Hanoi-based supermarket.
- **Poland** - FAS/Warsaw reports sales resulting from several FY 2002 Cochran training programs. The Wine Program helped establish sound business relationships between Polish importers and Washington and California wineries, resulting in increased imports of U.S. wines valued at about \$65,000 for 2002. The primary result of the Nut Importers Program was the establishment of a business relationship with a U.S. peanut exporter and a follow-up sale of U.S. peanuts in 2002 valued at about \$220,000.
- **Kenya, Uganda, & Tanzania** - FAS/Nairobi reports that the Cochran Program continues to be a most effective tool for developing Kenyan markets for U.S. agricultural products. Despite the market potential, the East African market is constrained by limited awareness of the U.S. agriculture and U.S. trading systems. The ability to offer training opportunities to persons in the agricultural sector is a powerful tool to expand U.S. agricultural exports in the region. U.S. dairy genetics exports to Kenya

have increased by 7 percent annually for the past 5 years, largely as a result of Cochran efforts in this area.

- **Ghana** - FAS/Accra reports that a 2001 Cochran fellow from the Animal Production Division, Ministry of Food and Agriculture, used her training in animal genetics to import semen from the U.S. for artificial insemination of cows, sheep, and goats. She has also brought a group of farmers together and has started training them in artificial insemination.

Agricultural Biotechnology - In 2002, the Cochran Program provided training in biotechnology to over 70 participants from 22 countries. FAS agricultural offices report some of the benefits of this training, which are summarized as follows:

- **Chile** - Cochran biotechnology participants are key players in Chile. FAS/Santiago reports one Cochran Program participant, who works at the Foreign Affairs Ministry, participates in many Codex Alimentarius Committee working-level meetings and working-level negotiations on the proposed Free Trade Agreement between Chile and the United States. Another participant works for the Chilean Economic Development Agency. This agency will be incorporated into the working group of the Presidential Biotech Committee, which is scheduled to report to the President in January 2003 with recommendations on how to manage biotechnology in Chile. A third participant is the scientific editor of the leading Chilean newspaper. He has been invited to help change Chile's negative consumer perception of biotechnology.
- **Philippines** - FAS/Manila reports the Philippines became the first country in Southeast Asia with commercialization guidelines for biotechnology. This makes possible the finalization of field-testing and the commercial sale of Bt corn seed within the next year. The two U.S. companies involved estimate sales of \$5 million within 3 years. The guidelines also ensure continued access for an estimated \$400 million of U.S. commodities and products containing genetically modified organisms (GMOs). This success is the result of 3 years of combined efforts by many people and organizations. The FAS role included sustained interaction with decision makers; support for numerous seminars and educational events; and Cochran programs for Philippine biotechnology policy makers and regulators, all of which greatly enhanced understanding of the technology and the U.S. position.
- **Tunisia** - According to FAS/Tunis, the two Cochran participants trained in biotechnology returned to Tunisia very impressed. FAS/Tunisia believes this training influenced the outcomes of a biotechnology conference they recently organized with another former Cochran alumni. As a result of that conference, two articles were published in a widely-read local newspaper showing a positive attitude towards plant biotechnology.
- **Morocco** - FAS/Rabat reports the Cochran biotechnology program was an unqualified success and contributed greatly to their ongoing efforts to facilitate receptiveness to biotechnology on the part of Moroccan officials. They believe the opportunity to see first-hand U.S. procedures and systems will greatly aid their understanding of the technology and of commercial realities and will help them make decisions that are feasible and compatible with the U.S. distribution system. In addition, the chance for officials from four different ministries to interact extensively has enhanced the internal dialogue essential for developing regulations.
- **Colombia** - FAS/Bogota reports the following examples of how Cochran training programs have indirectly facilitated trade in U.S. products: (1) As a result of the training, Instituto Colombiano Agropecuario (ICA) (the research arm of the Ministry of Agriculture) consolidated Colombian import regulations for sanitary meat and meat products, resulting in faster introduction of imported products that are now accompanied by appropriate sanitary certificates; (2) Cochran-trained ICA officials recommended lifting the import ban on poultry and poultry products imposed after the avian influenza outbreak in the U.S.; and (3) Cochran alumni negotiated a sanitary protocol to facilitate importation of U.S. cotton, overcoming barriers created by an Andean Community regulation.

- **Thailand** – FAS/Bangkok reports the Department of Livestock Development (DLD) recently agreed to lower the import fee on imported meat offals, but this is just the first step for future negotiations. FAS/Bangkok will continue to work with the DLD to help them understand the WTO illegality of the prevailing import fee system on meat and meat offals, and will recommend additional reduction or abolition of the import fee. They believe that this is partly a result of the Cochran training to DLD officials (especially a Deputy Director General), and ask for continued support from the Cochran Fellowship Program for future negotiations.
- **Uganda** – Three former FAS/Nairobi Cochran participants report that as a result of their FY 1998 and FY 1999 training programs in food safety, they have: (1) reviewed and updated the Ugandan Plant Protection Act to be more in line with international standards and the government's policies on privatization and trade liberalization; (2) conducted media awareness campaigns to guide the public on phytosanitary requirements for importation/exportation of plants and plant products; (3) held staff training seminars on import and export certification, pest risk analysis, and phytosanitary procedures; and (4) participated in the East African review and harmonization of phytosanitary legislation to ease movement of seeds within the region.

SCIENTIFIC COOPERATION RESEARCH PROGRAM

The Scientific Cooperation Research Program collaborated with a diverse group of U.S. institutions in research partnerships with 53 countries in FY 2002 to support the FAS mission of promoting food security and trade. Collaborative projects made practical use of biotechnology and other scientific techniques to help solve critical problems affecting food, agriculture, fisheries, forestry, and the environment in both the United States and cooperating countries. Scientific cooperation leveraged resources and expertise, enhanced research efforts, and increased the technical capacity of scientists domestically and worldwide.

Women led 28 percent of all joint international research projects and U.S. minority scientists led 23 percent of the total. Female and minority scientists used biotechnology to help improve food safety, market quality characteristics of agricultural products, prevent trade-related pests and diseases, and preserve valuable crop, forest, and livestock germplasm. Researchers and their international partners also used other tools while sharing skills and experiences in science on mutual food security, sustainable agriculture, natural resources management, and trade issues.

Since 1982, FAS collaborative research and scientific exchange activities have promoted economically and environmentally sustainable crop, livestock, and forestry systems. The program emphasizes innovative techniques to develop nutritious and safe foods, as well as value-added, non-traditional products, and to improve water quality and detection and management of pests and diseases.

Research priorities include the food, nutritional, and water needs of the most vulnerable populations in rural and urban areas of both the United States and collaborating countries. Priority projects also help expand livelihoods of small and limited-resource farmers, ranchers, and communities. Joint activities under the Scientific Cooperation Research Program contribute to USDA's implementation of the U.S. Action Plan for Food Security and the World Food Summit targets of halving domestic and global food insecurity.

Examples from a few states demonstrate some of the mutual benefits from international research and scientific exchange activities funded under the Scientific Cooperation Research Program.

- **Alabama Benefits from Collaboration with Mali.** Tuskegee University and scientists in West Africa are providing critical information for the use of sweet potato leaves, including increased production and enhanced economic returns to small-scale farmers. Collaborative research on nutrient content with alternative food processing techniques will promote an underutilized leafy vegetable that can be produced in the off-season and help increase consumption of an iron-rich nutrient source for those at risk for iron deficiency anemia. The sweet potato is one traditional crop that has the potential to improve the economic well being of small-scale and African-American farmers.
- **Alaska and Wisconsin Benefit from Collaboration with Europe and South America.** Researchers exceeded their objectives in a project to learn from growers and scientists in climates similar to Alaska

to create a viable agricultural industry using indigenous and native berries and plants. This valuable new information is useful for developing new niche markets in the gourmet wild berry industry, including value-added and fresh products.

Commercialization of lingonberries, the low-bush cranberries that are increasingly in demand throughout the world, has potential for rural polar areas with limited opportunities for sustainable employment. Scientists at the Society of International Sustainable Development's Moose Creek Farm and at the Universities of Alaska and Wisconsin, and extensionists and farmers in Germany, Finland, Sweden, Estonia, Norway and Chile, shared information and innovative techniques for production, processing and marketing. In Sweden, for example, use of the biotechnology, tissue culture, to grow lingonberries proved more favorable than the traditional use of stem cuttings.

- **Arizona Benefits from Collaboration with New Zealand and Mexico:** A range management project linking USDA's Agricultural Research Service and Natural Resources Conservation Service in Arizona with New Zealand expanded to involve the American Indian Tohono O'odham Community College in the adaptation and practical application of results from long-term research. The Internet is used to assess arid and semiarid rangeland health and best practices for sustainable management.

Northern Arizona University collaborated with scientists in Mexico on research to conserve the unique ecosystems of high-elevation forest resources. This project helped provide information useful in management strategies such as fire suppression and harvesting of one of our most important forest species, the Douglas fir, at the southern-most extent of its range.

- **Arkansas Benefits from Collaboration with South Africa and Mexico:** Scientists at the historically black University of Arkansas at Pine Bluff are conducting joint research with South African scientists to create an economically viable alternative opportunity for limited-resource farmers. Researchers are sharing germplasm of black eye peas, also known as cowpeas and southern peas, to enhance genetic variability. Cowpeas, which contain about 25 percent protein, are an extremely valuable source of protein, especially for poor populations that cannot afford other sources of protein such as meat. Small-scale farmers, who are the main producers of fresh peas, will be the primary beneficiaries of this research.

The University of Arkansas and Mexico's National Autonomous University are collaborating on alternative control strategies for Salmonella, a food-borne pathogen that continues to contaminate poultry products worldwide.

- **Hawaii Benefits from Collaboration with Europe, Asia, and the Pacific:** Hawaii's mid-Pacific location and its island economy present a strategic need for detection and identification of introduced bacterial pathogens that become rapidly established in the tropics. The University of Hawaii is collaborating with researchers in the Netherlands using biotechnology to improve detection and identification methods, as well as standards for decision criteria for invasive seed-borne bacterial pathogens distributed worldwide on contaminated seed. Researchers are using bacterial canker of tomato, the most valuable vegetable crop in the U.S. and the second most valuable crop worldwide, as a model. A related pathogen responsible for outbreaks of the devastating ring rot disease of potato in the cooler northern areas of the U.S., Canada and northern Europe is also used for this trade-related scientific project.

The Oriental fruit fly, a serious quarantine pest in the continental U.S., is established on the major islands of Hawaii and French Polynesia. Its presence provides a reservoir for introduction into the U.S. mainland through frequent airplane and boat traffic. USDA researchers in Hawaii are collaborating with scientists in French Polynesia and Australia on area-wide integrated pest management. Environmentally friendly insecticides and a small parasitic wasp, whose effectiveness in Hawaii is considered the most successful example of biological control of fruit flies throughout the world, are used in this research.

Cropping systems in Hawaii, Puerto Rico, and the southern U.S. will benefit from joint research with USDA's Natural Resources Conservation Service in Nebraska and the South China Agriculture University. Soil and crop-production information will enhance understanding of tropical soils and the impact of land use.

- **Maryland Benefits from Collaboration with China to Improve Food Safety:** As farmers, fish-farmers and livestock producers have increased their use of antimicrobials, bacteria, such as *Campylobacter*, have developed resistance. The University of Maryland and scientists in China are conducting urgently needed research for retail meat products.
- **Massachusetts Collaborates in Asia to Improve Health in the U.S.:** To help prevent diabetes mellitus and heart disease in the U.S. and Asia, researchers at Tufts University in Massachusetts are collaborating with Singapore scientists using biotechnology to determine the relationships between genetic variants, diet and disease. Research results used in targeted and effective preventive measures could dramatically reduce the incidence of these diseases.

USDA scientists at Tufts University in Massachusetts are collaborating with researchers in the Philippines on the status of Vitamin A in elderly people to provide information necessary for making appropriate dietary recommendations for a large segment of the U.S. population.

- **Minnesota Benefits from Research with Latin America, Asia and Africa:** Minnesota's recent flooding in the Upper Mississippi River raised questions about the effects of different land use practices on flood mitigation. In agro-forestry systems, more trees in the landscape could benefit water quality and reduce flood-producing runoff. The prospects for agro-forestry expansion in the upper Midwest are encouraging as a result of improved demand for wood products, diminished prices for crops, and a desire to develop greater diversity in the agricultural landscape. University of Minnesota and Costa Rican scientists have linked in research to help improve watershed management programs that sustain or enhance production and protect the environment.

Fond du Lac Tribal and Community College in Cloquet, Minnesota and Blackfeet Community College in Montana participated in a scientific exchange to China on sustainable agricultural practices. The American Indian team compared natural organic cropping techniques, the use of native edible plants, fisheries management and aquaculture projects, and soil and water conservation techniques.

USDA scientists in Minnesota and researchers at the Institute of Tropical Agricultural Research in Nigeria are developing user-friendly software to help extension workers and farmers in the U.S. and other countries in successful and sustainable weed management.

- **Missouri Benefits from Collaboration with Mexico and Kenya:** University of Missouri scientists collaborated on a joint research project with Mexico to develop a vaccine for bovine babesiosis. Together with anaplasmosis, this trade-related cattle disease accounts for an estimated \$2 billion in livestock losses each year. Indirect export losses may be in the millions from potential buyers concerned about susceptibility of U.S. cattle sent to tropical and subtropical climates where babesiosis is endemic. Without vaccination in some form, life expectancy of exported cattle is one to three months.

Management costs for the Diamond Back Moth, a major pest of crops in the cabbage family and other agricultural crops worldwide, are estimated at \$1 billion. USDA researchers in Missouri are linked with scientists in Kenya using biotechnology to develop a new method to biologically control this pest.

- **New Mexico Benefits from Collaboration with Mexico:** New Mexico State University, an Hispanic Serving Institution, collaborated with Mexican scientists on research assessing the impact of insecticide use on target and non-target natural enemies of cotton.
- **Washington State Benefits from Collaboration with Peru and Thailand:** Potatoes offer the possibility of delivering large amounts of antioxidants in the human diet that can fight cancer and heart

disease. An important food that originated in the South American Andes, potato varieties in the U.S. now contain very little of the naturally occurring pigments that serve as antioxidants and are abundant in native cultivars. USDA researchers in Washington and scientists in Peru are collaborating to access potent antioxidant pigments and to conserve the valuable highly pigmented native Andean potato varieties in the field.

USDA researchers in Washington are collaborating with university scientists in Thailand to provide nutritionally enhanced food items including meat, poultry and fish products, and grain-based foods that would provide a unique series of U.S. food products for export. The research could also provide a renewable, essentially cost-free source of vitamin A available to regions suffering from vitamin A deficiency.

INTERNATIONAL ORGANIZATION AFFAIRS

Agricultural Productivity Initiative. USDA led an effort at international organization meetings to develop and launch an agricultural productivity initiative, focused on reducing poverty and improving food security worldwide. USDA introduced the initiative at the Food and Agriculture Organization Conference in Rome in November and built consensus around it at the International Conference on Financing for Development in Monterrey. Secretary Veneman formally launched the initiative at the *World Food Summit: Five Years Later*, emphasizing increased agricultural productivity as part of a growth strategy to reach the rural poor and adoption of market-based policies to stimulate the farming sector, investment, and trade in developing countries. Later discussions at the G8 meeting in Kananaskis, Canada and the World Summit on Sustainable Development in Johannesburg focused initial implementation of the initiative on Africa. As follow-up, a USDA-led seminar, *Increasing Agricultural Productivity through Science and Technology*, is planned for the 2nd Agricultural Growth and Opportunity Act Forum in January 2003.

WTO/SPS and CODEX Capacity Building. FAS, along with the State Department, has lead responsibility for liaison with the Inter-American Institute for Cooperation on Agriculture (IICA). USDA led a consensus-building effort to establish trade capacity building priorities for IICA and a review of IICA's agricultural health and food safety program. At the *World Food Summit: Five Years Later*, Secretary Veneman hosted a round table for IICA ministers to discuss a USDA white paper outlining shared trade and SPS concerns in the hemisphere, including control of cross-border pests and diseases, acceptance of biotechnology products, adoption of international standards, and expanded market access through hemispheric integration. USDA also provided over \$600,000 in EMO funding to IICA to support participation of developing-country member-states' trade negotiators and regulatory representatives in WTO/SPS meetings. In addition, USDA fostered deeper collaboration between IICA and CODEX and supported a greater role for IICA in the FAO/WHO CODEX Committee for Latin America and the Caribbean.

PUBLIC LAW 480

PURPOSE STATEMENT

Under programs authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended, U.S. agricultural commodities are exported to developing countries as food assistance. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements including exports, and adequate carryover, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale is targeted to the most needy people of that country and is made available through channels other than the government.

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes making appropriations to cover costs of such programs. When funds for Title I ocean freight differential, Title II, and Title III become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is carried forward for use in future years.

The following activities are carried out under P.L. 480, as amended:

1. P.L. 480 Title I- Financing sales of agricultural commodities to developing countries or private entities for dollars on credit terms, or for local currencies (including for local currencies on credit terms) for use under section 104; and for furnishing commodities to carry out the Food for Progress Act of 1985, as amended.

All sales of commodities are made pursuant to agreements concluded under Title I authority, using funds appropriated for P.L. 480. Title I agreements are intended to expand international trade, develop and expand export markets, and encourage economic development in recipient countries.

P.L. 480 Title I sales are made to developing countries as defined in section 402(4) of P.L. 480 and must not displace expected commercial sales (sections 403(e) and (h)). Agreements with private entities as well as foreign governments are authorized (sections 101-102).

Repayments for agricultural commodities sold under Title I may be made, with interest at a concessional rate as determined by the Secretary, either in U.S. dollars or in local currencies on credit terms up to 30 years, with a grace period of up to five years. Interest is charged from the date of last delivery in each calendar year. Payments received under fiscal year 1992 and future agreements will be deposited in a financing account for use by the U.S. Treasury to offset U.S. Government outlays.

Local currencies received under Title I sales agreements may be used in carrying out activities under section 104. Activities in the recipient country for which these local currencies may be used include developing new markets for U.S. agricultural commodities on a mutually beneficial basis, paying U.S. obligations, and supporting agricultural development or research.

The statute allows agricultural trade organizations, as defined in Section 102(c)(1) to carry out projects or

programs in developing countries using funds derived from Title I sales if the organizations have market development plans approved by the Secretary.

The Commodity Credit Corporation may serve as the purchasing or shipping agent, or both, for the importing country or private entity or may award contracts for freight agent services on behalf of the Corporation to handle shipping of commodities under P.L. 480.

Under the Food for Progress Act of 1985, the Corporation may provide on a grant basis or may finance the sale and exportation of agricultural commodities on credit terms to support developing countries and countries that are emerging democracies and have made commitments to introduce or expand free enterprise elements in their agricultural economies. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as specified for commodities supplied under Title II.

For most sales agreements under Title I, the Corporation will pay ocean freight charges only to the extent of the difference between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Merchant Marine Act. This difference in rates is known as the ocean freight differential. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S. food aid will reach the most needy recipients.

Section 411 of P.L. 480 authorizes the President to waive payments of principal and interest under dollar credit sales agreements for countries which are least developed and have in effect an International Monetary Fund standby agreement or a structural adjustment program of the International Bank for Reconstruction and Development or, if no agreement is in effect, the country is pursuing a policy to promote democratic, market-oriented and long-term economic development. If such authority is used to waive payments, no new Title I assistance may be provided for that country for two years following the date of the authorized waiver unless the President provides prior written justification to the Congress.

2. P.L. 480 Title II- Commodities supplied in connection with dispositions abroad. Commodities are supplied without cost to developing countries to combat malnutrition, to foster sustainable development, to meet famine and other emergency requirements, to promote sound environmental practices and to support donation activities of the World Food Program. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation. The statute requires an overall minimum level of assistance of 2.5 million metric tons be offered annually through fiscal year 2007 under Title II authority (section 204).

Title II is administered by the Agency for International Development (AID). Local commodity distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. Funding for administrative support and internal transportation and distribution costs of sponsoring agencies are required to be between 5-10% of the annual Title II program level.

3. P.L. 480 Title III-Commodities supplied in connection with dispositions abroad. Under this authority agricultural commodities are furnished to least developed countries as defined in section 302(a). Commodities

may be provided through foreign governments for direct feeding, development of emergency food reserves or may be sold with the proceeds of such sale used by the recipient country for specific economic development purposes. The law stresses several specific development themes including enhancement of food security; privatization of food and agricultural distribution systems, and support of nutrition improvement and child survival initiatives. In general, Title III resources may be used to promote broad-based, equitable, and sustainable economic development, including agriculture. AID administers the Title III program. No funds have been appropriated for Title III since fiscal year 2000. None is requested in 2004.

When funds are appropriated and a program is authorized, the U.S. Government donates Title III agricultural commodities without charge to the recipient country and arranges for and pays the costs of purchasing, processing, handling and transporting the commodities to the port or point of entry in the recipient country.

4. Technical assistance to developing countries, middle-income countries, and emerging markets to increase farm production and farmer incomes (Farmer-to-Farmer). The Farmer-to-Farmer program, authorized by Title V of P.L. 480, provides farmer-to-farmer assistance between the United States and eligible countries. This assistance is intended to increase food production and distribution, and improve the effectiveness of farming and marketing operations of farmers.

The program utilizes U.S. farmers, agriculturalists, land grant universities, private agribusinesses, and nonprofit farm organizations to work in conjunction with farmers and farm organizations in eligible countries, on a voluntary basis, to facilitate the improvement of farm and agribusiness operations and agricultural systems in such countries.

Up to 0.5 percent of the amounts made available for P.L. 480 is used to fund the Farmer-to-Farmer program. Funds available for this program may be augmented through the use of local currencies accrued from the sale of agricultural commodities under P.L. 480 and from local currencies generated from other types of foreign assistance activities within the country where the program is being conducted.

An additional \$10 million per year is authorized to fund Farmer-to-Farmer programs in Sub-Saharan African and Caribbean Basin countries.

Public Law 480
Available Funds
2002 Actual and Estimated 2003 and 2004

Item	2002 Actual	2003 Estimated	2004 Estimated
P.L. 480 Title I Program Account:			
P.L. 480 Direct Credit	408,607,786	131,676,000	131,676,000
Subsidy:	491,033,768	98,904,000	163,887,000
Administrative Expenses:			
Foreign Agricultural Service	1,033,000	1,033,000	1,066,000
Farm Service Agency	972,000	1,026,000	2,975,000
Total administrative expenses	2,005,000	2,059,000	4,041,000
Total P.L. 480 Title I Program Account	493,038,768	100,963,000	107,928,000
P.L. 480 Title I Ocean Freight Differential Grants	35,851,628	28,000,000	28,000,000
PL 480 Title II Grant Account	1,076,892,000	1,185,000,000	1,185,000,000
Total program level	1,521,351,414	1,344,676,000	1,344,676,000
Total available (P.L. 480)	1,605,782,396	1,313,963,000	1,320,928,000

FY 2002 Reimbursements, Carryovers, and Budget Authority Transfers

	Title I Subsidy	Title I OFD	Title II	Title I Admin Expenses	Total
APPROPRIATION					
2002 appropriation (P.L. 107-76)	\$126,409,000	\$30,277,000	\$863,820,000	\$2,005,000	\$1,012,511,000
Transfers			95,000,000		95,000,000
Re-estimate	62,958,504				62,958,504
Farmer to Farmer transfer	-505,636	-81,108	587,000		256
Adjusted appropriation	188,861,868	20,195,892	959,407,000	2,005,000	1,170,469,760
Reimbursements		604,104	23,147,000		23,751,104
Prior Year Recoveries	13,970,456		0		13,970,456
Prior years' unobligated balances a/	238,201,444	15,051,632	94,338,000		397,591,076
Total available	491,033,768	35,851,628	1,076,892,000	2,005,000	1,605,782,396
PROGRAM LEVEL					
	Title I Credit	Title I OFD	Title II		Total
2002 program level	\$134,664,000 a/	\$30,277,000	\$863,820,000		\$1,038,761,000
Transfers			95,000,000		95,000,000
Farmer to Farmer transfer		-81,108	587,000		505,892
Adjusted Program Level	154,664,000	20,195,892	959,407,000		1,134,266,892
Reimbursements	94,481,758	604,104	23,147,000		118,232,862
Prior years' unobligated balances	159,462,028	15,051,632	94,338,000		268,851,660
Total available	408,607,786	35,851,628	1,076,892,000		1,521,351,414

a/ Title I Credit program level corresponding to the subsidy budget authority provided by Congress. The total Title I credit program level

net of adjustments consists of:

Subsidy	\$126,409,000
Borrowing from Treasury (off-budget)	28,255,000
Credit Program level	154,664,000

Public Law 480

Classification by Objects

2002 Actual and Estimated 2003 and 2004

Other Objects:	2002	2003	2004
Title I Program Account			
12X2277			
25.3	\$2,005,000	\$2,059,000	\$4,041,000
41.0	237,161,291	98,904,000	103,887,000
Title I OFD Account			
12X2271			
41.0	28,125,154	28,000,000	28,000,000
Title II Grant Account			
12X2278			
41.0	1,013,765	1,185,000	1,185,000
Total			
25.3	2,005,000	2,059,000	4,041,000
41.0	266,300,210	128,089,000	133,072,000
99.0	268,305,210	130,148,000	137,113,000

The estimates include appropriation language for P.L. 480 as follows (new language underscored):

Public Law 480 Title I Ocean Freight Differential Grants
(Including Transfer of Funds)

For ocean freight differential costs for the shipment of agricultural commodities under title I of the Agricultural Trade Development and Assistance Act of 1954 and under the Food for Progress Act of 1985, \$28,000,000, to remain available until expended: Provided, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress. (7 U.S.C. 1701b, 2209b.)

Public Law 480 Title I Program Account
(Including Transfers of Funds)

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, of agreements under the Agricultural Trade Development and Assistance Act of 1954, and the Food for Progress Act of 1985, including the cost of modifying credit arrangements under said Acts, \$103,887,000, to remain available until expended.

In addition, for administrative expenses to carry out the credit program of title I, Public Law 83-480, and the Food for Progress Act of 1985, to the extent funds appropriated for Public Law 83-480 are utilized, \$4,041,000, of which \$1,066,000, may be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which \$2,975,000 may be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses". (7 U.S.C. 1691, 1701-04, 1731-36g-3, 2209b.)

Public Law 480 Title II Grants

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, for commodities supplied in connection with dispositions abroad under title II of said Act, \$1,185,000,000, to remain available until expended. (7 U.S.C. 1691, 1721-26a, 1727-27e, 1731-36g-3, 1737, 2209b.)

P.L. 480 TITLE I PROGRAM ACCOUNT

	P.L. 480 Direct Credit	Subsidy	Administrative Expenses
President's Budget, 2003	\$131,676,000	\$98,904,000	\$2,059,000
Budget Estimate, 2004	131,676,000	103,887,000	4,041,000
Increase in Appropriation	0	4,983,000	1,982,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	2003 Estimated	Program Changes	2004 Estimated
P.L. 480 Direct Credit	\$131,676,000	\$0	\$131,676,000
Subsidy	98,904,000	4,983,000	103,887,000
Administrative expenses:			
Foreign Agricultural Service	1,033,000	33,000	1,066,000
Farm Service Agency	1,026,000	1,949,000	2,975,000
Total, Administrative Expenses	2,059,000	1,982,000	4,041,000
Total Available	100,963,000	6,965,000	107,928,000

PUBLIC LAW 480 TITLE I OCEAN FREIGHT DIFFERENTIAL GRANTS

Title I Ocean Freight Differential Grants	
President's Budget, 2003	\$26,000,000
Budget Estimate, 2004	28,000,000
Increase in Appropriation	0

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	2003 Estimated	Program Changes	2004 Estimated
Title I Ocean Freight Differential Grants	\$28,000,000	\$0	\$28,000,000
Total Available	28,000,000	0	28,000,000

PUBLIC LAW 480 TITLE II GRANTS

Title II Grants	
President's Budget, 2003	\$1,185,000,000
Budget Estimate, 2004	1,185,000,000
Change in Appropriation	0

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	2003 Estimated	Program Changes	2004 Estimated
Title II Grants	\$1,185,000,000	\$0	\$1,185,000,000
Total Available	1,185,000,000	0	1,185,000,000

PUBLIC LAW 480FAS Strategic Goal 2: Promote world food security.Objective 2.2: Administer food aid and other assistance programs to meet international food security challenges and U.S. Government commitments.PROJECT STATEMENT
(on basis of appropriation)

Program	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
1. P.L. 480 Title I Program Account:				
(a) Direct Credit	\$154,664,000	\$131,676,000	\$0	\$131,676,000
(b) Subsidy	126,409,000	98,904,000	4,983,000 (1)	103,887,000
(c) Administrative Expenses	2,005,000	2,059,000	1,982,000 (2)	4,041,000
Total P.L. 480 Title I Program Account	128,414,000	100,963,000	6,965,000	107,928,000
2. P.L. 480 Title I Ocean Freight Differential Grants	20,277,000	28,000,000	0	28,000,000
3. P.L. 480 Title II Grants	863,820,000	1,185,000,000	0	1,185,000,000
Total available	1,012,511,000	1,313,963,000	6,965,000	1,320,928,000

PUBLIC LAW 480
PROJECT STATEMENT
(on basis of available funds)

Program	2002 Estimated	2003 Estimated	Increase or Decrease	2004 Estimated
1. P.L. 480 Title I Program Account:				
(a) Direct Credit	\$408,607,788	\$131,676,000	\$0	\$131,676,000
(b) Subsidy	237,161,291	98,904,000	4,983,000	103,887,000
(c) Administrative Expenses	2,005,000	2,059,000	1,982,000	4,041,000
Total P.L. 480 Title I Program Account	239,166,291	100,963,000	6,965,000	107,928,000
2. P.L. 480 Title I Ocean Freight Differential Grants	35,851,628	35,726,474	0	35,726,474
3. P.L. 480 Title II Grants	1,076,892,000	1,248,126,000	-63,126,000	1,185,000,000
Total available	1,351,909,919	1,384,815,474	-56,161,000	1,328,654,474

Key Performance Goals

Provide targeted foreign assistance that assists developing and transition countries in meeting their immediate food and agricultural import needs and that fosters economic growth and development, which increases their ability to meet their import needs commercially.

Baseline: 2001 – Share of countries' food import needs met through USDA-administered food assistance programs is 1.1 percent.

Target: 2007 – With increased reliance on commercial imports, the share of countries' food import needs met through USDA-administered food assistance programs is reduced to 0.8 percent.

Public Law 480

Justification of Increases and Decreases

- (1) An increase of \$4,983,000 in Title I subsidy (\$98,904,000 available in FY 2003).

This increase reflects a higher estimated subsidy rate for the program due to a projected increase in the level of programming of Food for Progress grants. Food for Progress programming is designed to encourage countries to adopt free enterprise elements in their agricultural sectors and thereby foster economic growth and development.

- (2) An increase of \$1,982,000 in Administrative Expenses (\$2,059,000 available in FY 2003).

An increase of \$1,982,000 is needed to cover necessary administrative operating expenses and to more accurately reflect the total costs of administering Title I programs.

Mc-Govern-Dole International Food for Education and Child Nutrition Program Grants
Purpose Statement

Section 3107 of the 2002 Farm Bill authorizes the President to provide U.S. Agricultural commodities and financial and technical assistance for (a) preschool and school food for education programs in foreign countries to improve food security, reduce hunger, and improve literacy and (b) for maternal, infant and child nutrition programs for pregnant women, nursing mothers, and infants and children. The provision authorizes funds of the Commodity Credit Corporation for fiscal year 2003 and authorizes such sums as are necessary for each of fiscal years 2004 through 2007. The provision authorizes the Food and Nutrition Service to provide technical advice on the establishment of programs and on implementation of the programs in the field in recipient countries.

Mc-Govern-Dole International Food for Education and Child Nutrition Program Grants

Available Funds

2002 Actual and Estimated 2003 and 2004

	2002 <u>Actual</u>	2003 <u>Estimated</u>	2004 <u>Estimated</u>
International Food for Education Program	0		a/ \$50,000,000

a/ \$100 million provided through CCC funding.

Mc-Govern-Dole International Food for Education and Child Nutrition Program Grants

Classification by Objects

2002 Actual and Estimated 2003 and 2004

	2002 <u>Actual</u>	2003 <u>Estimated</u>	2004 <u>Estimated</u>
Other Objects 41.0	0	0	\$50,000,000

Mc-Govern-Dole International Food for Education and Child Nutrition Program Grants

The estimates include appropriation language as follows (new language underscored):

For necessary expenses to carry out the provisions of section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736e-1), \$50,000,000, to remain available until expended: Provided, That the Commodity Credit Corporation is authorized to provide the services, facilities, and authorities for the purpose of implementing such section, subject to reimbursement from amounts provided herein.

20-27

McGOVERN-DOLE PROGRAM GRANTS PROGRAM

McGovern-Dole Program	
Presidents Budget, 2003	\$0
Budget Estimate, 2004	\$50,000,000
Change in Appropriation	\$50,000,000

SUMMARY OF INCREASES AND DECREASES

Item of Change	2003 Estimated	Program Changes	2004 Estimated
McGovern-Dole Grants	\$0	\$50,000,000	\$50,000,000
Total Available	\$0	\$50,000,000	\$50,000,000

PROJECT STATEMENT

(on basis of appropriation)

Program	2002 Actual	2003 Estimated	Increase or Decrease	2004 Estimated
McGovern-Dole	0	0	\$50,000,000	\$50,000,000
Total Available	0	0	\$50,000,000	\$50,000,000

McGovern-Dole Program Grants

Justification of Increases and Decreases

- (1) An increase of \$50,000,000 for the International Food for Education Program (\$0 in discretionary funding available in 2003; \$100,000,000 available through CCC funding).

Section 3107 of the 2002 Farm Bill provides that funding for the International Food for Education Program will be through discretionary funding beginning in FY 2004 rather than CCC.

WEDNESDAY, MARCH 12, 2003.

**U.S. DEPARTMENT OF AGRICULTURE FOOD SAFETY
AND INSPECTION SERVICE**

WITNESSES

ELSA A. MURANO, UNDER SECRETARY FOR FOOD SAFETY

**GARRY L. McKEE, ADMINISTRATOR, FOOD SAFETY AND INSPECTION
SERVICE**

**STEPHEN DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRI-
CULTURE**

INTRODUCTION OF WITNESSES

Mr. LATHAM [presiding]. Good morning, everyone. I am Congressman Tom Latham; I am not Henry Bonilla. The Chairman is in a caucus conference this morning; I believe the Democrats also have one, so there may be fewer members initially than what we would expect normally. But welcome, everyone.

Today the committee takes up the very serious issue of food safety, and the administration's fiscal year 2004 budget request for the Food Safety and Inspection Service. I am delighted to have before us today Dr. Elsa Murano, the Under Secretary for Food Safety; Dr. Garry McKee, the Administrator of FSIS, and our budget guru, Mr. Steve Dewhurst. Dr. Murano appeared before the committee last year, but this is Dr. McKee's first time before this group. And we extend a warm welcome to you and to the colleagues from the agencies that are with you here today.

We certainly face some hard work in ensuring the safety of foods against both intentional and unintentional contamination. Parts of your agency's mission have not changed since the start, yet in other areas, you face brand-new challenges. That certainly creates some hard decisions on priorities and budgeting. On behalf of this committee, I am proud to say that last year we fully funded the Agency's budget request. We share your commitment to keeping our food supply safe.

With the team before us, we can see that the administration certainly has focused on science, expertise, and food safety, and on the need to manage resources well. The job that you and your folks in the field do is extremely important, and I hope all of the FSIS employees realize that we appreciate their dedication and fine work.

Before we hear from our panelists, I would turn to my colleague, the ranking member from Ohio, for any opening remarks she may have.

Ms. KAPTUR. Thank you, Mr. Chairman, very much. Dr. Murano, Dr. McKee, we welcome you this morning, and obviously Mr. Dewhurst as well back again before our subcommittee.

Dr. Murano, the issues that you deal with in food safety are obviously on the minds of the American people, and they meet the re-

sults of your work and our work every day when they shop in the grocery stores and buy product in our restaurants. We are very interested in your testimony this morning because of the larger number of food-borne illnesses that are affecting the American people. And with recalls like Wampler and ConAgra, the volumes involved are at historic highs.

Just yesterday, indeed in Ohio, there was another recall from American Food Groups, I am sure you are aware of this, 106,000 pounds of fresh and frozen ground beef products. I think one of the problems is that the time it takes, if you do discover it to the time of recall, seems to be a big lag. Then, as I asked the Secretary when she was here, the issue of recovery, recall doesn't mean anything. You get some information out there, but most of the product remains in the stores or wherever it might be for eventual consumption. The agency has had a drop of 35 percent in enforcement actions since the year 2000. The General Accounting Office has expressed some concerns about that in reports that have been given to us.

So, we are very interested in the record levels of funding that Congress has been providing, but the follow-through has a lot to be desired. So we are really happy that you are here this morning. We want to hear about what you are doing within USDA in order to make our food system not just the best it has ever been, but even better than it has ever been.

Thank you both so very much for being here today.

Mr. LATHAM. Thank you, Ms. Kaptur.

And on a personal level, thank you for dropping by last week for a visit. You may proceed with your opening statements.

OPENING STATEMENT

Ms. MURANO. Thank you, Mr. Chairman.

I am Dr. Elsa Murano, Under Secretary for Food Safety. With me today are Dr. Merle Pierson, Deputy Under Secretary for Food Safety, Dr. Garry McKee, Administrator of the Food Safety and Inspection Service, and other FSIS representatives.

The safety of our food supply is one of the most important issues we face not only at USDA but as a Nation. There is really nothing more personal or vital to all of us than the food we provide to our families. We have the best food production and processing systems in the world, providing consumers with the most abundant and safest food supply. However, last year was a testament that maintaining the safety of our food is an on going challenge. We faced two outbreaks, one caused by *Listeria monocytogenes*, another caused by *E. coli* O157:H7. According to the Centers for Disease Control and Prevention, CDC, over the past decade, there has been a major *Listeria* outbreak associated with ready-to-eat products in the United States every two to four years, and *E. coli* O157:H7, due to consumption of undercooked hamburgers are almost an annual occurrence.

Despite these challenges, we have made significant improvements to our food safety program. We believe that the Pathogen Reduction/Hazard Analysis and Critical Control Point (HACCP) Rule in 1996 has made food safer. In May of 2002, the CDC re-

ported that the rate of foodborne illnesses across the board has decreased 21 percent.

I want to review some of the achievements we have made in improving food safety before I describe our plan to combat these outbreaks of foodborne illness.

Last year when I testified before this Subcommittee, I outlined to you five goals that I intended to pursue in the coming year to ensure that we are proactive in protecting public health. We have pursued these goals with an aggressive vigor, and I am proud to report that much has been accomplished over the last year in our pursuit of these goals to ensure the safety of the Nation's food supply.

The first goal is to ensure policy decisions are based on science. My background as a researcher in food safety has shown me the importance of utilizing science in formulating regulatory policy. Risk assessments are scientifically-based processes of estimating the likelihood of exposure to a hazard and the resulting public health impact. They are the best way to measure pervasiveness of pathogens, and they provide a solid foundation from which we base policies on science. The benefits of using them can be seen in our initiatives on *E. coli* O157:H7 and *Listeria monocytogenes* last year.

We learned from our risk assessment on *E. coli* O157:H7 that the pathogen was not the proverbial needle in a haystack that we once believed. On the contrary, it was much more prevalent than previously thought, which meant that we had to take a hard new look at our strategies to address its occurrence. We also learned that not all establishments were implementing HACCP systems that were effective for controlling *E. coli* O157:H7. Others were not correctly validating the interventions used to control the pathogen.

Finally, we realized that simply focusing on grinding operations was not effective. Therefore, in order to be efficient, we also needed to focus on the production process, the slaughter process and trimmings as contributors to the problem.

In December, we issued an interim directive to our inspectors to make sure that establishments producing ready-to-eat meat and poultry products are preventing *Listeria monocytogenes* contamination. This directive was absolutely necessary, given the gravity of the northeastern Listeriosis outbreak in the fall.

Furthermore, we recently completed a draft risk assessment on *Listeria*, which evaluates all the factors that potentially contribute to the overall risk to public health. The information developed during the risk assessment process is critical to exploring a variety of risk management scenarios, and we plan to examine different combinations of testing and intervention that present possibilities for future policymaking. We will consult the risk assessment as we work on a final rule to reduce *Listeria* in processing plants that are producing ready-to-eat meat and poultry products, moving as rapidly as we can to develop this final rule while using sound science as a basis.

Our second goal is to improve the management and effectiveness of FSIS programs. In order to fulfill this goal, we needed a leader to head FSIS through one of its most profound transformations toward a public health mission. I am truly proud to say I have found

this leader in Dr. Garry McKee, who started on September 1st, 2002. In this very short time, he has made a very positive impression on the agency's employees and constituents alike. Dr. McKee is a committed public health professional with over 30 years of public health experience, and a proven leader in managing public health programs and personnel. With his leadership, we are already seeing increased employee accountability, improved communication flow, and increased efficiency in the agency's programs. As a public health agency, lives depend on our programs and operations to work as a finely-tuned machine.

In addition to selecting Dr. McKee as administrator, I started a reorganization of FSIS last year so that the agency can meet its public health and food safety goals better. The purpose for this reorganization is to increase accountability, enhance communication, and improve overall efficiency. This reorganization will also ensure that the principles of public health and food safety cut across the entire spectrum of FSIS's work. We have added four assistant administrators for Food Security; Program Evaluation, Enforcement and Review; Outreach and External Affairs; and International Coordination to strengthen the working relationship between our various offices.

The third goal is to improve coordination of food safety activities with other public health agencies. I am a strong believer that, by working together, all the agencies with public health responsibilities can best utilize our resources to ensure a safe food supply. An example of our progress in this area was an unprecedented investigation that we coordinated with the CDC and other State and local public health agencies on the northeastern Listeriosis outbreak last fall.

Another example is our very close working relationship with the Food and Drug Administration Commissioner, Dr. Mark McClellan. He and I have established regular meetings to increase our interaction on issues of mutual concern, and to discuss policy positions of common interest.

States are also an integral part of the U.S. food safety system. We are continuing to take steps to improve Federal/State cooperation on State meat and poultry inspection programs. For example, we are working in close cooperation with State program directors on the National criteria for meat and poultry inspection programs, a project to update, clarify, and simplify requirements for cooperative State meat and poultry inspection programs.

Our fourth goal is to protect the food supply against intentional harm. Since the attacks on September 11, FSIS has strengthened coordination efforts to prevent, detect, and respond to food-related emergencies resulting from acts of terrorism, and ensure the safety of meat and poultry and egg products that come to us from other countries. With a strong food safety infrastructure already in place, FSIS has been able to focus on fortifying existing programs and improving lines of communication both internally and externally.

In addition to reinspecting imported product, FSIS continually assesses foreign establishments to make sure their sanitation and inspection procedures are equivalent to those in the United States. We have also conducted a risk assessment to be used as a tool for determining the most vulnerable products, likely agents, and po-

tential sites for deliberate adulteration of domestically produced meat, poultry, and egg products.

We are also developing a threat assessment of the import system to identify points in the production of imported products where biological, chemical, and radiological contaminants could be intentionally added to foods being brought into the United States.

Finally, our fifth goal is to engage in proactive education programs. As we continue to examine emerging and existing food safety problems, it is important that we remember that reducing foodborne illness requires numerous interventions all along the farm-to-table continuum. We must consider all the strategies available to us, and education is one of them. That is why we continually look for the most cost effective ways to get the food safety message out to all food handlers from coast to coast.

Because we have the same safety requirements for the U.S. meat and poultry produced for export and for products entering the United States, our efforts have a worldwide impact.

Having safe food available to citizens around the world is vital to protecting global health. For this reason, we are fully committed to working with our international partners in ensuring a safe food supply worldwide.

We lead the U.S. Office of the Codex Alimentarius Commission, and we are actively engaged in the activities of this Commission.

We have made significant progress in achieving our five goals on both domestic and international levels. I am very optimistic that we can make a difference in breaking the cycle of foodborne illness outbreaks through working with our partners all along the farm-to-table continuum.

At this time, I would like to focus briefly on the initiatives of the fiscal year 2004 budget request, and indicate how this additional funding will help us reach our goals.

The \$42 million increase in the FY 2004 budget to strengthen the FSIS food safety program encompasses \$23.6 million in increases to cover raises in employee salaries and benefits, the costs of inflation, and FSIS's support of State inspection programs.

The other part of the budget increase covers \$19.3 million in initiatives to fund the hiring of more food safety inspectors, provide specialized training for the inspection workforce, increase microbiological testing and sampling, strengthen foreign surveillance programs, and increase our public education efforts.

Out of this additional funding, we are requesting \$1.7 million to include baseline studies on a variety of pathogens, which will allow us to collect data on the presence of microbial hazards. It is crucial for us to use this information in developing risk assessment models.

We are also requesting \$5.7 million to help us expand our in-depth HACCP training to all our veterinarians and inspectors. In addition, our budget requests \$4.3 million to increase our workforce to 7,680 in-plant staff by adding 80 new positions, which are necessary to meet the demands of industry growth.

Another request is \$4.5 million to provide additional microbiologists, chemists, laboratory technicians, and other personnel to increase our ability to identify adulterants in meat, poultry, and egg products.

Additionally, our budget includes \$1.8 million to increase the number of foreign program auditors.

And finally, our budget calls for an additional \$1.5 million for food safety education, to help us spread the important message of safe food handling and preparation.

Mr. Chairman, I am committed not only to furthering our progress on our five goals to improve safety, but also to win this war on pathogens. I am truly optimistic that we can accomplish these goals from working with everyone who has a stake in the farm-to-table continuum, whether they are government, industry, consumer groups, or academia.

This concludes my statement, Mr. Chairman. Thank you for the opportunity to testify before you on behalf of the Office for Food Safety. I would like to give a couple of minutes to Dr. Garry McKee, who would like to introduce himself to you.

[The prepared statement of Dr. Elsa Murano follows:]

For release only by the
House Committee on
Appropriations

FOOD SAFETY AND INSPECTION SERVICE

Submitted for the Record

**Statement of Dr. Elsa Murano, Under Secretary for Food Safety,
Before the House Subcommittee on Agriculture, Rural Development, Food and Drug
Administration and Related Agencies**

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss the Fiscal Year (FY) 2004 budget for food safety within the Department of Agriculture (USDA). I am Dr. Elsa Murano, Under Secretary for Food Safety. With me today are Dr. Merle D. Pierson, Deputy Under Secretary for Food Safety; Dr. Garry McKee, Administrator of the Food Safety and Inspection Service (FSIS); and Linda Swacina, Associate Administrator.

The safety of our food supply is one of the most important issues we face not only at USDA, but as a nation: there is nothing more personal or vital to all of us than the food we provide to our families. President Bush's budget for FY 2004 includes record-level support for USDA's food safety programs and their basic mission of providing continuous food safety inspection in each meat, poultry, and egg products establishment in the country. The additional \$42 million requested for FSIS will be used to fund several important initiatives that I would like to review with you in a moment.

Before I cover those initiatives that will be implemented from the additional \$42 million requested for FSIS, I want to discuss what has happened in the past year, our progress on the five goals to improve food safety, our efforts to improve international food safety, and our plans for the upcoming future.

What Has Happened During The Past Year

We have the best food production and processing systems in the world, providing consumers with the most abundant and safest food supply. However, last year was a testament that maintaining the safety of our food is an ongoing challenge. We faced two outbreaks, one caused by *Listeria monocytogenes*, another caused by *E. coli* O157:H7.

We take our public health mission very seriously, and we will do what is necessary to accomplish that mission. According to the Centers for Disease Control and Prevention (CDC), over the past decade, there has been a major Listeriosis outbreak associated with ready-to-eat products in the United States every two to four years and *E. coli* O157:H7 due to consumption of undercooked hamburgers are almost an annual occurrence.

Despite these challenges, we have made significant improvements to our food safety program. We believe that the Pathogen Reduction/Hazard Analysis and Critical Control Point (PR/HACCP) rule in 1996 has made food safer. In May 2002, the CDC reported that the rate of foodborne illnesses, across the board, is down 21 percent.

We have also made great strides in improving the technical and scientific knowledge of our inspection force. With the introduction of the Consumer Safety Officer corps we have introduced highly-skilled, scientific experts into the field to reinforce our veterinarians and front-line inspectors. We are driven by the fact that the enormity of our responsibility cries out for a science-based system and we continue to incorporate state-of-the-art science into the inspection process at every opportunity.

Those strides are great, but we need to address how we are going to protect public health further. Throughout my career as a researcher, I have become keenly aware of the importance of sound scientific studies and how these can help provide us with the critical information and practical application of science we need to make decisions that will truly reduce the risk of foodborne illness. I have also observed the need for a proactive approach, one that does not simply react to food safety crises, but rather anticipates risks and prepares to mitigate their potential for harm. We need to improve across the board in everything we do including our public education campaigns; laboratory testing; inspector training; and in-plant inspection.

The Five Goals To Improve Food Safety

I want to review some of the achievements we have made in improving food safety. Last year when I testified before this Committee, I outlined to you five goals that I intended to pursue in the coming year to ensure that we are proactive in protecting public health. We have pursued these goals with an aggressive vigor, and we continue to do so. I am proud to report that much has been accomplished over the last year in our pursuit of these goals to ensure the safety of the nation's food supply.

Before, I cover our accomplishments under each of the five goals, I would like to review them quickly. They are:

- 1) Ensure policy decisions are based on science;
- 2) Improve the management and effectiveness of FSIS programs;
- 3) Improve coordination of food safety activities with other public health agencies;
- 4) Protect meat, poultry, and egg products against intentional harm; and
- 5) Enhance public education efforts.

Goal #1: Ensure Policy Decisions are Based on Science

My first goal is to ensure policy decisions are based on science. As I mentioned earlier, employing science is the only way we are going to break the cycle of foodborne illness. My background as a researcher in food safety has shown me the importance of utilizing science in formulating regulatory policy.

If we take a look at two pathogens that have been on our radar screen – *E. coli* O157:H7 and *Listeria monocytogenes* – then we see that these organisms are representative of the universe of microbial hazards that pose the biggest threat to the safety of our food supply.

The first one, *E. coli* O157:H7, comes to us through the live animal, mainly cattle, and it reaches consumers when meat has been in contact with manure contaminated with the organism. Thus,

its control hinges on minimizing its presence in the intestinal tract of food animals and in preventing its contents from reaching raw products derived from these animals.

The second pathogen, *Listeria monocytogenes*, is an environmental pathogen, carried by equipment personnel, and water when food has been in contact with contaminated equipment, personnel, and water. Thus, its control hinges on finding where it might be harbored in the environment of the food processing plant and thus eliminating it so as to prevent contamination of food-contact surfaces.

Risk assessments are the way to measure the pervasiveness of these organisms. Risk assessments are scientifically-based processes of estimating the likelihood of exposure to a hazard and the resulting public health impact. They provide a solid foundation from which we base policies on science. Making policy decisions without them is akin to shooting at a target in the dark. You have no idea if you hit your mark.

The benefits of using them can be seen in our initiatives on *E. coli* O157:H7 and *Listeria monocytogenes* last year. We learned from our risk assessment on *E. coli* O157:H7 that the pathogen was not the proverbial needle in a haystack we once believed. On the contrary, it was much more prevalent than previously thought, which meant that we had to take a hard, new look at our strategies to address its occurrence. We also learned that not all establishments were implementing HACCP systems that were effective for controlling *E. coli* O157:H7. Others were not correctly validating the interventions used to control the pathogen. Finally, we realized that simply focusing on grinding operations was not effective; therefore, in order to be efficient, we

also needed to focus on the production process, the slaughter process, and trimmings as contributors to the problem.

In December, we issued an interim directive to our inspectors to make sure that establishments producing ready-to-eat meat and poultry products are preventing *Listeria monocytogenes* contamination. This directive was absolutely necessary given the gravity of the Northeastern Listeriosis outbreak in the fall. Furthermore, we recently completed a draft risk assessment on *Listeria*, which evaluates all the factors that potentially contribute to the overall risk to public health. The information developed during the risk assessment process is critical to exploring a variety of risk management scenarios and we plan to examine different combinations of testing and intervention that present possibilities for future policy making. We will consult the risk assessment as we work on a final rule to reduce *Listeria* in processing plants producing ready-to-eat meat and poultry products. We are committed to moving as rapidly as we can to develop this final rule while using sound science as the basis.

In a perfect world, risk assessments would be completed before risk management strategies are developed. But in the real world, we may not have this luxury. We must design risk management strategies based on what we know today and improve them as more information becomes available.

Another way we have based policy decisions on science has been through a series of scientific symposia we hosted on specific issues ranging from applied epidemiology, pathogen reduction, and *Listeria*. These symposia offer an opportunity to hear from experts in academia and

government and allow for a dialogue on how we can improve the scientific basis for our food safety programs and policies.

Goal #2: Improve the Management and Effectiveness of FSIS Programs

The second goal I'd like to discuss is improving the management and effectiveness of FSIS programs. In order to fulfill this goal, we needed to select a leader to head FSIS through one of its most profound transformations toward a public health mission.

I was looking for certain traits in this individual. These included a scientific background, strong management skills, and a sense of accountability to everybody in the organization. This person would also have to be a motivator.

I am truly proud to say that I have found all these traits in the selection of Dr. Garry McKee, who started on September 1, 2002. In this very short time he has made a very positive impression on agency employees and constituents alike. Dr. McKee is a committed public health professional with over 30 years of public health experience and a proven leader in managing public health programs and personnel. He brings unparalleled enthusiasm, determination, and commitment toward public health to the helm of FSIS and I certainly believe that his tenure will be regarded in the future as a significant turning point in FSIS' long history.

The selection of an Administrator was critical, but so too was the reorganization of the agency that I started last year. This reorganization will prepare the agency to better meet its public

health and food safety goals. The purpose for this reorganization is to increase accountability, enhance communication, and improve overall efficiency.

With Dr. McKee's leadership, we are already seeing increased accountability for all FSIS employees; improved communication that flows smoothly and quickly through the organization as well as laterally across all divisions and to outside agencies; and increased efficiency in the agency's programs. As a public health agency, lives depend on our programs and operations to work as a finely tuned machine.

This reorganization will also ensure that the principles of public health and food safety cut across the entire spectrum of FSIS' work. We have added four assistant administrators for Food Security; Program Evaluation, Enforcement, and Review; Communications, Outreach and External Review; and International Coordination to strengthen the working relationship between our various offices.

In addition to our reorganization, FSIS is continuing the pilot inspection system, known as the HACCP-based Inspection Models Project, or HIMP, to address the online slaughter process. I view HIMP as a total food safety and process control system, and it is an example of another initiative we are pursuing to increase the efficiency of our programs.

Under HIMP, volunteer plants take a more active role in the carcass sorting activities, while FSIS inspectors concentrate on more intense inspection and verification activities. In June 2002, FSIS made data available comparing HIMP and traditional inspection, which showed

improvements in detecting and controlling quality concerns and food safety measures in HIMP pilot plants. The data showed no change in the incidence of dressing defects, such as feathers, or in the prevalence of *Salmonella*. In September 2002, an independent review of the HIMP data concluded that “the HIMP system compared favorably to the traditional system of inspection.”

Goal #3: Improve Coordination Of Food Safety Activities With Other Public Health Agencies

We have also made progress with the third goal to improve coordination of food safety activities with other public health agencies. I am a strong believer that by working together, all the agencies with public health responsibilities can best utilize our resources to ensure a safe food supply.

An example of our progress in this area was an unprecedented investigation that we coordinated with the CDC and other State and local public health agencies on the Northeastern listeriosis outbreak that caused 54 illnesses, eight deaths, and three miscarriages/stillbirths.

Another example is our very close working relationship with the Food and Drug Administration Commissioner, Dr. Mark McClellan. We have established regular meetings with Dr. McClellan’s office to increase our interaction on issues of mutual concern and to discuss policy positions of common interest.

States are also an integral part of the U.S. food safety system. We are continuing to take steps to improve Federal-State cooperation on State Meat and Poultry Inspection (MPI) Programs. For example we are working in close cooperation with State program directors on the National Criteria for Meat and Poultry Inspection Programs – a project to update, clarify, and simplify requirements for cooperative State meat and poultry inspection programs.

Another area where we are making major strides in cooperation with States is sharing recall information. In July 2002 FSIS published a final rule allowing the agency to share a firm's distribution list with State and Federal agencies in the event of a meat or poultry recall through a Memorandum of Understanding. This change allows for better communication and coordination between FSIS and the numerous State and Federal agencies that are involved in product recalls.

Goal #4: Protect Meat, Poultry, and Egg Products Against Intentional Harm

Close coordination with other public health agencies is also very important in protecting the food supply against intentional harm, which leads me to the fourth goal. Since the attacks on September 11, 2001, FSIS has strengthened coordination efforts to prevent, detect, and respond to food-related emergencies resulting from acts of terrorism, and ensure the safety of meat and poultry and egg products that come to us from other countries. With a strong food safety infrastructure already in place, FSIS has been able to focus on fortifying existing programs and improving lines of communication, both internally and externally.

We have implemented several measures to protect the public from contaminated product entering the United States from abroad. In addition to reinspecting imported product, FSIS continually

assesses foreign establishments to make sure their sanitation and inspection procedures are equivalent to those in the United States.

FSIS has also added 20 new import surveillance liaison inspectors who are on duty at ports of entry to augment the efforts of traditional FSIS import inspectors. These new import inspectors will not only examine each shipment and conduct reinspection activities, but they will also conduct a broader range of surveillance activities at each import facility and serve as liaisons to improve coordination with other agencies concerned with the safety of imported food products, such as the Department of Homeland Security.

Furthermore, FSIS introduced the new Automated Import Information System (AIIS), which focuses on a foreign country's inspection system as a whole, rather than on individual plants. This system, using statistics, chooses imports for reinspection based on the annual volume of shipments from the exporting country. Previously, for all countries except Canada, reinspection was randomly assigned based on an establishment's compliance history. The new system is user-friendly and allows inspectors at all ports-of-entry to share data. It also allows managers to have easier access to inspection reports. The new AIIS system also provides better tracking of shipments once they enter the United States, and FSIS' next step is to integrate the system with the Department of Homeland Security's system to further strengthen the food safety system against intentional attacks.

Besides our initiatives to screen imported products, we have conducted a risk assessment to be used as a tool for determining the most vulnerable products, likely agents, and potential sites for

deliberate adulteration of domestically produced meat, poultry, and egg products. The assessment was conducted using a farm-to-table approach based on current knowledge of the industrial processes used in the production of these products and the potential biological and chemical agents that could be introduced. The assessment was concluded in June 2002 and the information obtained is being used to develop risk management strategies, including ensuring that our laboratories are equipped with the methods and personnel necessary for detecting agents of concern.

We are also developing a threat assessment of the import system to identify points in the production of imported products where biological, chemical, and radiological contaminants could be intentionally added to foods being brought into the United States. FSIS used the risk analysis framework to conduct a relative risk ranking to be used to allocate resources to monitor U.S. ports of entry for those food commodities that pose the greatest risk, examine different intervention strategies for preventing or reducing risks, develop biohazard identification protocols, and target training of personnel and develop educational campaigns to increase awareness. This assessment is expected to be completed in September 2003.

We have taken preparation for food safety emergencies to a higher level with simulation exercises. Recently we conducted an exercise known as "Crimson Winter" to familiarize our managers and staff with the operating environment that would exist during an outbreak of foodborne disease – the cause being intentional or unintentional. This exercise was very constructive for our senior management, emergency response team, our partners in the Food Threat Preparedness Network, and other relevant Federal and State agencies.

Goal #5: Enhance Public Education Efforts

Finally, goal number five is to engage in proactive education programs. Food safety education is a critical element of the risk analysis framework, which includes risk assessment, risk management, and risk communication. It is a risk management strategy because educating food preparers is an important way to reduce the risk of foodborne illness. Education is also a risk communication function because it serves to alert the public about a hazard that exists and can be addressed by safe food handling and food selection.

As we continue to examine emerging and existing food safety problems, it is important that we remember that reducing foodborne illness requires numerous interventions all along the farm-to-table chain. We must consider all the strategies available to us -- and education is one of them -- to make the food supply safer. That is why we continually look for the most cost-effective ways to get the food safety message out to all food handlers from coast to coast.

I have been travelling around the Nation conducting media interviews and delivering food safety education messages through an aggressive campaign; however, my time obviously is limited. This is why we have pursued an even greater amount of coordination among government, industry, and consumer groups to deliver food safety messages to all food handlers and preparers.

Last year FSIS partnered with the Food and Nutrition Service to provide new educational materials to schools and child care facilities. We also are actively engaged in the Partnership for Food Safety Education, which is a public-private coalition dedicated to educating the public about safe food handling preparation to help reduce foodborne illness.

We all have to realize as well that education is not just about the basics of food handling. There are many new effective products and technologies in the marketplace that can be used to reduce pathogens and food preparers need to be educated about them. Basic and thorough education is needed to change misconceptions about their applications.

Irradiation is a good example of a technology that is misunderstood by the public. We were charged by the recent Farm Bill to conduct an education program on the availability and safety of new technologies that eliminate or substantially reduce the levels of pathogens in meat and poultry products. Last year we convened a meeting with a group of experts on pasteurization/irradiation to start developing an education program. We expect much to come out of this group as we continue to develop and deliver an effective education program for pasteurization/irradiation.

Efforts To Improve International Safety

The U.S. food safety system is the gold standard for the world. Because we have the same safety requirements for the U.S. meat and poultry produced for export and for products entering the United States, our efforts have a worldwide impact.

Food must be safe to eat worldwide in addition to being available and nutritious. Having safe food available to citizens around the world is vital for protecting global health. Without safe food, we face a tremendously high number of foodborne illnesses, which significantly burdens nations – both developed and developing with short- and long-term health problems and economic costs.

For this reason, we are fully committed to working with our international partners in ensuring a safe food supply worldwide. We lead the U.S. office of the Codex Alimentarius Commission, and we are actively engaged in the activities of this Commission, which is an international standard-setting body for food safety. Our active input into Codex contributes to decisions that have profound effects on national economies and the health and well being of citizens around the world. It is in our national interest to maintain our leadership role in Codex in order to ensure food safety regulations around the world are reasonable, equitable, and achievable.

Another example of our commitment to international food safety is through education. Last year, we cosponsored with the U.S. Department of Health and Human Services a conference which brought together food safety educators from all over the world to focus on the food safety education implications of the global nature of the food supply. It is my goal to make these make these food safety conferences annual events.

We also reached out to rural women worldwide through participation in the Third International Congress on Women in Agriculture held in Spain last year. We delivered our food safety

education message at this conference since many women around the world have a tremendous amount of responsibility for food preparation.

RISK ASSESSMENT

Our talented and dedicated leadership team has made it clear to the FSIS workforce and to industry, that science will dictate our food safety programs. At the moment, there is no formal infrastructure for science-based policy making. We are working hard to rectify this. You cannot craft a solution in this highly complex food production world if you have not specifically identified the problem.

Currently, we operate under a number of different models and sometimes are required to change policy as new crises emerge. I believe there is a better way. Government, industry, foodservice, academia and all other interested parties need to come to terms on how best to conduct risk assessments. If successful then such a plan would be the first of its kind in the world. The United States has always been the leader in food technology and science. Now we can demonstrate it once again in a way that will benefit the health and well being of all of our citizens.

In some fashion, we need a central, state-of-the-art source for development of risk assessment models. We are working now on designing such a plan. It is getting increasingly difficult to manage a threat when we are unsure of its pervasiveness. Risk assessment provides this vital data. The benefits of using risk assessments can be seen in our recent initiatives on *E. coli*

O157:H7 and *Listeria monocytogenes* that I discussed earlier. This process needs to be strengthened, formalized, and continually supported in order to be used to its full potential.

To be effective, we need to both analyze current threats to the food supply and anticipate problems that may arise. Presently, this is not being done. There are times when we work in a completely reactive mode and I do not think this serves us well when we try to anticipate new challenges.

I am well aware that there are gaps in our current universe of food safety research and until we close the gaps we will not be able to fully understand, or control, the farm-to-table continuum. We need to bring the brightest food safety minds from throughout the country together in a way that will help the Federal government, industry, foodservice and the American people.

VALIDATED DECONTAMINATION METHODS

We need to focus on the application of validated decontamination methods in order to reduce pathogens. A conscious effort has been made when drafting FSIS' Notices and Directives to encourage industry to utilize new decontamination technologies. Scientific and technical innovation that keeps our food safer should be encouraged. However, validation of such technologies in the plant is not far enough along and efforts to improve this must be pursued.

My hope is that industry, foodservice, academia and USDA's Agriculture Research Service will work together to develop intervention methods that will be validated at the various stages of the food chain and then applied from farm-to-table. Once these technologies prove successful then

they need to be approved in a fast-track manner. Government needs to respond efficiently and effectively when technological safeguards become available and help, not hinder, industry in its implementation of these food safety innovations.

Initiatives From The FY 2004 Budget Request

I have great hope that we will arrive at the next generation of food safety in this country when we implement these steps. At this time, I would like to focus on the initiatives of the FY 2004 food safety budget request and indicate how this additional funding will help us reach our goals.

The FY 2004 budget request supports FSIS' basic mission of ensuring continuous inspection in each meat, poultry, and egg products establishment in our country and reinspection of imported product. It also reflects President Bush's deep concern about ensuring a strong food safety system. His record level budget request for food safety programs will allow FSIS to continue working to fully implement the goals we have laid out, but will also allow us to pursue new initiatives.

USDA's food safety budget requests a program level of \$899 million, an increase of \$42 million over the enacted level for 2003. This funding represents a \$148 million, or 23 percent, increase for USDA food safety activities since FY 2000.

The \$42 million increase in the FY 2004 budget to strengthen FSIS' food safety program encompasses \$23.6 million in increases to cover raises in employees' salaries and benefits, the costs of inflation, and FSIS' support of State-inspection programs.

The other part of the budget increase covers \$19.3 million in initiatives to fund the hiring of more food safety inspectors, provide specialized training for the inspection workforce, increase microbiological testing and sampling, strengthen foreign surveillance programs, and increase our public education efforts.

As I mentioned, it is absolutely necessary that we use science to improve food safety. One of the ways the President's budget helps us do that is through the \$1.7 million to include baseline studies on variety of pathogens, including *E. coli* O157:H7. This funding will allow us to collect data on the presence of microbial hazards, and it is a crucial component used in developing risk assessment models – hence the backbone of effective policy making.

Another means of employing science is the strategy of equipping our frontline workforce with the scientific and technical expertise. The \$5.7 million requested in the President's budget will help us expand our in-depth HACCP training to all our veterinarians and inspectors. With these resources, we will be able to increase consistency and effectiveness of inspection, thus making our food safer.

Along with this notion of a well-trained inspection workforce, is the fact that FSIS needs to have a full complement of inspectors. For this purpose, the President's budget requested \$4.3 million in funding to increase our workforce to 7,680 in-plant staff by adding 80 new positions. These 80 positions are necessary to meet the demands of industry growth.

When a foodborne outbreak occurs, it is essential to identify the source of the outbreak so that the agency can take swift action to prevent further illnesses and warn the public of the adulterated product. Therefore, the FY 2004 budget request includes \$4.5 million to provide additional microbiologists, chemists, laboratory technicians, and other personnel to increase the agency's ability to identify adulterants in meat, poultry, and egg products. This funding will help the agency develop analytical methods to test food products for chemical, biological, and radiological contamination. This initiative would also increase sampling of ready-to-eat products for the presence of bacteria such as *Listeria monocytogenes* and *Salmonella*. FSIS would increase sampling of these products from 10,000 to 15,000 annually and would add the capability to conduct 5,000 *Listeria monocytogenes* environmental samples annually. The agency also plans to increase sampling of raw ground beef and raw ground beef ingredients for *E. coli* O157:H7 from 7,000 to 15,000 samples annually.

Additionally, the President's budget includes \$1.8 million to increase the number of foreign program auditors, thereby strengthening our oversight at the location where the food is actually produced or manufactured for export to the United States. This augments our existing strong system of ensuring that imported food is safe.

Our public education efforts, which I discussed earlier in the five goals, are one avenue we are aggressively taking to make sure that all food handlers and preparers follow safe food handling practices to reduce foodborne illness. The President's budget request for an additional \$1.5 million for food safety education is a prime example of how we can explain the importance of safe food handling and preparation.

Finally, the FY 2004 budget request also includes a proposal to recover the costs of providing inspection services beyond an approved eight-hour primary shift. FSIS already collects \$102 million in reimbursable fees to recover the costs associated with overtime, holiday, and voluntary inspection services. Under the FY 2004 budget, legislation will be proposed to collect user fees for inspection services beyond one approved eight-hour shift per day. If approved by Congress, it will enable the agency to collect approximately \$122 million more in user fees and reduce our appropriated request from \$797 million to \$695 million. This will result in a savings for the American taxpayer.

Closing

In closing, I want to emphasize we already have a strong infrastructure in place, achievements made in the goals we are aggressively pursuing, and a strong leadership team to direct our way toward our ultimate goal of protecting public health.

The President's budget for FY 2004 provides us with a historic opportunity to -- not only do what is right -- but to do what is needed, which is to employ science to its fullest potential to make food in the United States as safe as possible. With the support and assistance of this Administration and Congress, I am confident we are well on our way to improving public health.

This concludes my written statement. I want to thank the Chairman and members of the Subcommittee for the opportunity to testify on behalf of USDA's Office of Food Safety, and welcome your questions.

Elsa A. Murano Biography



Biographical Sketch

Elsa A. Murano

Under Secretary for Food Safety

Dr. Elsa A. Murano was sworn in as under secretary for food safety by Agriculture Secretary Ann M. Veneman on October 2, 2001. In this position, she oversees the policies and programs of the Food Safety and Inspection Service.



Murano has extensive public and private experience in the field of food safety as both a manager and educator. During the past six years; from 1995 until her recent swearing-in, Murano held several positions with Texas A&M University at College Station, Texas. Most recently, since 1997 she served as the director of the university's Center for Food Safety within the Institute of Food Science and Engineering. During this time she also served on the university's Department of Animal Science Research Advisory Committee and the Food Safety Response Team of the Texas Agriculture Extension Service, and served from 1999-2001 as the Chair of the Food Safety State Initiative Committee of the Texas Agriculture Experiment Station. She held the position of the Center for Food Safety's associate director from 1995 to 1997. In 2000 she was appointed professor in the Department of Animal Science, after having been an associate professor in that same department from 1995-2000. In addition, in 2000 Murano was awarded the Sadie Hatfield Endowed Professorship in Agriculture.

Murano served as a professor-in-charge of research programs at the Linear Accelerator Facility at Iowa State University in Ames, Iowa from 1992 to 1995. She was an assistant professor in the Department of Microbiology, Immunology, and Preventive Medicine at that university since 1990.

Before joining USDA, from 2001 until her recent appointment, Murano served as a member of the USDA National Advisory Committee for Meat and Poultry Inspection. Since 1998 she also served on the National Alliance for Food Safety Operations Committee, which she chaired during 2000. She was a member of several professional organizations, which included the American Society for Microbiology, the Association of Meat Science, the Institute of Food Technologists, the Poultry Science Association, and the International Association of Food Protection.

A native of Havana, Cuba, Murano holds a B.S. degree in biological sciences from Florida International University in Miami. She also holds a M.S. degree in anaerobic microbiology and a Ph.D. in food science and technology, both from Virginia Polytechnic Institute and State University in Blacksburg, Va.

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<http://www.usda.gov/agencies/gallery/murano.htm>

2/8/2002

OPENING STATEMENT

Mr. MCKEE. Thank you, Mr. Chairman, and members of the Subcommittee. I am pleased to have the opportunity to provide a statement on the current status of Food Safety and Inspection Service programs, and on the fiscal year 2004 budget request for food safety within the U.S. Department of Agriculture.

I would like to take this opportunity to introduce myself, since this is my first time before the Subcommittee.

I have been with FSIS for a little over six months now. Although I come to FSIS from the Wyoming Department of Health, I am a proud Oklahoman at heart. I graduated from the Southwestern Oklahoma State University and the University of Oklahoma, concentrating on microbiology and public health. Having been in the public health field for more than 30 years, I am very comfortable with the work and responsibilities of FSIS, and am pleased to have Dr. Murano as a partner in our war on pathogens.

I have spent my entire career in this field, and I am devoted to administering FSIS under its protocols and scientific foundations. Public health is my number one priority. Thus, we are building FSIS into a recognized, credible, world-class public health agency that is a model for all other public health institutions.

What does a world-class public health agency mean? Frankly, it means we need to be the experts in improving the safety of meat, poultry, and egg products for the American people. We must also ensure that our food supply is safe and secure from bioterrorist attacks, intentional tampering, or other forms of adulteration.

While I believe that FSIS has made considerable progress towards these goals, more can be done to make this agency the top notch public health regulatory agency we envision it can be. The nearly 10,000 employees at FSIS are dedicated to achieving this vision.

To fulfill this vision, there are three functions of a successful public health model that FSIS must implement.

First, FSIS must assess public health problems using science, such as surveillance, data collection, monitoring, and forecasting trends.

Second, FSIS must develop policies to reduce the risk of foodborne illness using science-based knowledge.

Finally, FSIS must assure the public that we are a credible public health agency through enforcement of established statutory and regulatory responsibilities.

While Dr. Murano has already provided an overview of how our budget request will help us carry out the first two functions, I would like to take a moment to focus on the third element of a successful public health model. I am deeply committed to all three of these functions, but I believe that an integral part of becoming a credible public health agency is to have a well-trained workforce capable of enforcing established statutory and regulatory requirements.

Thus, the FY 2004 budget requests an increase of \$5.7 million to enhance the agency's workforce training capability, which is my number one priority. This will allow FSIS to retool and expand its existing training programs by incorporating a public health focus

and integrating scientific and technical principles, including Hazard Analysis and Critical Control Points validation with training on technical and regulatory approaches to inspection.

In addition to increasing the technical skills of our employees, the agency intends to use training opportunities to strengthen the management capabilities of our workforce as well.

Additionally, the agency plans to take the training opportunities we offer into the field and directly to our employees. The goal of this initiative is to provide employees a variety of training options, including the ability to take courses taught by university professors near their work sites.

FSIS plays an essential role in ensuring that the meat, poultry, and egg products that we eat are safe. While we mainly focus on the processing of these products, we have a responsibility to the American people to make sure that the entire food chain is strong. Food safety is a team effort, and we are always working to improve our role in the process. However, it requires that everyone involved in the process, from the farmer to the consumer, carries out his or her responsibility in ensuring that the food we eat is safe and safely prepared. The FSIS works with industry, consumers, and our sister agencies on a daily basis in the war on pathogens.

Mr. Chairman, thank you for the opportunity to submit testimony to the Subcommittee on how FSIS is working with Congress and other partners to become a first-class public health agency. It is my hope that, working together, we will take food safety in the United States to unsurpassed heights. I look forward to working with you to ensure that the vision of FSIS as a world-class public health agency is realized. Thank you.

[The prepared statement of Dr. Garry L. McKee follows:]

**For release only by the
House Committee on
Appropriations**

FOOD SAFETY AND INSPECTION SERVICE

Submitted for the Record

**Statement of Dr. Garry L. McKee, Administrator,
Before the Subcommittee on Agriculture, Rural Development, Food and Drug
Administration and Related Agencies**

Mr. Chairman and Members of the Subcommittee, I am pleased to have the opportunity to provide a statement on the current status of Food Safety and Inspection Service (FSIS) programs and on the fiscal year (FY) 2004 budget request for food safety within the U.S. Department of Agriculture (USDA).

Before I move into the details of my statement, I'd like to take this opportunity to introduce myself, since this is my first time before the Subcommittee. I've been with FSIS for a little over six months now. Although I came to FSIS from the Wyoming Department of Health, I am a proud Oklahoman at heart. I graduated from Southwestern Oklahoma State University and the University of Oklahoma, concentrating on microbiology and public health. Having been in the public health field for more than 30 years, I am very comfortable with the work and responsibilities of FSIS.

Today I would like share with you the steps FSIS is taking to become a world-class public health agency. These will include:

- FSIS' Year in Review;
- Three Functions of a Successful Public Health Model;

- FSIS Accomplishments Towards Becoming a World-Class Public Health Agency;
- FSIS Partnerships; and
- the Proposed FY 2004 FSIS Budget

FSIS' Year in Review

If you would allow me a moment, I would like to share some of FSIS' accomplishments over the past year so you can gain a better understanding of the way our budget is structured. As you know, under the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, FSIS inspects meat, poultry, and egg products sold in interstate commerce and reinspects imported products, to ensure that they meet U.S. food safety standards.

It is FSIS' mission to ensure that all meat, poultry, and egg products for use as human food are safe, secure, wholesome, and accurately labeled. More than 7,600 inspection personnel verify that regulations regarding food safety, and other consumer protection concerns, such as labeling, are met in over 6,300 Federal meat, poultry, and egg processing plants, each and every day they are in operation. FSIS has jurisdiction over products that generate more than \$120 billion in sales, which represents one-third of consumer spending on food. In addition, since September 11th, our workforce has been on heightened alert and is diligently monitoring all of these plants to ensure that there is no intentional biosecurity breach that could harm our nation's food supply.

Throughout 2002, FSIS was hard at work, protecting the safety of meat, poultry, and egg products. In FY 2002, FSIS inspectors monitored the slaughter of 92.6 billion pounds of meat and poultry and inspected 3.7 billion pounds of liquid egg products. Inspectors at our 110 import inspection stations monitored the importation of 3.9 billion pounds of meat and poultry products from 27 of 33 foreign countries meeting U.S. equivalency requirements and choosing to import to the U.S. last year. FSIS also facilitated the exportation of over 11 billion pounds of meat and poultry products worth \$7.5 billion to over 100 countries. In addition, FSIS spread the food safety message to approximately 90 million people through the media, the FSIS web site, and the USDA Meat and Poultry Hotline. FSIS also diligently continued its duty of protecting the public health, by overseeing the voluntary recall of any meat, poultry, and egg products that may have been potentially contaminated. As you can see, we have had quite a busy year.

Improving Public Health

I have spent my entire career in this field and am devoted to administering under its protocols and scientific foundations. Public health is my number one priority. Thus, we are building FSIS into a recognized, credible, world-class public health agency that is a model for all other public health institutions.

What does a "world-class" public health agency mean? Frankly, it means that we need to be the experts in improving the safety of meat, poultry, and egg products for the American people. We must also ensure that our food supply is safe and secure from bioterrorist attacks, intentional tampering, or other forms of adulteration. While I believe

that FSIS has made considerable progress towards these goals, more can be done to make this agency the top-notch public health regulatory agency we envision it can be. All of the nearly 10,000 employees at FSIS are dedicated to achieving this vision.

Three Functions of a Successful Public Health Model

In order to make FSIS a world-class public health agency, there are three parts of a successful public health model that FSIS must implement. First, FSIS must assess public health problems using science, such as surveillance, data collection, monitoring, risk assessment, and forecasting trends. Dr. Murano, Dr. Pierson, and I believe that science is the absolute best and most reliable tool we have to address the public health issue of food safety. In order to accomplish our goals, we must continue to make significant, science-based policy improvements that can measurably improve public health. By relying on science in our decision-making, we take the guesswork out of our policy-making process. Science is the weapon that will lead our workforce to victory in our declared war on pathogens.

Our assessment activities will help FSIS carry out the second part of a successful public health model, which is policy development. FSIS must continue to develop and implement policies to reduce the risk of foodborne illnesses using science-based knowledge. Once we identify a problem or hazard, we need to craft an effective solution. As a public health agency, we are equipped for this problem-solving role with our technical knowledge and expertise. Policy development activities include planning and priority-setting, the development of regulations, directives, and other policy vehicles,

mobilizing resources, training, constituency building, distribution of public information, and encouragement of public and private sector cooperation.

Finally, FSIS must assure the American public that we are carrying out our jobs effectively, through enforcement of established statutory and regulatory responsibilities. We will hold industry, as well as ourselves, responsible for ensuring that meat, poultry, and egg products are safe, wholesome, and accurately labeled. By successfully carrying out our food safety mission, we are assuring the public that the USDA mark of inspection found on meat, poultry, and egg products means what it says.

By carrying out these functions, FSIS is protecting the public from foodborne illnesses. But, protecting public health also means ensuring the security of our food, which is a vital component of Homeland Security – a growing source of concern. The tragic events of September 11th have made Americans more aware that the unthinkable could become a reality. Biological, chemical, and radiological threats to our Nation's food supply are plausible from those intent on harming our nation through any possible means. Since the terrorist attacks on America, food security has been the highest priority at FSIS and we continue to take steps to ensure that we are prepared to prevent and respond to any potential or actual threats to our Nation.

Now I'd like to share with you some specific examples of how FSIS is ensuring the safety of our meat, poultry, and egg products.

Better Addressing Pathogens*E. coli* O157:H7

The issue of *E. coli* O157:H7 in ground beef emerged in the 1990s and FSIS' microbiological testing program to detect *E. coli* O157:H7 in raw ground beef began in October 1994. Since then, over 55,000 raw ground beef samples have been analyzed. Each month, a random sample from the approximately 1,700 establishments that produce ground beef under FSIS inspection and the 100,000 retail stores that grind beef on a regular basis, are selected for sample collection. In 2002, over 7,000 samples were analyzed for *E. coli* O157:H7. Since FSIS' *E. coli* O157:H7 testing program began, it has been continuously amended to incorporate the most up-to-date data and technologies.

Data from the Agricultural Research Service (ARS) and the Centers for Disease Control and Prevention (CDC), as well as FSIS' draft risk assessment of *E. coli* O157:H7, indicate that *E. coli* O157:H7 is more prevalent than previously believed. The data led FSIS to further strengthen its *E. coli* O157:H7 policies and implement additional safeguards to increase food safety. In an October 2002 *Federal Register* Notice, FSIS published a series of new measures designed to reduce the incidence of *E. coli* O157:H7 contamination in raw ground beef. For instance, all facilities handling raw ground beef must reassess their Hazard Analysis and Critical Control Point (HACCP) plans and decide whether *E. coli* O157:H7 is a pathogen reasonably likely to occur in their products. In addition, establishments that receive product for grinding may determine that no additional steps are necessary at grinding facilities to address *E. coli* O157:H7, but only if appropriate purchase specifications are built into their food safety system.

However, these specifications require that all suppliers must have one or more validated critical control points to eliminate or reduce *E. coli* O157:H7 below detectable levels and some means to ensure that these specifications are met.

FSIS has set deadlines for completion of the reassessments, in order to ensure that all plants have reassessed their HACCP plans to account for *E. coli* O157:H7. Large plants, those with 500 or more employees, were required to comply by December 6, 2002, and small plants, or those with less than 500, by February 4, 2003. Very small plants, those having fewer than 10 employees or annual sales of less than \$2.5 million, are required to comply by April 7, 2003. FSIS Consumer Safety Officers (CSO) are completing extensive scientific reviews of plant HACCP plans to ensure the reassessments are successfully addressing *E. coli* concerns, as well as all other aspects of HACCP regulations.

FSIS is also modifying its current *E. coli* O157:H7 sampling and testing program to include all plants. In the past, FSIS did not typically collect raw ground beef samples at establishments that conduct their own *E. coli* O157:H7 testing. However, FSIS has recently found that, in spite of this private-sector testing, some of these establishments have had problems with *E. coli* O157:H7 contamination. In response, FSIS is revising its current directive to discontinue all exemptions from FSIS sampling and testing for *E. coli* O157:H7.

FSIS is also developing a risk-based verification program that takes into account factors such as volume of production and effectiveness of interventions in determining testing frequencies. In addition to continuing to test for *E. coli* O157:H7 in ground beef, FSIS is considering testing for *E. coli* O157:H7 in trimmings and other intact materials used in non-intact product and beef carcasses and parts that will be processed into non-intact product. We believe that controls to reduce the risk of *E. coli* O157:H7 on intact product may be among the most effective ways to control the hazard overall and that these changes are critical to protecting public health.

Listeria monocytogenes

Following a recent voluntary recall of ready-to-eat meat products due to potential contamination with *Listeria monocytogenes*, FSIS implemented a new policy to improve testing programs for *Listeria* in the environment of plants producing ready-to-eat products, such as deli meats and hot dogs. In November 2002, the agency released a directive announcing that plants producing high- and medium-risk, ready-to-eat products that do not have a scientifically-based, validated program in place for the control of *Listeria monocytogenes*, will be subject to an intensified FSIS testing program. In December 2002, the agency completed a survey to identify plants that will be considered for intensified testing. This new risk-based policy will allow FSIS to confirm an establishment's commitment to zero tolerance for *Listeria monocytogenes* on product and product contact surfaces.

On February 14, 2003, FSIS released its draft risk assessment that provides a vital tool to estimate the public health impacts of various control measures for reducing the risk of *Listeria monocytogenes*. This draft risk assessment suggests that a combination of testing, sanitation, and other interventions exhibited greater benefits than when each step was used alone. It also suggests that product contact testing, used in conjunction with enhanced sanitation procedures, can lead to a reduction in *Listeria*-related illness. In addition, the risk assessment demonstrated that the use of intervention steps, such as post-packaging pasteurization or the introduction of growth inhibitors, showed dramatic public health benefits. We plan to use information gained from this risk assessment to examine different combinations of testing and other interventions that may direct policymaking in the future.

FSIS intends to utilize information gained from the risk assessment to proceed on an effective regulatory approach to reduce *Listeria monocytogenes* in processing plants producing ready-to-eat meat and poultry products. FSIS is committed to publishing a final rule for *Listeria monocytogenes* in ready-to-eat products as soon as possible. We continue to gather comprehensive and critical data to support such a rule. We believe that the scientific data obtained from this risk assessment enables the agency to make a sensible, responsible, and well-supported final rule based on solid and comprehensive science and not guess work. The final rule, based on the risk assessment, will also bolster our mission of reducing foodborne illnesses and actually saving lives.

Scientific Symposia

We have also greatly increased our efforts to incorporate a broad range of scientific thinking on food safety issues in order to effectively combat harmful pathogens. In 2002, FSIS initiated a series of nine scientific symposia aimed at generating dialogue on important issues among public health experts, industry, advocacy groups, academia, and the public. These meetings allowed the agency to gather input on what scientific solutions would best address public health concerns. For example, FSIS held a scientific symposium on pathogen reduction in May 2002, to discuss the appropriate role of microbial testing in food safety and other food safety concerns. In November 2002, the agency held a *Listeria* summit to discuss the public health impact of *Listeria monocytogenes*. Last month, the agency held a meeting to discuss the results of the draft risk assessment on *Listeria monocytogenes*. We believe the symposia allowed us to be as inclusive as possible, as well as gain valuable information and insight. Therefore, the agency has planned additional symposia in FY 2003 on such topics as applied epidemiology, the National Academy of Sciences report on performance standards, and international food safety.

Public Health Management

A world-class public health agency must run like clockwork in order to quickly and successfully prevent or respond to food safety emergencies. This requires a common dedication and focus at all levels, from headquarters management to the frontline employees in plants in the most rural parts of America. Therefore, FSIS has implemented

an array of measures over the past year to enhance accountability, build professionalism, and ensure a coordinated public health approach to food safety.

FSIS Reorganization

On our way to becoming a world-class public health agency, it became apparent that the structure of FSIS needed to be reorganized to efficiently and effectively meet our goals, carry out our critical functions, and protect public health. I have made it a top priority to restructure the agency in a way that prepares FSIS to meet its public health and food safety goals in a modern and streamlined fashion. This reorganization will increase accountability for all FSIS employees and refocus the duties of many employees.

The reorganization will ensure that the principles of public health and food safety cut across the entire spectrum of FSIS' critical public health mission. We have added four assistant administrators in key areas—for Food Security; Program Evaluation, Enforcement, and Review; Communications, Outreach and External Affairs; and International Coordination. These additions will strengthen the bonds between our various offices and make our operational model more coherent and responsive. For example, the assistant administrator of Food Security will tie together all Homeland Security activities within the agency, so that our policy makers, our scientists, our field staff, and our management are all working together to ensure that we are prepared to prevent and respond to any bioterrorist attack.

Program Evaluation, Enforcement and Review

In FY 2002, as part of our reorganization, FSIS created the Program Evaluation, Enforcement and Review (PEER) office to serve as the agency's quality control team. This office's mission is to ensure that effectiveness, efficiency, consistency, and accountability become the rule at FSIS. This new office will ensure that FSIS functions such as reviews of plants for compliance and food safety investigations are carried out in a way most conducive to protecting the public health. This office also conducts program audits, reviews, assessments, and evaluations in an effort to ensure that they are performing as needed or uncover difficulties early on, before they reach the problem stage. Lastly, this office also helps ensure that the agency has an effective, efficient, timely, and aggressive program for dealing with those who violate the meat and poultry laws.

Improved Communications

Our food safety message is most effective when every person along the farm-to-table continuum is aware of its importance and, just as importantly, understands it. As part of the FSIS reorganization, we created the Office of Communication, Outreach, and External Affairs. This office is tasked with spreading the food safety message to our many constituents whether in Congress, industry, advocacy groups, the public, or the media. We devote a great deal of energy and resources into translating highly technical food safety information and making it accessible and understandable at many different levels. But communication is a two-way street and we make every effort to receive and process input from our constituents so that we are aware of, and sensitive to, their range

of viewpoints. We are always looking to improve our public health mission and communication is one of our most critical tools.

Automated Import Inspection System

FSIS is also improving its management effectiveness on the international level. All imported meat and poultry is inspected in its country of origin, as well as visually reinspected by FSIS before being released in the U.S. Additionally, FSIS tests imported products for residues, microbiology, and food chemistry. In FY 2002, FSIS introduced the new Automated Import Information System (AIIS). This system focuses on a foreign country's inspection system as a whole, rather than on individual plants, to statistically choose imports for reinspection based on the annual volume of shipments from the exporting country. Previously, for all countries except Canada, reinspection was randomly assigned based on an establishment's compliance history. The new system is user-friendly and allows inspectors at all ports-of-entry to share data. It also allows managers to have easier access to inspection reports. The new AIIS system also provides better tracking of shipments once they enter the U.S. The next step is for FSIS to integrate our system with USDA's Animal and Plant Health Inspection Service (APHIS) and the U.S. Customs systems to further strengthen the food safety system against intentional attacks.

Workforce and Training Initiatives

Our workforce is the backbone of FSIS. We rely on our field employees to be in every meat, poultry, and egg products plant, ensuring that the plants are producing products that

are safe, wholesome, and accurately labeled. Our frontline employees are the ones we rely on to make the critical determination that products are not adulterated and are safe to eat. They are also responsible for identifying and preventing intentional threats to the food supply. For this reason, I have made this issue one of my top priorities as FSIS Administrator. I am personally overseeing the changes the agency is implementing in our training programs and believe it is absolutely necessary that we have a scientifically- and technically-trained workforce that is dedicated to ensuring a safe supply of meat, poultry, and egg products. A well-trained and competent workforce is a key element to making any institution successful. I am committed to achieving the aggressive public health goals we have set at FSIS through improving our employees' skill level, which will in turn, raise their performance.

Consumer Safety Officers

Let me give you an example. To achieve our public health goals, FSIS recognized the need for frontline employees to have a scientific background. Therefore, the agency created the Consumer Safety Officer (CSO) series to reflect our increasing reliance on science and technology. CSOs require a scientific background and receive additional agency training that enables them to assess and verify the design of food safety systems. FSIS trained 104 employees as CSOs in FY 2002, and plans to train an additional 105 in FY 2003. The agency is extending CSO training to its District Veterinary Medical Specialists (DVMS) and other Veterinary Medical Officers (VMOs) to raise scientific knowledge within the agency.

Humane Handling and Slaughter Initiatives

USDA considers humane methods of handling animals and humane slaughter operations a top priority. FSIS used funding allocated in the FY 2001 Supplemental bill to hire 17 veterinarians to serve as District Veterinary Medical Specialists (DVMS) in each of the agency's 17 districts. The DVMS reported for duty on December 30, 2001. The DVMS have been trained in all aspects related to humane handling and slaughter, including antemortem inspection, humane handling regulations, the Humane Methods of Slaughter Act (HMSA), stunning methodologies, assessing consciousness, enforcement procedures related to humane handling, and workplace violence. They also serve as the program coordinator for all humane handling issues within their districts and are providing training to newly hired in-plant VMOs on the agency's humane handling and slaughter responsibilities.

The FY 2003 Omnibus Appropriations bill includes \$5 million for FSIS to hire at least 50 fulltime employees to enforce the HMSA. FSIS is determining how to best utilize the resources of the 50 fulltime employees enforcing the HMSA. The agency is also ensuring that our 17 DVMS are fully devoted to humane handling and slaughter activities.

Chief Veterinarian

In FY 2002, FSIS established a Chief Veterinarian position to promote the education, training, and professional development of the agency's approximately 1,100 veterinarians. In addition, FSIS veterinarians have completed a survey to determine what skills they possess and to help the agency assess how it can harness their skills to help meet its ever-evolving goals. The results will be analyzed in FY 2003.

Inspection Coordinator Training

Becoming a world-class public health agency requires that FSIS increase technical training and the scientific expertise of our workforce. Inspection Coordinators (ICs) in each District were trained to increase their HACCP expertise, particularly with respect to HACCP plan design and scientific support for HACCP plans. The ICs often participate in, or even lead, in-depth verification reviews (IDVs) to assess whether an establishment is carrying out activities that meet requirements of the FSIS Pathogen Reduction (PR)/HACCP rule. This training will enhance their ability to do a more effective job and will also provide Districts with an additional resource capable of conducting comprehensive food safety assessments. In response to a Government Accounting Office recommendation that FSIS strengthen basic training for its inspectors, the agency plans to reinforce HACCP, Sanitation Standard Operating Procedures (SSOPs), and Sanitation Performance Standards knowledge, through training of its entire in-plant workforce beginning in FY 2003. I will discuss in greater detail this key aspect of our FY 2004 budget request in a moment.

Compliance Officer Training

In FY 2002, FSIS conducted a Compliance Officers (COs) training program at the Federal Law Enforcement Training Center in New Mexico. Nineteen Federal and three State COs completed the three-week course on basic safety training. In addition, sixty-one COs and three CSOs completed three specialized one-week safety courses, especially designed for FSIS. Also, twelve COs completed a one-week Instructor Verbal Judo Course designed to instruct them how to teach other employees how to better handle

stressful situations they may encounter as part of their jobs. All of these training programs are the building blocks to the model public health agency I envision for FSIS.

In-Plant Performance System

In October 2002, FSIS implemented the In-Plant Performance System (IPPS), which puts in place a formal process so frontline supervisors can be sure that inspection personnel carry out their assigned job responsibilities. All field supervisors have been trained to use this system. Performance reviews have recently resulted in several letters of caution and instruction to employees who were not performing at the expected level. More importantly, the reviews have highlighted what we are doing right, as well as steps we can take to make even more improvements.

HIMP

As you know, in 1997, FSIS initiated the HACCP-based Inspection Models Project (HIMP) pilot program, which was designed to address the fact that FSIS inspectors carry out certain process control activities that are not inspection activities. I see HIMP as the way of the future for a model public health agency. Ultimately under HIMP, we will focus better on public health concerns from farm to table. There are additional activities in slaughter plants, consistent with the mission to protect public health, which FSIS believes deserve more attention. These include verification of the zero tolerance standard for fecal contamination, microbial sampling, and verification of the HACCP system.

In June 2002, FSIS made data available comparing HIMP and traditional inspection, which showed improvements in detecting and controlling quality concerns and food

safety measures in HIMP pilot plants. The data showed no change in the incidence of dressing defects, such as feathers, or in the prevalence of *Salmonella*. In September 2002, an independent review of the HIMP data concluded "the HIMP system compared favorably to the traditional system of inspection." HIMP is just another example of our commitment to modernizing FSIS' inspection programs in order to better meet USDA's public health responsibilities.

Homeland Security Training

FSIS has also initiated a comprehensive two-year training and education effort designed to ensure that every FSIS employee fully understands his or her role and responsibility in preventing or responding to an attack on the food supply. To date, FSIS has developed a videotape covering food security initiatives, emergency response procedures, and guidelines for food processors for use in training all frontline supervisors. This has been shared with our State and local partners, as well as industry, to address their biosecurity awareness and training needs.

Homeland Security Efforts

The events of September 11th revealed the need for a more integrated and coordinated plan to protect meat, poultry, and egg products from being used as vehicles to spread dangerous biological, chemical, or radionuclear material throughout the food supply. Immediately following September 11th, FSIS established the Food Biosecurity Action Team (F-BAT), charged with coordinating all activities pertaining to biosecurity, countering terrorism, and emergency preparedness within the agency. These activities

are coordinated with USDA's Homeland Security Council, other government agencies and industry.

F-BAT

F-BAT has been instrumental in several initiatives to improve the safety and security of the food supply, including: assessing potential vulnerabilities along the farm-to-table continuum, including imported products; developing guidelines for industry on food security and increased plant security; strengthening FSIS coordination and cooperation with law enforcement agencies; enhancing security features at all FSIS laboratories; increasing the capacity of the agency's laboratories to test for additional food safety hazards and biological agents; and developing a multi-year food security plan.

Office of Food Security and Emergency Preparedness

FSIS' reorganization also includes the creation of the Office of Food Security and Emergency Preparedness. This will provide one centralized office within the agency that will serve as an interface with USDA's Homeland Security Office and will represent the agency on all food security matters throughout the Federal government as well as State and local activities. The Office's mission is to prepare for, prevent, and coordinate a response to intentional acts and other major events threatening the U.S. food supply. It is comprised of two staffs, an External Relations and Emergency Preparedness Staff, in addition to a Scientific and Technical Support Staff. The External Relations staff's primary responsibility is to develop and maintain the extensive network of Federal and State relationships necessary to mobilize for a food-related emergency. The Scientific

staff provides science-based support for emergency response and prepares contingency plans for minimizing risk to the safety and security of the food supply, as well as to first responders.

Tabletop Exercises

In addition to reorganizing the agency to meet Homeland Security needs, FSIS is participating in a number of tabletop exercises at the Federal, State, and local levels. These exercises give agency employees the opportunity to simulate their actions in response to a threat on the food supply. One recent exercise, "Crimson Winter," proved very successful because it allowed the agency to recognize and correct vulnerabilities in its Homeland Security response plans.

Bioterrorism Risk Assessment for Domestic and Imported Products

FSIS has conducted a food security risk assessment to be used for determining the most vulnerable products, likely agents, and potential sites for deliberate adulteration of domestically produced meat, poultry, and egg products. The assessment was conducted using a farm-to-table approach based on current knowledge of the industrial processes used in the production of these products and the potential biological and chemical agents that could be introduced. The assessment was concluded in June 2002, and the information obtained is being used to develop risk management strategies, including ensuring that our laboratories are equipped with methods and personnel for detecting agents of concern.

A threat assessment of the import system is also being developed to identify points in the production of imported products where biological, chemical, and radiological contaminants could be intentionally added to foods being brought into the United States. FSIS used the risk analysis framework to conduct a relative risk ranking to be used to allocate resources to monitor U.S. ports of entry for those food commodities that pose the greatest risk, examine different intervention strategies for preventing or reducing risks, develop biohazard identification protocols, and target training of personnel and develop educational campaigns to increase awareness. This assessment is expected to be completed in September 2003.

Import Surveillance Liaison Inspector

Soon after the terrorist attacks on the United States, FSIS inspectors nationwide were placed on heightened alert, a condition that remains in effect today. Using funds provided by the Homeland Security Supplemental, FSIS created a new position, that of the import surveillance liaison inspectors. As of March 1, the 20 new import inspectors are on duty at ports of entry to augment the efforts of traditional FSIS import inspectors assigned to the 146 import establishments in the country. Where traditional USDA import inspectors examine each shipment and conduct reinspection activities, these new import surveillance liaison inspectors will conduct a broader range of surveillance activities at each import facility, as well as extensive records review. These inspectors will not only improve the agency's ability to ensure the safety of imported meat, poultry, and egg products, but as liaisons, they will also be able to improve coordination with other agencies (e.g., U.S. Customs, APHIS) concerned with the safety of imported food

products. We are looking at ways, in the future, to both increase the number of liaison officers and to expand and enhance their roles.

FSIS Food Security Initiatives

I also wanted to submit for the record a report titled, *Protecting America's Meat, Poultry and Egg Products*, that FSIS released in early February 2003. The report, prepared by the Office of Food Security and Emergency Preparedness, outlines FSIS' food security initiatives. Some of the initiatives included in the report are assessing potential vulnerabilities along the farm-to-table continuum, enhancing security features at all FSIS laboratories, and strengthening FSIS coordination and cooperation with law enforcement agencies.

FSIS Partnerships

FSIS plays an essential role in ensuring that the meat, poultry, and egg products that we eat are safe. While we mainly focus on the processing of these products, we have a responsibility to the American people to make sure that the entire food chain is strong. Food safety is a team effort and we are always working to improve our role in the process. However, it requires that everyone involved in the process, from the farmer to the consumer, carries out his or her responsibility in ensuring that the food we eat is safe and safely prepared. FSIS works with industry, consumers, and our sister agencies on a daily basis in the war on pathogens.

Industry Outreach

FSIS strives to maintain a healthy and direct relationship with the meat, poultry, and egg products industries. We rely on industry to prevent harmful pathogens from entering the food supply. However, FSIS does not just hand out policies or regulations and declare: “You are on your own. Figure it out. Good luck.” This is particularly true of HACCP. FSIS was there to help when the program was first implemented, and we continue to help plants correctly implement the program through our veterinarians, on-line inspectors, and consumer safety officers. But now that HACCP has been introduced and implemented, we are in the next phase, which is enforcement. We will hold industry, and ourselves, responsible for successfully operating under the PR/HACCP model. I have personally given industry a due notice about our intentions. My message is a clear one—that industry know the HACCP rule and have it fully incorporated and implemented into their HACCP plans or we will take enforcement action. A cut-and-paste, or even minimalist, approach to HACCP will not suffice. To ignore HACCP is to put the public’s health at risk and that is, simply, unacceptable.

In FY 2002, FSIS made significant achievements in its Small and Very Small Plant Outreach Program. This program, introduced in 1998, was designed to develop and provide technical guidance and assistance to meet the specific needs of small plants, with ten or more employees, but fewer than 500, and very small plants with fewer than 10 employees, or annual sales of less than \$2.5 million. FSIS held more than 30 courses targeting these segments of the industry across the country. The courses focused on

HACCP food safety systems and were provided through cooperative agreements with nine universities.

Part of the agency's outreach effort also includes keeping the meat, poultry, and egg products industry informed of changes and innovations in food safety, as well as the standards and requirements they must meet to operate a safe food production facility. In FY 2002, FSIS made improvements to the agency's labeling and standards policy web site, which was introduced in 2002 as a new, business-friendly web site providing essential information to small and very small plants. The site is geared towards helping small businesses understand the fundamentals of labeling and standards and to provide a key contact on our staff to answer related questions. FSIS also provides a staff liaison charged with facilitating resolution of small business issues on a one-on-one basis. The Labeling Policy Staff receive over 400 inquiries a month for labeling guidance.

In May 2002, FSIS published voluntary security guidelines to assist Federal- and State-inspected meat, poultry, and egg products plants in identifying ways to strengthen their security plans to protect against acts of bioterrorism. FSIS provided these guidelines to field employees who will assist plants that seek further clarification or advice. They were designed for plants that may not have access to specialized security planning advice. These voluntary guidelines are available in English, Spanish, Vietnamese, Korean, and Mandarin Chinese, both in print and on the FSIS web site.

Food Safety Education

While a meat processing plant might produce a perfectly safe hamburger, innocent mistakes made by a food preparer could taint a product with harmful bacteria and create a potentially unsafe meal. Food can become contaminated at any step in the food chain. Thus, FSIS is committed to spreading the food safety message in order to further reduce the incidence of foodborne illness. Food safety education is certainly not a substitute for, but rather a complement to, science-based food safety policies. I would like nothing better than to tell people that they do not need to worry about how they handle and prepare their food because the government has taken care of the problem. But, as I said before, food safety is a team effort and must be carried out at all stages of the food production and preparation chain.

We will continue to strive for greater reductions in harmful pathogens within meat, poultry, and egg products production facilities. But regardless of what we can accomplish, food preparers always will have an important role in keeping food safe. Because of this, FSIS food safety education programs are designed to increase consumer knowledge in order to prevent foodborne illness. The agency constructs educational materials based on up-to-date scientific and consumer research. Our programs target the general public, as well as those groups who face increased risks from foodborne illness – the very young, the elderly, pregnant women, people with chronic diseases, and people with compromised immune systems.

FSIS spreads the food safety message through the development and distribution of brochures, technical papers, and booklets via the media, educators, the FSIS web site, and our Meat and Poultry Hotline. The agency continues to look for opportunities to leverage our resources to get these important food safety messages out to the public from coast to coast.

During its 18th year in existence, the USDA Meat and Poultry Hotline handled nearly 86,000 calls concerning safe food handling practices in the home. Last year, the Hotline expanded its service to include recorded messages and live assistance in Spanish. In addition, the agency's two main e-mail addresses received over 5,200 inquiries and comments about food safety.

FSIS also carried out a number of food safety education campaigns in FY 2002. In September, the agency held the "*Thinking Globally – Working Locally: A Conference on Food Safety Education*." The conference included breakout sessions, workshops, and tours focusing on the food safety education implications of the global food supply. Over 600 participants from the U.S. and abroad attended.

Coordination on International Activities

As one of several key U. S. agencies responsible for food safety, FSIS actively participates in developing international food safety standards through the Codex Alimentarius Commission. The U.S. Codex Office is located within FSIS, and the agency served as the head of U.S. Delegations to the Executive Committee of the Codex

Alimentarius Commission meeting and to the Codex Committee on General Principles. In 2002, FSIS announced 17 public meetings on Codex standard setting activities and hosted foreign government officials at various workshops about important Codex issues.

Our leadership at Codex is instrumental in realizing global food safety standards are reasonable, equitable, and achievable. America is the gold standard for food safety programs. Successful participation in the Codex leadership is a vital national interest and will raise food safety standards around the world. FSIS remains committed to working through Codex to continue to stress the role of science in international standard setting.

Other Public Health Agencies

Because food safety plays such a vast role along the entire farm-to-table continuum, FSIS works with other government agencies to make sure the U.S. produces safe meat, poultry, and egg products. We have partnerships with other Federal public health agencies, regulatory agencies, State governments, and research institutions, in order to share ideas and concerns, and maintain an open dialogue concerning food safety. By doing so, we are helping each agency achieve its respective vision, which ultimately helps us paint the big picture – improving public health.

Ensuring public health depends on sound scientific research. Food safety research carried out by ARS plays a critical role in assisting FSIS to evolve into a model public health agency. This is especially true because our environment is certainly not static. We constantly need to study the factors that change the prevalence rate of pathogens.

These factors could be on the farm, around the farm, in transportation, at the plant, or en route to the consumer. ARS and FSIS have worked cooperatively to ensure that food safety research is appropriately addressed in USDA's research agenda.

An integral element in the fight against foodborne illness is early detection. In FY 2002, FSIS completed its seventh full year of a partnership with CDC and the Food and Drug Administration (FDA) that conducts active surveillance for foodborne diseases in five States and parts of four more. This effort, called FoodNet, serves as an early warning system for foodborne illnesses. FoodNet, for the first time, identified a downward trend in the incidence of foodborne disease from 1996-2001. CDC reported in April 2002, that this reduction could be attributed to multiple control measures, including implementation of FSIS' PR/HACCP regulations.

In FY 2002, FSIS initiated eight cooperative agreements with States to raise awareness and understanding of the risks of handling meat, poultry, and egg products by retail stores and food service establishments. These agreements benefit those State and local agencies responsible for inspecting these establishments, as well as managers and owners. Additionally, FSIS field epidemiologists assisted local and State health departments with over 30 outbreak or emergency-related investigations due to such causes as *E. coli*, *Listeria*, and *Salmonella*. Many of these investigations involved multiple States and localities.

In addition, as of July 31, 2002, FSIS can now share product distribution lists of establishments conducting recalls with State and Federal agencies with which the agency has negotiated memoranda of understanding. Previously, we were not allowed to share this information due to Freedom of Information Act regulations. This new policy will allow FSIS to better work with its partners throughout the nation to more quickly and effectively carry out recalls of potentially contaminated product.

FY 2004 Budget Request

Now that I have provided a synopsis of FSIS' progress, I would like to present an overview of the FY 2004 budget request for FSIS. The budget request for FY 2004 would fund those programs previously discussed and will help FSIS reach the goal of becoming a world-class public health agency. By incorporating the principles of public health into all of our operations, we will be modernizing our inspection system to meet the goals and challenges of food safety in the 21st century. Implementation of these budget initiatives is imperative to helping us attain the public health vision we have set for FSIS. In FY 2004, FSIS is requesting a program level of \$899 million, a net increase of about \$42 million over the enacted level for FY 2003. Under current law, we are requesting an appropriation of \$797 million and \$102 million in existing user fees.

Supporting FSIS' Basic Mission

The FSIS budget request for FY 2004 supports the agency's basic mission of providing continuous food safety inspection in each meat, poultry, and egg products establishment in the U.S. The FY 2004 budget includes \$23.6 million in increases to cover pay and

employee benefit costs, inflation, and the agency's support of State-inspection programs. The budget reflects the proposed FY 2004 pay raise of 2.0 percent for Federal and State program personnel and the annualized cost of the 4.1 percent pay increase for 2003. These costs also include a total net increase of approximately \$853,000 for state food safety and inspection. This includes Federal control of the Commonwealth of Virginia's inspection program beginning in July 2003, as well as the initiation of Maine's State inspection program.

New Initiatives

The FY 2004 request includes a \$19.3 million increase for new initiatives that support the Department's goals for FSIS. While the implementation of the HACCP system has provided a solid base for FSIS to carry out its goal of protecting the nation's food supply, more can be done to strengthen this foundation. Thus, the FY 2004 budget requests an increase of \$5.7 million to enhance the agency's workforce training capability, which I mentioned earlier is one of my top priorities. This will allow FSIS to re-tool and expand its existing training programs by incorporating a public health focus and integrating scientific and technical principles, including HACCP validation, with training on technical and regulatory approaches to inspection. In addition to increasing the technical skills of our employees, the agency intends to use training opportunities to strengthen the management capabilities of our workforce as well. Additionally, the agency plans to enhance training by taking the training opportunities we offer into the field. Employees will now have a variety of training options, including the ability to take courses taught by university professors near their work sites.

The FY 2004 budget includes an increase of \$4.3 million to cover costs associated with funding 7,680 in-plant personnel in meat, poultry, and egg products plants. This is an increase of 80 slaughter inspectors and is necessary due to industry growth. The increase will allow the agency to ensure that there is an inspector in every meat, poultry, and egg products establishment each and every day that it is in operation. With the additional inspectors we will ensure that every carcass is inspected.

To achieve the agency's goal of applying science to all policy decisions, the FY 2004 budget includes a new \$1.7 million initiative to establish a continuous baseline program for risk assessments and performance measurement. While the agency has previously conducted baseline studies using its internal laboratory resources, this new initiative would include laboratory analyses using outside laboratories, would repeat each baseline study every three years to provide longitudinal data to track performance, and would provide scientific data needed for ongoing risk assessments. Using nationwide microbiological baseline studies would improve data quality and incorporate risk management into all regulatory and policy actions.

When a foodborne outbreak occurs, it is essential to identify the source of the outbreak so that the agency can take swift action to prevent further illnesses and warn the public of the adulterated product. Therefore, the FY 2004 budget request includes \$4.5 million to provide additional microbiologists, chemists, laboratory technicians, and other personnel to increase the agency's ability to identify adulterants in meat, poultry, and egg products.

This funding will help the agency develop analytical methods to test food products for chemical, biological, and radiological contamination. This initiative would also increase sampling of ready-to-eat products for the presence of bacteria such as *Listeria monocytogenes* and *Salmonella*. FSIS would increase sampling of these products from 10,000 to 15,000 annually and would add the capability to conduct 5,000 *Listeria monocytogenes* environmental samples annually. The agency also plans to increase sampling of raw ground beef and raw ground beef ingredients for *E. coli* O157:H7 from 7,000 to 15,000 samples annually.

Education and outreach have always been important aspects of FSIS' mission and this is again reflected in the FY 2004 budget request. The agency is requesting a \$1.5 million increase to design a mass media campaign aimed at improving safe food handling habits of consumers at home. Emphasis will be placed on a program that communicates with under-served groups. Performance measures will be incorporated to evaluate the effectiveness of the campaign at spreading the food safety message.

It is important that foreign products meet U.S. standards. Therefore, the FY 2004 budget request includes \$1.8 million to increase FSIS equivalence reviews in exporting countries. In recent years, FSIS has experienced a rise in applications from foreign countries to export meat and poultry products to the U.S. This funding is necessary for the agency to hire additional foreign auditors to meet the demands of increased foreign inspection system audits. This will help ensure that foreign meat, poultry, and egg

products establishments are shipping product to the U.S. that meets the same standard of safety required in U.S. establishments.

User Fee Proposal

FSIS' FY 2004 budget also includes a legislative proposal to recover the costs of providing inspection services beyond an approved eight-hour primary shift. FSIS collects \$102 million in user fees annually to recover the costs of overtime, holiday, and voluntary inspection. If enacted, the level of appropriated funds needed would be reduced from \$797 million to \$675 million to reflect an increase in user fee funding of \$122 million. This will result in savings for the American taxpayer.

Closing

Let me restate that we all have a role to play in improving public health. We will continue to hold ourselves and industry to a higher standard. This is not a pain-free process, but there will be tangible, and measurable, benefits for the American people. Our workforce has been reinvigorated by this challenge and we will deliver.

Mr. Chairman, this concludes my prepared statement. Thank you for the opportunity to submit testimony to the Subcommittee on how FSIS is working with Congress and other partners to become a first class public health agency. It is my hope that with Congress' assistance, food safety in the United States will reach unsurpassed heights. I look forward to working with you to ensure that the vision of FSIS as a world-class public health agency is realized.

Biography: Dr. Garry L. McKee



**Food Safety and Inspection Service
United States Department of Agriculture
Washington, D.C. 20250-3700**

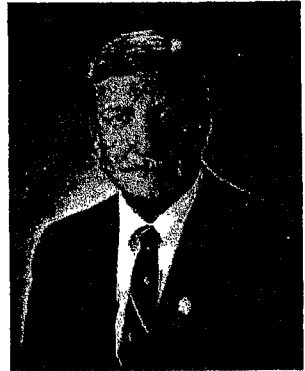
FSIS Organization and Programs

September 2002

Biography: Garry L. McKee, Ph.D., M.P.H.
Administrator
Food Safety and Inspection Service

Dr. Garry L. McKee was named administrator of the Food Safety and Inspection Service (FSIS) on July 23, 2002. As administrator, he is responsible for managing USDA's food safety activities.

Dr. McKee has more than 30 years of experience in the public health field. From 1999 to 2002, he was the Director and Cabinet Secretary of the Wyoming Department of Health. From 1980-98, he was the Chief of the Public Health Laboratory and from 1977-79 Director of Sanitary Bacteriology of the Oklahoma State Department of Health. He has also held many other professional positions.



Additionally, Dr. McKee has been a member of the Board of Scientific Counselors, the National Center for Infectious Diseases, and the Association of State and Territorial Health Officials since 2001. From 1995-98, he was the Chairman of the National Laboratory Training Network for the Association of State and Territorial Public Health Laboratory Directors. Since 1992, he has served as the Lt. Commander in the U.S. Public Health Service Reserve.

Dr. McKee received his Bachelors in biology from Southwestern Oklahoma State University. He earned Masters degrees in public health and environmental science and a Ph.D. in microbiology from the University of Oklahoma.

LISTERIA

Mr. LATHAM. Thank you very much for your statements.

I would like to mention that the camera here today is with Iowa Public Television, which we all love at home. It will be filming for a premier farm show, hosted by Mark Pearson. We are glad to have you with us here today.

We spent a good deal of time discussing food safety at the Secretary's hearing two weeks ago, and I would like to continue that conversation today.

Specifically, I would like to address your agency's effort to combat *Listeria* contamination. As you know, *Listeria* is a particular problem since it can contaminate ready-to-eat products, and can, in some cases, be fatal. I know from our conversations that this is a top priority for you.

You just told us that you are working on the *Listeria* rule, that a risk assessment has just been completed as part of the rule-making process. You issued the *Listeria* directive to field staff this fall, and you are increasing testing for *Listeria*. Can you fill us in on how these efforts are going?

Ms. MURANO. Sure. I would be very happy to do that, Mr. Chairman.

Listeria is an environmental contaminant. And that is how that organism ends up in these ready-to-eat products, basically, at a processing plant. If *Listeria* is in the environment of the plant, it can get onto food contact surfaces, and from there it can contaminate product after the product has been processed with a heat treatment, for example. The key to defeating this pathogen, is to find it where it lurks, the niches it may be harbored in inside the plant environment. Environmental testing is very important to help us find where the organism is, where it might be harbored, and where we can—by eliminating that niche, minimize the risk of contamination of product with this organism.

Two items that you mentioned, the *Listeria* directive and then the *Listeria* rule are what we have been working on. The *Listeria* directive is a directive to our employees. We drafted that directive knowing that when a directive is issued you are basically instructing your inspectors. It is not a rule, and it is not a regulation. It is simply an instruction to our inspectors. We drafted it in such a way that we would strongly motivate industry so that we can achieve a couple of goals.

Number one, that environmental testing would continue by industry, but that we would conduct it as well. And, secondly, because a lot of the industry conducts so many of these environmental tests already, that they would share that data with us.

We strongly believe that in the case of the outbreak of last fall, had we, the agency, known about the results that the plant had been getting over time, it would have been certainly very helpful to us in trying to ascertain a trend and maybe anticipate a potential problem. The directive was designed to do exactly that.

Now, the directive is in place, but we look at it almost as an interim fix, if you will. It certainly has been effective, I can tell you that. A large number of plants that did not share their data with

us before the directive are doing so now. So I see that as certainly a success.

But the real results are going to be realized through the finalizing of a rule that was proposed back in 2001. We needed to conduct a risk assessment that would help us figure out what the management strategies are that one could put into place to significantly reduce the risk of Listeriosis, of Listeria being in and ending up in product. So we are very happy that we have completed that risk assessment.

We had a public meeting where we discussed the risk assessment with interested parties. It is posted on the FSIS web site. In the meantime, we are getting that risk assessment peer reviewed, and we are moving forward as quickly as we can to develop strategies based on that risk assessment to complete the final version of the rule for minimizing risk based on the scientific evidence we were able to gather from that risk assessment.

So, I feel very confident that through these steps we will actually make a difference. We will be able, for the first time in many years, to address the problem of Listeria contamination in these ready-to-eat products.

LISTERIA DIRECTIVE

Mr. LATHAM. From the public health perspective, has your directive been as effective as you had hoped? Or what is your feeling?

Ms. MURANO. Well, there haven't been any outbreaks that we know of. So in that sense we could supposedly claim victory. But to me, the way to look at it is that this directive has succeeded for us because it has helped us obtain data from plants that never shared it with us before, which is great for anticipating trends and potential problems.

So in that sense, it absolutely has been a success. The fact that we have not had any illnesses due to these products so far, certainly one could take credit for that, but I don't take credit very quickly. I would rather continue on this path and make sure that our inspectors are doing their intensified testing program, which is also part of the directive, at those establishments that either don't share data with us or are not doing environmental testing themselves.

Mr. LATHAM. I think there was some concern about the process that was used to develop the directive, and I would like to, ask you if public health was a deciding factor as far as changes that were made in the directive?

Ms. MURANO. Absolutely, Mr. Chairman. A directive is, as I said before, an instruction to our inspectors. So we could issue a directive right now without seeking public input. It is a set of instructions to our inspectors. We don't have to seek public input. But we decided to do so in this case because of the great interest of a lot of our stakeholders on this issue. We certainly were very, very careful to determine what we needed to do in order to make this directive able to accomplish the goals of, again, making sure that environmental testing is taking place and that for those tests that are being done by plants, results are being shared with us as much as possible.

Most of it, frankly, came from my mind, so I can speak personally on this. Certainly, this policy was developed with the great help of all the professional experts that we have in the Office of Policy and Program Development at FSIS. Absolutely, public health is the reason we developed the directive as we did, and is the reason we do everything that we are doing in policymaking. So, I appreciate your question.

Mr. LATHAM. Very good. Thank you.

Ms. Kaptur.

FSIS INSPECTION WORKFORCE

Ms. KAPTUR. Thank you, Mr. Chairman.

Secretary Murano and Dr. McKee, the Congress, over the last several years, has seen fit to increase your budget by \$228 million. Back in 1997, the FSIS received an appropriated folding of \$574 million. And for the fiscal year 2003, we increased your funding over your request to \$759,759,000. The budget request this year is for \$797 million. So that is about a \$228 million increase over the last few years. At the same time, based on information that you have given us, you have actually decreased the number of inspectors from a level in 2001 of 7,645 inspectors to in 2002 a level of 7,560 inspectors, which is a reduction of 85 inspectors. At the same time, the recalls for class one health violations have more than doubled in our country to a level of, in the year 2002, 56 million pounds recalled by the Department of Agriculture. Incidentally, that figure for 2001 is a 29 million-pound increase over the year 2001. And the number of class one health violations has absolutely skyrocketed.

Now, what I don't really understand about this, because lives are at stake, how can we be increasing your budget, how can you be decreasing inspectors, and, therefore, the number of recalls increasing across this country? What are you doing with the money we are giving you?

Ms. MURANO. Thank you for that question, Ms. Kaptur. Let me address a couple of the issues you have raised.

First, regarding the number of inspectors, I will let Dr. McKee elaborate a little bit more on this if he wants to.

We have changed the classification of our inspectors. The numbers that you quote certainly apply to inspectors, but because of the change in inspection system to HACCP that occurred beginning in 1998, we have modernized our inspection force. By that I mean that some inspectors are now consumer safety officers. And these are individuals who are highly trained HACCP experts. And when you add those individuals, there are over 100 of them, you will see that actually, if anything, we have increased the number of inspectors that we have.

These consumer safety officers are really where we want to go with our training. We would like nothing better than to have every one of our inspectors be as well trained as these consumer safety officers. So that when you count these consumer safety officers as inspectors, which they definitely are, we certainly haven't decreased the number of inspectors.

Ms. KAPTUR. And are those individuals in-plant personnel?

Ms. MURANO. They are not assigned to any specific plant, but they absolutely go to plants. And their role is, for example, to conduct audits of HACCP plants. This is extremely important because it allows us to ascertain whether plants' HACCP plans are sound and are actually going to prevent contamination from E. coli O157:H7.

RATE OF RECALLS

To address the second part of your question: Absolutely, the number of recalls has increased. There is no question about that. In fact, if you look at the rate of increase of recalls, it is about 21 to 23 percent over the last few years.

When you consider that the real test of the effectiveness of programs is foodborne illnesses, and the Centers for Disease Control and Prevention has told everyone that the rate of foodborne illness has decreased by about, coincidentally, 23 or 24 percent over the same period of time, you have a dichotomy. You have recalls going up, but you have foodborne illnesses going down. This is a result of better surveillance systems and better testing for these pathogens.

The fact that we are finding these pathogens results in recalls. The vast majority of the recalls that take place have nothing to do with outbreaks, thankfully. That certainly is explained when you see the dichotomy of an increase in recalls while you have a decrease in foodborne illness.

Another explanation for the dichotomy can be the fact that we are seeing plants increase their reporting of contaminated product, when they call us and say we have contaminated product with an adulterant and we are going to do a recall. That has increased about 12 percent. So the increased surveillance and the increased reporting are certainly what have resulted in most of the recalls that we conduct.

Now, are we happy with recalls? As the foodborne illnesses go down we would like to also start seeing a downward trend of those recalls. That will be achieved as we implement programs such as auditing HACCP plans, which will be the preventive measure, as opposed to catching product that is contaminated once it has reached the retail market, which is certainly not where we want to be.

Ms. KAPTUR. Well, I know that the time has expired on this round for me, Doctor. But I would like to ask unanimous consent to place in the record a New York Times article from last December entitled "Plant's Sanitation May Have Link to Deadly Bacteria."

Mr. LATHAM. Without objection.

[The information follows:]

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TAB 04

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December 11, 2002, Wednesday, Late Edition - Final

SECTION: Section A; Page 32; Column 1; National Desk

LENGTH: 1616 words

HEADLINE: Plant's Sanitation May Have Link to Deadly Bacteria

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BODY:

A federal meat inspector said a Pennsylvania poultry plant, one of two operations under investigation as a likely source of a listeria outbreak that has killed eight people since July, had persistent sanitation problems that could have fostered the deadly bacteria.

But the inspector, Vincent Erthal, said inspection officials had failed to crack down on some of the problems in part because of what he and other critics see as confusion and indecision in a new federal system for regulating the nation's food companies.

Mr. Erthal said in interviews that the chief government inspector at the Wampler Foods plant in Franconia, Pa., disagreed about the extent of the dangers and opposed his efforts to force a cleanup in fall 2001, about eight months before the outbreak, which also sickened 54 people in New York, New Jersey, Connecticut, Pennsylvania and five other states.

Mr. Erthal also said that as health authorities issued the first alerts about the outbreak in late August, he and a supervisor recommended that top regional inspection officials consider forcing the Wampler plant to close for repairs. But, he said, little was done until six weeks later.

Several Agriculture Department officials said sanitation problems, including mold and algae on the walls and condensation dripping from ductwork over the processing tables, were chronic enough to justify closing the plant. The department ordered the plant closed temporarily on Oct. 13 after the strain of *Listeria monocytogenes* that caused the deaths was found in the plant's drains. Wampler, a part of Pilgrim's Pride, the nation's second-largest poultry company, also recalled 27 million pounds of meat, one of the largest amounts in American history, and later reopened on Nov. 13.

The Agriculture Department's inspector general and Democrats in Congress are investigating why nothing more was done before listeria was found in the drains.

Executives at Pilgrim's Pride insisted that the plant was safe and that they had fixed any problems quickly.

Government and Wampler officials said none of the meat returned under the recall had tested positive for the same rare strain of listeria that caused the outbreak. They also said there was no proof that anyone had been sickened by Wampler's turkey deli meats and other ready-to-eat products.

FEB. 27. 2003 2:42 PM

The New York Times, December 11, 2002

Identical bacteria have been found in turkey processed by an unrelated company, J. L. Foods Co. Inc., in Camden, N.J., and health officials say it remains unclear how most of the victims became ill.

Still, food-safety experts say Mr. Erthal's complaints raise new questions about the Agriculture Department's inspection and bacteria-testing program, which has come under scrutiny as a result of huge recalls of contaminated beef and poultry at some of the nation's largest processing companies since mid-July.

To safety advocates, government auditors and some meat inspectors, the biggest failures have come in how the department's Food Safety and Inspection Service has implemented changes that grew out of a 1993 outbreak of *E. coli* O157:H7 at the Jack-in-the-Box hamburger chain.

Billed as revolutionary, the new approach was meant to be more scientific than the "poke and sniff" methods that inspectors had used since the turn-of-the-century days of Upton Sinclair's "The Jungle." Because the worst hazards come from microscopic toxins, the idea was to place more responsibility on the companies for proper refrigeration and handling and to require them to create plans to kill any germs.

The program was phased in over several years, and supporters credit it with helping to reduce the frequency of serious food-borne illnesses from *E. coli*, salmonella and *Listeria monocytogenes*, which caused the recent outbreak.

But surveys by the Agriculture Department's inspector general and the General Accounting Office, an investigative arm of Congress, show that many plants have been allowed to get by with inadequate safety plans.

Mr. Erthal, 40, who has been a meat inspector for 18 years, said the new rules have "a lot of gray areas." He said inspectors were still taught to step in quickly at any sign of direct contamination. But when it comes to broader sanitation problems, he and others said, many inspectors are waiting longer to intervene out of a sense that it is now the company's role to deal with those issues unless there are repeated failures.

Rodney Leonard, a former administrator of the inspection service, said the result is "a clear 'don't ask, don't tell' mandate" that is causing inspectors to miss "red flags all over the place."

Representative Henry A. Waxman, Democrat of California and the ranking minority member on the House Committee on Government Reform, said, "I think what we're seeing is a picture of a department that has abdicated its responsibility to protect the public in the area of food safety."

Dr. Elsa Murano, the Agriculture Department's under secretary for food safety, disputed the criticism, saying she expected her inspectors to be as aggressive as ever.

Department officials -- and Wampler executives -- said that if Mr. Erthal, who was the night-shift inspector at Wampler from May 2000 until last September when he received a requested transfer to a daytime assignment at another plant, was so worried about the conditions, he should have taken harsher actions against the plant himself or pushed harder to blow the whistle before the outbreak occurred.

Dr. Murano said the recall at Wampler was a prime motivation for a new

FD-204 (Rev. 7-16-60)

The New York Times, December 11, 2002

listeria testing directive that went into effect on Monday. Under the plan, if companies that make ready-to-eat products like hot dogs and deli meats do not voluntarily provide the government with test results for even the most general, and least harmful, types of listeria in their plants, then the department will expand its own testing.

The agency is also working on a new rule to require companies to test their processing areas for listeria, Dr. Murano said, so "you can find it before it gets into the product."

Felicia Nestor, an official at the Government Accountability Project, an advocacy group that has been helping Mr. Erthal and other whistle-blowers, said, "The regulations focused on direct product contamination, and it's only now that U.S.D.A. is adding a focus on environmental testing, which is an acknowledgment that they have left consumers without adequate protection up till now."

Dr. Murano said that if the agency had known before the outbreak that Wampler's own tests had detected the more general types of listeria in the plant, "we would have acted."

Ron Morris, the senior vice president for turkey operations at Pilgrim's Pride, said the company had shared its listeria testing results, both positive and negative, with the government by placing them in a file drawer with other records available to the inspectors.

But department officials said the inspector in charge, Debra Martin, who declined to comment, has denied knowing anything about the company's test results, and Mr. Erthal said he never saw the logs in the drawer.

Still, Mr. Erthal said that over time company employees told him informally that the tests were finding general types of listeria in the plant. Experts say the most common listeria can be harmless, but their presence can also signal that conditions are ripe for *Listeria monocytogenes*, the deadly type.

Mr. Erthal said that when Ms. Martin walked around with him in his first days at the plant, he pointed to the algae on the walls, flaking paint and condensation on air-conditioning ducts. But, he said, Ms. Martin told him that under the new regulatory system, such hazards were not a high priority unless they threatened to directly contaminate meat.

Then, in the fall of 2001, Mr. Erthal said, Ms. Martin disagreed with his suggestion that the violations warranted broader enforcement action. She told him the plant was making improvements, Mr. Erthal said, and he ultimately backed off.

Mr. Erthal agreed that the plant had made progress, replacing old walls in one area and increasing the use of floor sanitizers. But he also was concerned about how often floor drains got clogged and backed up into puddles in the processing rooms.

Then, on Aug. 28, he said, he went through a number of the deficiency notices with his circuit supervisor, Muhammad A. Choudry. Officials said Mr. Choudry sent an e-mail message to managers in the Philadelphia district office suggesting that the Wampler plant was a good candidate for an enforcement notice, which gives a company three days to create a plan to fix safety problems or face being temporarily shut down.

tB, 25.2003 5:45PM

WJ 3021 P. 2E 4

The New York Times, December 11, 2002

Jan T. Behney, the district manager in Philadelphia, and John Sworen, then the district's top enforcement officer, said that their aides reviewed the material within several working days and agreed that the violations were documented well enough to support a notice.

But Steven Cohen, a spokesman for the inspection service in Washington, said health officials initially focused on a different company's plant as the most likely source of the outbreak, and the district inspection office did not turn its attention to Wampler until Sept. 27.

Mr. Cohen said the department took two samples from the Wampler plant's drains on Oct. 3 or 4 that matched the strain of listeria in the outbreak. He added that 25 of the 57 samples tested positive for other strains of *Listeria monocytogenes*.

Mr. Morris, the Pilgrim's Pride senior vice president, said the company "diligently worked" to fix the problems with mold and condensation over the past year. Mr. Morris said Wampler recently strengthened safety programs.

<http://www.nytimes.com>

GRAPHIC: Photos: Vincent Erthal said he raised questions about sanitation problems at the Wampler Foods plant in Franconia, Pa., months before an outbreak of a deadly bacteria that led to a recall of 27 million pounds of meat. (William Thomas Cain for The New York Times); (Getty Images)

LOAD-DATE: December 11, 2002

Ms. KAPTUR. And in the second round, I will be asking about the *Listeria* outbreak at the Wampler plant in Pennsylvania and the Department's rather hesitant approach to what has now already resulted in the deaths of eight Americans and why the Department was not more aggressive in cleaning up that situation, when in fact one of your own inspectors was aware of what was occurring inside that plant. But we will do that on the second round.

And I thank you, Mr. Chairman.

Mr. LATHAM. Thank you.

The gentlewoman from Missouri.

Ms. EMERSON. Thank you, Mr. Chairman.

HOMELAND SECURITY

Hi, Dr. Murano. How are you, Dr. McKee? Obviously, the mission of the Food Safety Inspection Service was not changed by the events of September 11 and the ongoing crises around the world, but it did expand your scope. And today, biological and chemical threats to our Nation's food supply are a major concern. Can you tell me what steps your department is taking to address these issues?

Ms. MURANO. I would be happy to.

Well, certainly after September 11, and I am sure Secretary Veneman spoke to this issue when she had her hearing here, the Department took specific steps in terms of organizing itself with its own Homeland Security Council to protect agricultural production, as well as food safety. My involvement has been, as makes sense, food safety. And the activities that FSIS has engaged in, in food safety, to prevent and be able to respond very quickly to intentional attacks on the food supply, have been very extensive.

For example, one of the first things that they did at FSIS was to establish an Office of Emergency Preparedness, a Homeland Security Office within FSIS itself. As I alluded to in my testimony, we have conducted what we call vulnerability assessments to see what agents are most likely to be used and what products are most likely to be attacked. And we have also been conducting a threat assessment, to determine the points along the production processing where we are the most vulnerable. These assessments are extremely important.

Secondly, we have been engaging in simulation exercises, not only just internally, but also with the Food and Drug Administration, CDC, and so forth, which have been extremely valuable. Because only when you are in an emergency situation where you have to make a decision, do you really understand the scope of the problem, and also you really find your weaknesses in terms of how quickly you can communicate with other agencies in responding to a threat. These exercises have been extremely useful, and we continue to do them.

Our laboratory capabilities have been enhanced. We are now able to detect certain threat agents that we normally were not looking for, and that is definitely a necessary capability that we have. We participate with FDA on something called eLEXNET, which is a laboratory network. And so if there is a surge of capacity that is needed to detect a certain agent in a certain food, whether it is

meat or poultry, all of us can help each other. So that is extremely important.

We have also used supplemental funding that was supplied back in 2002 to hire 20 import surveillance liaison inspectors. And these are individuals who are located in specific ports of entry, and their expertise is to focus on Homeland Security and to coordinate better with Customs and APHIS. The APHIS surveillance function is now in the Department of Homeland Security.

FSIS has put together a booklet that outlines all of these activities very well. One important activity that we certainly engaged in at FSIS was to develop guidelines for industry. It is very, very important to do that, because that is where a lot of the emphasis needs to be placed in terms of securing the businesses so that unauthorized individuals can't just go in. We have copies of that as well in English and Spanish. So I can certainly provide that to you and any other member of the committee.

SAFETY OF IMPORTED PRODUCTS

Ms. EMERSON. Thank you very much. I would like to see that. I am sure all of our colleagues would as well.

Obviously, we need to scrutinize or better scrutinize the products imported from other countries. Have you all increased efforts to prevent a threat from an imported product?

Ms. MURANO. That is very, very important. And we pride ourselves, frankly, on the fact that our import equivalence system does that, whether it is worrying about intentional or traditional contaminants to the food supply.

As you know, Ms. Emerson, the system is based on three components. One is that we go to the countries that want to export product to the U.S. and we ensure that they have an equivalent inspection system. That is very important, because inspectors are at every meat and poultry processing plant in this country every day that that plant is open. We require that other countries who want to export meat or poultry to us have the same system.

Secondly, we have import facilities, about 145 of them, where we do reinspection of product as it comes into the country.

And the third thing we do is conducting, at least once a year, audits of these countries to make sure that they are still equivalent to our inspection system.

So that in itself has helped us tremendously, because it is the infrastructure that we needed in order to be able to control as best as we can the intentional contamination of foods that come from other countries.

Ms. EMERSON. Well, I would love to ask a follow-up, but I am out of time. So, thank you very much.

Mr. LATHAM. You are correct, you are out of time.

Mr. Boyd.

RELATIONSHIP BETWEEN FOODBORNE ILLNESS, HACCP, AND RECALLS

Mr. BOYD. Mr. Chairman, you are tough.

Thank you, Mr. Chairman, and Dr. Murano and Dr. McKee.

I just want to say I know we hear a lot of discussion about statistics of foodborne illnesses and recalls in HACCP. But I want you to know that this is one member that is very heartened by what

we see, by the facts, by the statistics. I believe that we have the safest food supply in the world, and I believe we are making it even safer. I say that because I have visited many of the processing plants in the district that I represent and seen the detail of how you are implementing this new system, and the statistics bear that out.

My question really goes to this. And I think you spoke to this earlier. But you have got a decline in foodborne illnesses and you have got an increase in recalls. You have got a HACCP system which seems to be working well. Do you think there is a correlation between the decline in foodborne illnesses and HACCP and the aggressive nature of the recalls? I think you addressed this earlier, but I wanted to make sure that we went on the record.

Ms. MURANO. Absolutely, sir. I do. And CDC also does. CDC, in their own report, has said that they attribute the decrease in foodborne illnesses to the implementation of HACCP. So you don't have to take my word for it; you can take their word for it. I think if we weren't doing recalls, one could argue that perhaps we are not doing our job. The fact that we are aggressively pursuing contaminated product I think is certainly evident in these numbers of recalls.

As I said before, however, doing lots of recalls is not our goal. Public health is our goal. And so what I expect will happen is, because of our policies on *E. coli* O157:H7 *Listeria* and *Salmonella*, we will see a decline in the number of recalls to match the decline in the foodborne illnesses.

Mr. BOYD. I think the point that Ms. Kaptur was making and others may make on this committee is that we ought never to be satisfied.

Ms. MURANO. Right.

FOOD SAFETY TECHNOLOGIES

Mr. BOYD. We can always make the system better and the food safer, and my next question really speaks to that. Do you think that your agency can be a catalyst for developing new technology and implementing new technology and working hand in glove with the industry? Does that conflict with your work as a regulator? Would you speak to that briefly?

Ms. MURANO. I sure would. Thank you for that question.

I am a firm believer that new technologies and even traditional technologies that will kill the pathogens is what we need to really work on, because that is what we want to do. Otherwise, we will always have pathogens in raw products. That is just because the micro-organisms are all over nature.

We at FSIS don't want to be a stumbling block to the approval of safe technologies that are going to work in enhancing food safety such as new decontamination rinses, organic acids, whatever the technology might be. Industry and academia end up doing most of the developing of these subtechnologies. We need to be able to fast track, whenever possible, the implementation of these technologies so that we can put them into place and not be waiting years and years to allow industry to use safe technologies that are going to enhance food safety.

Mr. BOYD. So your answer would be that you believe that you can be a catalyst, and you don't think that conflicts with your role as a regulator?

Ms. MURANO. Correct.

Mr. BOYD. Thank you, Mr. Chairman. And I will wait for my next question on the second round.

Mr. LATHAM. Thank you, Mr. Boyd. And I think you set a new record by not going over time. That is very good and I appreciate it.

Mr. Nethercutt.

U.S. FOOD SAFETY

Mr. NETHERCUTT. Thank you, Mr. Chairman.

And I want to welcome the panel and the team behind you, and appreciate your commitment to the agency. And I also agree with Mr. Boyd's comments. I think this all has to be put into perspective, this issue of food safety. And I know we can't ever be satisfied with any deficiencies. But in terms of our record in this country versus the record of other countries around the world, how would you say we rank? And in what—maybe you can try to sort of quantify how you look at our food safety record and our food safety standards and protections relative to other countries around the world.

Ms. MURANO. Surely. It is a difficult question to answer, because when you try to look for the data on the incidence of foodborne illness from other countries, a lot of countries don't do a very good job reporting those at all. There are several countries in Europe that certainly do. When you look at the incidence of, for example, Salmonellosis, or Campylobacteriosis, per 100,000 people, we see that the rates of those illnesses in this country, in the United States of America, are a lot lower than those countries. And certainly, when you consider the developing countries, that is not even a question. We obviously have a much better record of food safety.

You are quite right. That is not something that necessarily we should be able to rest on. We do have the safest food supply in the world. And one might argue maybe there are some countries, Australia, for example, that say well, we have just as good a system as you do, United States. And that is fine. So, at worst, we have as good a system as the best countries, and at best we certainly have the best food supply in the world.

But we are not resting there. There is always room for improvement. And this is our goal, to continually work to implement sound science in order to absolutely do the best that can potentially be done to enhance food safety.

Mr. NETHERCUTT. Well, that is great. And let me ask you this. My sense is we consume in this country probably—is it roughly a billion meals a day? Would that be fair to say?

Ms. MURANO. I think I have heard that, and I believe that is probably pretty close. So when you consider the number of illnesses, certainly it is low considering the number of people and the number of meals that are consumed. But again, to us, we want to have the incidence of foodborne illness as low as it possibly can be. We are not going to relent.

FSIS BUDGET REQUEST

Mr. NETHERCUTT. No, I agree. Now, let me ask you this. With respect to your budget requests and the President's budget, are you satisfied that the budget requests that you are making to the Congress and that you are asking us to support here in the area of food safety and inspection services, are you satisfied that you can maintain or improve, and even improve, the safety record of our food system beyond what we have had in the past? Are you satisfied that it will meet all your needs, that we are not deficient in any respects with respect to the job you have to do and the money you need to do that job?

Ms. MURANO. I believe so, and I will tell you why. As Dr. McKee said in his comments, a lot of the money that we are requesting has to do with training of inspectors. And those are the men and women who are in the front lines who are going to implement and are implementing the policies that we write here in Washington, D.C. So for them to be as effective as possible can only improve food safety.

Secondly, we are requesting money for conducting baseline studies to ascertain the prevalence of various pathogens in the food supply throughout the country and according to seasonal differences and geographic differences and so forth. And that is the foundation for the science of risk assessment, which is what we base our policies on. So we can only get better. Absolutely. I am convinced of that.

U.S. FOOD CONSUMPTION

Mr. NETHERCUTT. Let me finally ask you. What proportion of the foods that are consumed by U.S. citizens are meat and poultry compared to other food products, fruits and vegetables? Have you done any analysis on that? What would you say? Maybe—and I am not trying to pin you down specifically on numbers, because that is hard to quantify, I am sure. But based on percentage, for example, is it two to one? Is it less than that in terms of meat and poultry versus fruit and vegetables or prepared foods?

Ms. MURANO. I don't think I can answer that question now, but I can certainly find that out for you. But I will tell you that consumption of meat and poultry products is very high, and that is why we have to do the best job that we possibly can. And knowing there are other products out there that are not meat or poultry that also cause foodborne illness is certainly a cause for concern of mine, even though I can't really do anything about it because they are not under my jurisdiction. But I certainly urge everyone to realize that, when you talk food safety, it is everything, it is fruits and vegetables, it is seafood, it is eggs, it is meat, and it is poultry. And a lot of the safe food handling practices that we must follow apply to a lot of those foods as well.

[The information follows:]

U.S. MEAT AND POULTRY CONSUMPTION

According to USDA's Economic Research Service, meat and poultry comprise 13.2 percent of total calories consumed in the U.S. Nine percent of this total is attributable to red meat consumption, while 4.2 percent comes from poultry consumption.

Mr. NETHERCUTT. Thank you very much for your testimony.

Thank you, Mr. Chairman.

Mr. BONILLA [presiding]. Thank you, Mr. Nethercutt.

I would like to take a moment to thank Mr. Latham for filling in for me at the last moment. We had to make a change due to an event I had to attend this morning at the request of Chairman Young.

And I also would like to compliment the good work that you have done, Dr. Murano, along with your great team Dr. McKee, thank you for being here, and Steve. With the knowledge and expertise that you bring to the table every day at your job, we are very grateful for what you do.

I know Mr. Latham also addressed the question on Listeria and how that is progressing and how the directive is progressing, that you answered the question very thoroughly and we appreciate that as well.

So, without further adieu, I will now yield to Mr. Farr.

MOBILE SLAUGHTER UNITS

Mr. FARR. Thank you, Mr. Chairman. I just have one question because I have got another appropriations meeting I have got to be in. It really goes to Dr. McKee.

I know my staff chatted with you yesterday regarding an existing inspection policy for cattle slaughter, for meat slaughter, essentially the existing policy prohibits the ranch-based mobile slaughter units, units that the Department of Health developed on I know Lopez Island in Washington, Mr. Nethercutt's State, and in the south county of Monterey, which I represent. And I just want to know that you can get back to us on how the Department can make these operations cost effective. I mean, what can be done to make them work?

As you know, ranchers can slaughter their own cattle for their own consumption. But what is happening to a lot of ranchers in America is they are beginning to be part of the eco-turf, farm-agro-tourism, having people come and stay there and work. Then that food can't be sold to them when they leave as they could if they harvested vegetables or produced wine or things like that. And the effort was to try to make this kind of small business friendly. And I would hope that you could look into those policies and see how that might turn out and let us know as soon as possible so that these operations can be cost effective.

Mr. MCKEE. Mr. Chairman, Mr. Farr, we will look into that. I talked with your staff as you mentioned, yesterday. We will follow up on that. The main focus will be to make sure that we can protect the public health regardless of the numbers. And we certainly want to accommodate operations as best we can, and we will certainly get back to you with an answer on that.

[The information follows:]

MOBILE SLAUGHTER UNITS

FSIS does not have any regulatory or statutory prohibition on mobile cattle slaughter facilities. The owners would need to apply for a grant of inspection through the District Office. The facility would be required to meet the same regulatory requirements as any other cattle slaughter and processing facility. Examples of these requirements are HACCP plans, SSOP plans, sanitation performance stand-

ards, potable water, and local waste discharge. USDA staffing of such a mobile facility is often difficult logistically when there is a shifting location in remote areas, for example, where the mobile slaughter unit moves over a 150-200 mile radius. If the mobile slaughter unit is used intermittently, that would entail shifting resources from other food safety responsibilities. In other words, it can be problematic to provide inspectors to these remote locations unless there is an established operational schedule. Public health is FSIS' number one priority, and thus we must utilize our employee resources in a way to best achieve this goal.

Mr. FARR. Thank you very much.

Mr. BONILLA. Thank you, Mr. Farr.

Mr. Goode.

FOREIGN AUDITS

Mr. GOODE. Thank you, Mr. Chairman. I, too, want to echo what several others had, and say to Dr. Murano and Dr. McKee and those at FSIS, I think you do a good job. I feel very safe eating U.S. food.

In your testimony, you mentioned that you do random inspections. Even though—that is on things that come into this country. And you have also checked out what other countries do before their food gets here. And you base that on compliance history. Is it the history from the random inspections, is it the history in the country from which the food comes, or is it a combination?

Ms. MURANO. It really is a combination. Because when we first go to a country that wants to export meat or poultry to the U.S., we do a thorough inspection of plants and laboratory capabilities, because they have to do the same things that we do. They have to basically mimic what we do here. And so the history of those audits absolutely comes into play, because we have what we call "delisted plants" based on when we go back and do an audit and find that things have kind of fallen by the wayside. Absolutely, we delist them, which means we take them off the list of approved plants and they have to start all over again to convince us that they have improved their inspection system.

When product comes here and we inspect the shipments, if we find problems with those shipments, that absolutely turns on a red light. And even if a country, for example, may not be on the schedule to be audited at that time, those kinds of situations prompt an audit. It is all of the above, to be honest.

Mr. GOODE. Let me ask you somewhat of a follow-up. Could you just say over the last 3 years, to the best of your knowledge, which would be said the top three countries that haven't had any problems?

Ms. MURANO. Well, I would say Canada, New Zealand, and Australia.

Mr. GOODE. Okay.

Ms. MURANO. And we are travelling to New Zealand actually this Friday to attend a meeting with these countries. They do have systems as good as ours.

Mr. GOODE. Can you tell us who is in delist status, or would you rather not?

Ms. MURANO. Well, I would rather not. But I can tell you that there have been countries in the past that have been on the brink and they have gotten their act together. And that is certainly very reassuring to us. Because the kiss of death is to be delisted by the

United States. We represent the gold standard to other countries. If a plant gets delisted by us, obviously, they can't sell to us anymore, but they are going to have a tough time selling to anybody else.

Mr. GOODE. All right. Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, Mr. Goode.

Ms. DeLauro.

SINGLE FOOD SAFETY AGENCY

Ms. DELAURO. Thank you very much, Mr. Chairman, and welcome, Dr. Murano, it is good to see you again.

Let me make a very quick comment on the single food agency and then put those questions in the record so I have time to move to some other areas. You know what my view is about it, creating a single consolidated food safety administration and Congressman Latham also shares that view. I think something that you said before is critically important; that what you view as the mandate is that whether it is meat, poultry, fruits, vegetables, that all of it has to be considered.

There are lots of different pieces here. We need to consider having it in one place so that, in fact, we can have a more effective way of ensuring a safe food supply.

RECALL DISTRIBUTION LISTS

Let me move to two other areas. One is recall distribution lists. Last July USDA implemented a rule ostensibly to allow State health departments to learn where recalled contaminated meat is being sold. During last year's recall of *E. coli*: O157:H7; tainted ground beef from a Colorado plant, the State public health officials that wanted to inform their citizens where the contaminated product was sold were not able to get product distribution information from the USDA. A Denver Post article noted, "USDA," and I quote, "will give lists of the companies that purchased and distributed the meat only to States that promised not to share it with anyone, not even consumers." This seems, in my view, counterintuitive as consumers may urgently need to know if that meat in their refrigerator or freezer came from an implicated product.

Is there any barrier, legal or otherwise, to the Department's release of their information to any State public health official that is responding to a recall, and if so, would you support legislation to allow USDA to tell States where tainted product has been distributed so that they can inform their consumers where the recalled product was sold?

Ms. MURANO. Thank you, Ms. DeLauro, for that question. This is such an important issue. I have certainly done a lot of homework on this. I am not a lawyer, I will tell you right now. I am a microbiologist, so I have relied on our legal team to let me know what is and what is not possible.

As they tell me, there is no legal impediment for us to share that information, the distribution list. The issue is that we, as a public health agency, want recalls to take place as fast as possible, and if we need that information, and a plant refuses to give it, there is no legal impediment. We seek a subpoena, and we get that information, but then that takes several days to accomplish.

Plants will readily give us that information if we don't share it, and they will give it to us in minutes, so it really is an issue of how quickly do we need that information so that we can monitor the implementation of our recall, which is our role, and for State departments of health to do the same. If we obtain that information from these plants and we give out that information, which to them is of commercial value, that sharing is not going to take place anymore, and we are going to have to go after that information through subpoenas, which again is going to delay a recall, and when it is people sick and perhaps in even worse situations than just ill, that information is critical to be available very, very quickly.

I have thought about this a lot. If consumers had the names of retailers and so forth, certainly in some instances that is something that would be beneficial. But I did learn from the ConAgra recall that happened last year that a lot of the entities in their distribution lists were not supermarkets, but were distribution centers and so forth, and that information would not be helpful to a consumer because they don't buy at those places.

We have always told people whenever there is a recall, and it is in every one of our recall release sheets, that they need to take their product to their point of purchase. They don't need to be worried about whether it was from the place they bought it or if it wasn't from the place they bought it.

Ms. DELAURO. Let me ask you, Dr. Murano, because my time is going to run out very soon. Would you support legislation that would allow USDA to tell States if a tainted product has been distributed so that we can inform consumers and make consumers a part of this process? The distributor knows it, the U.S. Government knows. The only folks that are in the dark are the consumers. Yes or no, would you support the legislation, so I can move on to another question?

Ms. MURANO. I wouldn't, because right now we have that legal authority. We just don't utilize it because it takes days for us to obtain a subpoena that is going to allow us to get that information, and I don't know any legislation that would prevent a company from taking whatever steps they need and then having us have to get a subpoena anyway.

Ms. DELAURO. Maybe what we can do is as a law-making body is to try to figure a way in which we can provide you with some legal authority that would lessen the amount of time involved. This is not about a company's bottom line. This is essentially about the safety of the people in this Nation, and clearly the folks in Colorado are very, very concerned about the inability to get ahold of that data authorized to be able to inform their citizens to allow their public health officials to do the job that, in fact, they were instructed to do on behalf of their constituents.

I will put a question in the record about the Nebraska beef issue. Thank you.

[The information follows:]

FISCAL YEAR 2004 BUDGET

NEBRASKA BEEF

Ms. DeLauro: We have exchanged letters on this subject, but I'd like to ask some further questions. In Supreme Beef, USDA lost its ability to shut down a plant for violating *Salmonella* standards. In Nebraska Beef, the company challenged your Agency's authority to withhold inspection even when you found it to be filthy. In my view, FSIS' authority to protect the public health is in a legal cloud. You don't have the authority to mandate pathogen testing, and the *Nebraska Beef* settlement essentially sends a signal to other firms that it can also challenge the Department's authority and take USDA to court. Do you think it's time to step back and look at USDA's ability to effectively enforce a strong food safety system?

Response: When plants do not comply with FSIS food safety standards, we do suspend inspection or withdraw the grant of inspection. We will continue to use those authorities to ensure the safety of meat and poultry products.

Ms. DeLauro: What exactly is the Secretary examining?

Response: During her speech at the Food Safety Summit and Expo, the Secretary stated that, in an effort to modernize food safety authorities, we want to work with Congress and our partners to consider ideas to enhance our food safety systems and provide incentives for compliance. Specifically, the Secretary mentioned consideration of mandatory notification to USDA when a federally-inspected establishment has reason to believe that meat or poultry has been adulterated or misbranded, authority to impose civil penalties after continued non-compliance but with due process requirements, and cease and desist orders leading to suspensions for HACCP violations more quickly.

Ms. DeLauro: What is the process for evaluating your authorities?:

Response: We have consulted with USDA's Office of the General Counsel about our existing authorities. We continue to consult with and take under consideration the views of all stakeholders with an interest in public health and food safety.

Ms. DeLauro: Will you be involved?

Response: As Under Secretary for Food Safety, I will be involved in any consideration of changes to further strengthen our food safety system to improve public health.

Ms. DeLauro: Will you work with the Congress on this process?

Response: We will work with members of Congress and all interested parties.

Ms. DeLauro: Would you present us with legislative proposals to improve our food safety system?

Response: At this time, we are not going to present legislative proposals to improve our food safety system. However, as Secretary Veneman has stated, we want to work with Congress and our partners to consider ways to improve our food safety system and strengthen compliance.

Ms. DeLauro: I understand that you still use the *Salmonella* standard to assess the safety of a plant, but you cannot shut down a plant based on a violation of this standard. Shouldn't the violation of a pathogen standard be enough?

Response: While the court ruling prohibited FSIS from suspending inspection based solely upon failure of the *Salmonella* performance standard, the court's ruling did not impact the ability of FSIS to use the *Salmonella* testing results to trigger an immediate review of an establishment's entire food safety system and take action based on these findings. We will not hesitate to use our authority to shut down plants. FSIS will continue to take action against establishments that do not meet HACCP and Sanitation Standard Operating Procedures (SSOP) regulatory standards.

Ms. DeLauro: In your testimony, you say that you have "observed the need for a proactive approach, one that does not simply react to food safety crises, but rather anticipates risk and prepares to mitigate their potential harm." Is it time for you to have a clear mandate and authority to protect the public health, including pathogen standards and a strong food safety system?

Response: FSIS' inspectors, Veterinary Medical Officers, Consumer Safety Officers, and scientists have a clear mandate and we work everyday to execute that mandate to protect public health. FSIS is committed to protecting the public health and using its authority to ensure that establishments are adhering to FSIS regulations.

Mr. BONILLA. Thank you, Ms. DeLauro.

Mr. Kingston is also submitting questions for the record. He had to attend another hearing as well.

Mr. BONILLA. Mr. Latham, I appreciate your asking my question earlier on Listeria, and I yield to you for your series of questions.

Mr. LATHAM. Thank you very much, Mr. Chairman.

I just want to personally thank you for the great job that you do. With your background at Iowa State, I would expect that to be the case.

Ms. MURANO. Yes, sir.

SINGLE FOOD SAFETY AGENCY

Mr. LATHAM. Ms. DeLauro brought up an interesting proposal that we have talked about for several years, and that is the consolidation of food inspection activity into one agency to ensure the safety of our food for consumers. I would really like to get your opinion for the record as to what you think maybe would be the pluses and minuses to that type of an entity? Apparently I think last year there was some testimony about concerns with cooperation and communication between APHIS and FSIS. I would really like to hear your opinion on the single agency.

Ms. MURANO. Sure. I will try to be concise. To me if I learn nothing else after coming to Washington and being here about a year and a half, I have realized that this place runs based on relationships and to me, whether we are in one agency or many agencies, it is the relationships of the people that have to work together to get something done. I know of agencies that are within the same department that don't see eye to eye, don't talk to each other. We have better relationships with some of those agencies than they do with other agencies within their same department.

So my view is that it is relationships that work, and that is why I am very glad to say that I have worked very, very hard, and Commissioner McClellan certainly has worked very, very hard, to establish a good relationship. We have done the same to establish a relationship with CDC. We have a liaison person that is housed at CDC all the time, but who's an FSIS employee, for example.

So to me it is a question of relationships, and rearranging the offices and so forth is not necessary to accomplish that if you do have good relationships with these agencies.

Mr. LATHAM. Do you see any problems with APHIS moving to Homeland Security—problems associated with communications between APHIS and FSIS? Are you communicating well with APHIS?

Ms. MURANO. We are, and I will tell you I want to thank the committee, because the appropriation we received for 2003 funded a computer system that is designed to make it very seamless between ourselves, APHIS, the quarantine people who have moved to Homeland Security and Customs. So if anything, because of that software, we are going to be able to communicate better than ever. It doesn't really matter to us where they are. If anything, now it is going to be better than it has been because we are eliminating that technological barrier where we hadn't been communicating as well as we should have on what foods were coming into this country that Customs or APHIS would be looking at. There were a few

potential gaps, and we have been able to, through this new technology, fill those gaps and be able to be very seamless with them.

Mr. LATHAM. You don't see any problem with—

Ms. MURANO. I don't.

Mr. BONILLA. Thank you, Mr. Latham.

Mr. HINCHEY.

Mr. HINCHEY. Thank you, Mr. Chairman.

FUNDING FOR ADDITIONAL SCIENTISTS

Dr. Murano, it is nice to see you, and I, too, want to thank you for the job that you do and for the sincere commitment that you bring to your responsibilities and the way you carry them out.

You are requesting some additional money for the Food Safety and Inspection Program. I think it is about \$42 million. About half of that is going to go to required increases in salaries and things of that nature, but you are asking for, among other things, \$4½ million for some additional microbiologists, chemists, laboratory technicians and others. I am wondering if you can tell us how many of those additional scientists you will be able to hire, and what kind of work that they will be doing, and where they will be doing it.

Ms. MURANO. We are requesting 26 staff years with that money. And the reason we need these folks is that obviously, for example, with our added responsibilities to implement the Listeria directive, for example, our folks are going to be doing and are already doing more testing than they were doing before. We are doing environmental testing of plants for Listeria that we weren't doing before. Also, Homeland Security is another issue because we need to be able to test for certain agents that we never had to worry about before.

Mr. HINCHEY. How soon would you be able to have them on line? Could you tell us?

Ms. MURANO. Well, I don't think I can answer that question. I don't know if Dr. McKee wants to address that, but we can certainly get that information to you. Our Office of Management is in charge of human resources and certainly we impress upon them always how quickly we need to fill positions, whether it is these or others, and it is because of homeland security, to be honest.

[The information follows:]

FSIS STAFFING

Once the fiscal year 2004 appropriations for FSIS is signed into law, the Agency will advertise these 26 positions and begin interviewing qualified applicants. The Agency expects that it will take three to six months to fill these positions with qualified individuals.

FOREIGN PROGRAM AUDITORS

Mr. HINCHEY. You have also asked for \$1.8 million for foreign program auditors. I wonder if you can give us some more detailed information about that. Where will they be, and in what countries are they going to be located?

Ms. MURANO. These will be seven staff years.

Mr. HINCHEY. Seven staff years?

Ms. MURANO. Seven. Yes, sir. It is not necessarily that they are going to be housed in other countries. They may or may not be, depending on what needs we ascertain, but this is so that we can enhance these audits that I was talking about earlier because we need to do these on as regular a basis as possible to make sure that when we say a country has the equivalent system as ours, we say that with certainty because we have been there as often as possible.

Right now we do those audits about once a year, and with some of these countries we need to do it more often than that.

Mr. HINCHEY. So these people will be flexible; they will just go where you think the need is at any given moment?

Ms. MURANO. Absolutely. Yes, sir.

FOOD SAFETY EDUCATION

Mr. HINCHEY. You are also asking for an increase of \$1-½ million for food safety education. Can you tell us what kind of new public education efforts will be undertaken with that funding?

Ms. MURANO. Sure. We need to make sure that we address what we call underserved groups with messages of food safety. We have done a lot of work with pregnant women and Listeriosis, which we are very proud of, but there is a lot more to do. There is a great need to address food safety education among minority groups, for example, Spanish-speaking groups. We need to publish a lot of our materials in Spanish and in a variety of languages. The elderly certainly is a population that is increasing in the United States, and we need to be able to serve them as well with safe food handling messages.

Mr. HINCHEY. So will you use public media to reach out to these people?

Ms. MURANO. We intend to use public media. We intend to go through the country for different events, for example, the Macy's Thanksgiving Day parade, and whatever we can do to promote the message of food safety. I have personally done several food safety events in the country, and I am finding that what attracts the attention of the people and the media is when you have a celebrity with you. It is not just good enough for me to show up, apparently.

Mr. HINCHEY. I can't imagine why.

Ms. MURANO. I can't either. We did an event with Miss America. We are getting ready to do another event with some country music artists. So that is part of the strategy to get that message out.

USER FEE PROPOSAL

Mr. HINCHEY. Let me just ask you about the budget. You have a proposal to collect \$122 million in user fees from slaughterhouses, processing plants and other facilities, but that amount comes from programs that are not authorized. The Agriculture Committee has refused to authorize the collection of those user fees, and the full Appropriations Committee has never allowed the collection of fees without an authorization from the authorizing committee. So I am wondering how big a problem that is going to cause for you. You have written \$122 million in your budget, but it is not going to materialize.

Ms. MURANO. Legislation would need to be enacted to collect those \$122 million in user fees. Authorizers need to do that. We appeal certainly to this subcommittee that if user fees are not authorized, that you will make sure that we get that money one way or another. We count on you for that.

Mr. HINCHEY. Thank you, Doctor.

Mr. BONILLA. Thank you, Mr. Hinchey. If you ever do an event with Sarah Michelle Gellar, let me know. My teen-age son would love to meet her.

Just to advise Members, we probably will have a series of votes at about 5 after 11:00. I don't believe we have any questions remaining on our side of the aisle, so if we can conclude by then, and if not, we will consider coming back after the votes if there are more questions.

Ms. Kaptur.

LISTERIA RECALL

Ms. KAPTUR. Thank you, Mr. Chairman. These are extraordinarily important witnesses to us, and I wanted to focus in on the subject I brought up on the first round, and particularly the Wampler plant in Pennsylvania. And we could take other plants, but in view of the time, I have to select one example here. What troubles me, Dr. Murano, is from what I have read—and I ask that this New York Times article be placed in the record.

[The information follows:]

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The New York Times

December 11, 2002, Wednesday, Late Edition - Final

SECTION: Section A; Page 32; Column 1; National Desk

LENGTH: 1616 words

HEADLINE: Plant's Sanitation May Have Link to Deadly Bacteria

BYLINE: By CHRISTOPHER DREW and ELIZABETH BECKER

BODY:

A federal meat inspector said a Pennsylvania poultry plant, one of two operations under investigation as a likely source of a listeria outbreak that has killed eight people since July, had persistent sanitation problems that could have fostered the deadly bacteria.

But the inspector, Vincent Erthal, said inspection officials had failed to crack down on some of the problems in part because of what he and other critics see as confusion and indecision in a new federal system for regulating the nation's food companies.

Mr. Erthal said in interviews that the chief government inspector at the Wampler Foods plant in Franconia, Pa., disagreed about the extent of the dangers and opposed his efforts to force a cleanup in fall 2001, about eight months before the outbreak, which also sickened 54 people in New York, New Jersey, Connecticut, Pennsylvania and five other states.

Mr. Erthal also said that as health authorities issued the first alerts about the outbreak in late August, he and a supervisor recommended that top regional inspection officials consider forcing the Wampler plant to close for repairs. But, he said, little was done until six weeks later.

Several Agriculture Department officials said sanitation problems, including mold and algae on the walls and condensation dripping from ductwork over the processing tables, were chronic enough to justify closing the plant. The department ordered the plant closed temporarily on Oct. 13 after the strain of *Listeria monocytogenes* that caused the deaths was found in the plant's drains. Wampler, a part of Pilgrim's Pride, the nation's second-largest poultry company, also recalled 27 million pounds of meat, one of the largest amounts in American history, and later reopened on Nov. 13.

The Agriculture Department's inspector general and Democrats in Congress are investigating why nothing more was done before listeria was found in the drains.

Executives at Pilgrim's Pride insisted that the plant was safe and that they had fixed any problems quickly.

Government and Wampler officials said none of the meat returned under the recall had tested positive for the same rare strain of listeria that caused the outbreak. They also said there was no proof that anyone had been sickened by Wampler's turkey deli meats and other ready-to-eat products.

The New York Times, December 11, 2002

Identical bacteria have been found in turkey processed by an unrelated company, J. L. Foods Co. Inc., in Camden, N.J., and health officials say it remains unclear how most of the victims became ill.

Still, food-safety experts say Mr. Erthal's complaints raise new questions about the Agriculture Department's inspection and bacteria-testing program, which has come under scrutiny as a result of huge recalls of contaminated beef and poultry at some of the nation's largest processing companies since mid-July.

To safety advocates, government auditors and some meat inspectors, the biggest failures have come in how the department's Food Safety and Inspection Service has implemented changes that grew out of a 1993 outbreak of *E. coli* O157:H7 at the Jack-in-the-Box hamburger chain.

Billed as revolutionary, the new approach was meant to be more scientific than the "poke and sniff" methods that inspectors had used since the turn-of-the-century days of Upton Sinclair's "The Jungle." Because the worst hazards come from microscopic toxins, the idea was to place more responsibility on the companies for proper refrigeration and handling and to require them to create plans to kill any germs.

The program was phased in over several years, and supporters credit it with helping to reduce the frequency of serious food-borne illnesses from *E. coli*, salmonella and *Listeria monocytogenes*, which caused the recent outbreak.

But surveys by the Agriculture Department's inspector general and the General Accounting Office, an investigative arm of Congress, show that many plants have been allowed to get by with inadequate safety plans.

Mr. Erthal, 40, who has been a meat inspector for 18 years, said the new rules have "a lot of gray areas." He said inspectors were still taught to step in quickly at any sign of direct contamination. But when it comes to broader sanitation problems, he and others said, many inspectors are waiting longer to intervene out of a sense that it is now the company's role to deal with those issues unless there are repeated failures.

Rodney Leonard, a former administrator of the inspection service, said the result is "a clear 'don't ask, don't tell' mandate" that is causing inspectors to miss "red flags all over the place."

Representative Henry A. Waxman, Democrat of California and the ranking minority member on the House Committee on Government Reform, said, "I think what we're seeing is a picture of a department that has abdicated its responsibility to protect the public in the area of food safety."

Dr. Elsa Murano, the Agriculture Department's under secretary for food safety, disputed the criticism, saying she expected her inspectors to be as aggressive as ever.

Department officials -- and Wampler executives -- said that if Mr. Erthal, who was the night-shift inspector at Wampler from May 2000 until last September when he received a requested transfer to a daytime assignment at another plant, was so worried about the conditions, he should have taken harsher actions against the plant himself or pushed harder to blow the whistle before the outbreak occurred.

Dr. Murano said the recall at Wampler was a prime motivation for a new

The New York Times, December 11, 2002

listeria testing directive that went into effect on Monday. Under the plan, if companies that make ready-to-eat products like hot dogs and deli meats do not voluntarily provide the government with test results for even the most general, and least harmful, types of listeria in their plants, then the department will expend its own testing.

The agency is also working on a new rule to require companies to test their processing areas for listeria, Dr. Murano said, so "you can find it before it gets into the product."

Felicia Nestor, an official at the Government Accountability Project, an advocacy group that has been helping Mr. Erthal and other whistle-blowers, said, "The regulations focused on direct product contamination, and it's only now that U.S.D.A. is adding a focus on environmental testing, which is an acknowledgment that they have left consumers without adequate protection up till now."

Dr. Murano said that if the agency had known before the outbreak that Wampler's own tests had detected the more general types of listeria in the plant, "we would have acted."

Ron Morris, the senior vice president for turkey operations at Pilgrim's Pride, said the company had shared its listeria testing results, both positive and negative, with the government by placing them in a file drawer with other records available to the inspectors.

But department officials said the inspector in charge, Debra Martin, who declined to comment, has denied knowing anything about the company's test results, and Mr. Erthal said he never saw the logs in the drawer.

Still, Mr. Erthal said that over time company employees told him informally that the tests were finding general types of listeria in the plant. Experts say the most common listeria can be harmless, but their presence can also signal that conditions are ripe for *Listeria monocytogenes*, the deadly type.

Mr. Erthal said that when Ms. Martin walked around with him in his first days at the plant, he pointed to the algae on the walls, flaking paint and condensation on air-conditioning ducts. But, he said, Ms. Martin told him that under the new regulatory system, such hazards were not a high priority unless they threatened to directly contaminate meat.

Then, in the fall of 2001, Mr. Erthal said, Ms. Martin disagreed with his suggestion that the violations warranted broader enforcement action. She told him the plant was making improvements, Mr. Erthal said, and he ultimately backed off.

Mr. Erthal agreed that the plant had made progress, replacing old walls in one area and increasing the use of floor sanitizers. But he also was concerned about how often floor drains got clogged and backed up into puddles in the processing rooms.

Then, on Aug. 28, he said, he went through a number of the deficiency notices with his circuit supervisor, Muhammad A. Choudry. Officials said Mr. Choudry sent an e-mail message to managers in the Philadelphia district office suggesting that the Wampler plant was a good candidate for an enforcement notice, which gives a company three days to create a plan to fix safety problems or face being temporarily shut down.

18.25.2003 5:45PM

The New York Times, December 11, 2002

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Jan T. Behney, the district manager in Philadelphia, and John Sworen, then the district's top enforcement officer, said that their aides reviewed the material within several working days and agreed that the violations were documented well enough to support a notice.

But Steven Cohen, a spokesman for the inspection service in Washington, said health officials initially focused on a different company's plant as the most likely source of the outbreak, and the district inspection office did not turn its attention to Wampler until Sept. 27.

Mr. Cohen said the department took two samples from the Wampler plant's drains on Oct. 3 or 4 that matched the strain of listeria in the outbreak. He added that 25 of the 57 samples tested positive for other strains of *Listeria monocytogenes*.

Mr. Morris, the Pilgrim's Pride senior vice president, said the company "diligently worked" to fix the problems with mold and condensation over the past year. Mr. Morris said Wampler recently strengthened safety programs.

<http://www.nytimes.com>

GRAPHIC: Photos: Vincent Erthal said he raised questions about sanitation problems at the Wampler Foods plant in Franconia, Pa., months before an outbreak of a deadly bacteria that led to a recall of 27 million pounds of meat. (William Thomas Cain for The New York Times); (Getty Images)

LOAD-DATE: December 11, 2002

Ms. KAPTUR. There appears to be very judicious work being done by at least one inspector at the Wampler plant, who then became engaged in bureaucratic wrangling with another inspector at the plant, and even though the first inspector issued alerts about the plant in August, the Department took no action until October 13.

Several weeks ensued, and the sanitation problems that he found included mold and algae on the walls, condensation dripping from the duct work over the processing tables, which were enough to justify the closing of the plant. And this particular company is the Nation's second largest poultry company. In addition, it appears that the *Listeria* that caused the deaths was found in the drains.

And my question really is here you have got somebody out there. It takes a lot of guts. People get intimidated very easily, don't they, and particularly people who don't have the top job. Here you have got somebody. I come from a family where our relatives worked in slaughterhouses. I know what that work is like. It takes guts for somebody on the line who is an inspector or a worker to speak up.

So here is somebody who is saying, something is wrong in this stinking plant, and it went on for weeks and weeks and weeks, and I don't know which Americans have lost their lives. I know there have been eight already, and there have been at least 54 illnesses, but the fact that your testimony doesn't even mention these, whether it was the Wampler plant or the ConAgra plant, even to reference them, is shocking for me this morning.

Twenty-seven million pounds recalled. The inspector general is now looking into this. We have all these regulations. How is it possible that USDA didn't listen to one of its own inspectors? What the newspaper article says is—well, there were some records that the company had, but they were put in a drawer. The inspector says, we are not allowed to take records out of a company and Xerox them or analyze them. Please, what happened within the USDA that allowed lax enforcement, that has now killed Americans and injured dozens and dozens of people in this country? What went wrong?

Ms. MURANO. Ms. Kaptur, this is a matter that is extremely serious and very important to me. The reason OIG is investigating this is at our request. I requested OIG to investigate this as soon as I found out there was an inspector who was claiming he had not been listened to. I talked to the district manager of that district, who has attested to the fact that he said to the inspector, do what you need to do, shut down the plant, do whatever you need to do, you have the authority. That inspector certainly also could have reported this to OIG.

So OIG is going to get to the bottom of it, and it is so serious to me that if OIG finds that inspector was prohibited from doing his job in any way, we are going to deal with that. I will assure you of that. So we requested OIG to do this investigation.

I do want to tell you that the question of the records is why we put in place the *Listeria* directive, because it is so important for us to see the testing records of those plants. Since we don't have a rule in place yet, we designed that directive so these plants will share that information with us. I am happy to tell you that a couple of hundred plants that never shared that data with us are now sharing because of the directive.

I share in your concern over people who are ill. This is what drives us. I have pictures of some of these families' members in my office, and I don't want to tell you that in some self-serving way. I just want to tell you how much this personally means to me and assure you that OIG will get to the bottom of it, and we will take action, whatever is necessary.

Ms. KAPTUR. Are the two inspectors in question still in the employ of the Department of Agriculture?

Ms. MURANO. As far as I understand, they are.

Ms. KAPTUR. All right. In the end I don't think that inspectors should be the ones who hold the majority of responsibility here. The company is the entity in this equation that didn't do its job; and according to the data we have, that the two districts with the highest percentage of no documented HACCP violations included the Philadelphia office, where 64 of the plants were listed as having no violations, that is the Wampler's district, and the Boulder, Colorado, office where the ConAgra plant is located that had 59 percent of the plants having no listed violations.

I think that the Department of Agriculture ought to start doing its job. There has been a lot of compliments for lives that have been saved and for a food safety system that works better than most in the world, but the fact is we have the highest number of recalls that we have ever had in Class I violations in this country, nearly 100 now, 98, and we have had the largest amount of recalled meat product in the history of this Nation.

Somebody isn't doing their job, and we have provided the money for inspectors. We respect the inspectors that are trying to do their jobs out there, but somebody is impeding the process, and these companies had better not be left off the hook. I don't get a dime from them in my campaign fund. So my heart is with the families and with those inspectors that are trying to do their job, Madam Under Secretary, and I would hope you would support those inspectors that are trying to do their job.

Ms. MURANO. I absolutely do, and I will tell you part of our reorganization in FSIS is to establish a program evaluation review function. It is a quality control office that never existed before. So that is how strongly I feel about us being able to make sure that if there are problems in districts, that we find out those problems and fix them.

Mr. BONILLA. Thank you, Ms. Kaptur. And just for the record, so there is no question, we have the safest food supply in the world, not just compared to most of the world.

Mr. Boyd.

EFFECT OF BUDGET REDUCTIONS

Mr. BOYD. Thank you, Mr. Chairman.

Mr. Chairman, I knew this lovefest we were having was too good to be true. But you know, Mr. Chairman, ever since I have been on the committee, I have seen Mr. Dewhurst sit there. He has probably served in his position longer than the other folks, and I don't think I have ever seen him asked a question. So I want to ask him a question, and it is a very serious question: Mr. Dewhurst, I was reading Congress Daily this morning, and I noticed that Chairman Jim Nussle has said that he is considering a

1 percent reduction in both discretionary and mandatory programs below the enacted fiscal year 2003 levels; certain programs may be off limits, namely Social Security, unemployment benefits, defense and homeland security but USDA will probably not be protected. I assume that if you take those off limits, that would increase the percentage significantly on the ones that were on limits. Those programs in the Ag bill would include such mandatory programs as WIC, food stamps, farm programs, in addition to all the discretionary work that we are talking about.

My question to you simply, sir, is what kind of chaos would this create in the department across the board in the budgeting process? You have been here a long time and you know this process well. What kind of chaos would it create there in this Congress, and not only there, but out in the country? Would you care to comment?

Mr. DEWHURST. Sure. Really you have two kinds of problems. If you are talking about the current fiscal year, fiscal year 2003, you really have two kinds of problems. One is uncertainty. We have a fiscal year 2003 appropriations bill. It had a .65 percent rescission for most discretionary programs built into it, including the FSIS, and we are working our way to figure out how to deal with all that. And so anytime there is any discussion of further kinds of changes like that, it creates uncertainty in the bureaucracy, and you don't know whether to hire people or what you should do, because you may lose some money down the road.

The second thing that comes into the question is whether or not at the end of the day your funding would be inadequate if you had to absorb such a rescission, and without knowing the details, I don't want to make too many judgments about that, but programs like WIC, food stamps, child nutrition, and farm programs and so forth are performance-driven entitlements essentially, and this administration and the previous administration tried very hard to make sure there is enough money to help the people who need help under those programs. In the labor-intensive programs, the biggest cost is salaries and the pay increase and so forth that is built into the law, and to the extent that you have to absorb further reductions, it means you essentially don't have enough money to meet those costs, and therefore you have to reconsider your hiring actions and so forth. But this fiscal year has been very difficult from our perspective simply because the appropriations bills were so late, and at this point further uncertainty will simply make it more difficult.

Mr. BOYD. Thank you, Mr. Dewhurst. You did a good job of answering the question. I didn't know whether Dr. Murano was going to punt to you over there.

Mr. DEWHURST. She doesn't want her budget cut.

Mr. BOYD. I understand. We don't want that either.

I just want to say that I hope that this Congress, this House, will reject this notion, and it is an obvious attempt by the budget Chairman to follow a rule which my Blue Dog counterparts and I agree with, and that is pay-go. It is a very meager attempt at pay-go. Of course, the pay-go in this case is for the \$700 billion or \$1.6 trillion or whatever it is tax cut that we are dealing with.

But thank you very much, and I am glad we got to hear from you to answer the question. You handled yourself very well. Thank you.

Mr. BONILLA. Mr. Dewhurst always handles himself very well.

Mr. Hinchey.

FSIS ENFORCEMENT ACTIONS

Mr. HINCHEY. Thank you, Mr. Chairman.

Dr. Murano, I was just looking at some figures on enforcement actions, and I see that the enforcement actions by FSIS dropped between 2000 and 2001. In 2000, you took 49,392 actions. In 2001, this number dropped to 32,224. I know I am springing this on you at the moment, so I don't expect you to be able to respond in detail about this matter, but if you would kindly let us know what caused that decline, I would very much like to understand that better.

Ms. MURANO. Sure. Mr. Hinchey, one thing that I do have a great interest in is of those enforcement actions, how many resulted in plant suspensions, which is the ultimate enforcement action, if you will, where we pull inspectors, the plant is closed down, and can't operate anymore. And when you look at that, that percentage of enforcement actions that resulted in plant suspensions has actually increased. In 1998 it was about 2.3 percent, and in 2002 it was 4.8 percent. So the enforcement actions, even if overall they have decreased, could be due to a variety of reasons, but certainly the ones that resulted in suspensions, which are the ones I am interested in, because they are the ones that protect the public health the best in the sense of stopping a company that maybe is producing unsafe product, those have increased.

Mr. HINCHEY. Suspensions of inspections actually declined from 2000 and 2001. It went down from 184 to 119.

Ms. MURANO. If you look over from 1998 on—sometimes they go up, sometimes they go down. It depends on a number of factors.

Mr. HINCHEY. I know that you don't have these numbers in your head, and I am not asking you to give me a detailed answer to this now, but I would like the information over the course of the next week or so.

Ms. MURANO. Surely.

Mr. HINCHEY. These are the numbers that you gave us, and we are seeing a decline in suspensions of inspection from 184 to 119 and a very dramatic drop in the total reviews from 49,392 to 32,224. So I am not asking you to give me that explanation now, I don't think you have it, but I would like to understand it. I would like to know why that is happening, and if you could tell me that, I would very much appreciate it.

Ms. MURANO. Certainly.

[The Information follows:]

FSIS ENFORCEMENT ACTIVITIES

Suspensions of inspection in fiscal year 2001 are consistent with the number of suspensions in fiscal year 1999.

The decline in suspensions from 184 in fiscal year 2000 to 119 in fiscal year 2001 is primarily associated with the success of HACCP outreach initiatives to establishments and/or industry and plant awareness of the HACCP requirements.

Please note that the numbers that you quoted as enforcement actions for fiscal years 2000 and 2001 (49,976 and 32,224) represent the number of planned and ran-

dom reviews of establishments and of products as they move through commerce. These reviews are carried out to prevent meat, poultry, and egg products that are not wholesome or safe from entering the food supply, to assure compliance with Federal laws, and to obtain and maintain current data on persons or firms engaged in the handling and distribution of meat, poultry, and egg products. The increased number of reviews during fiscal year 2000 were related to the increase in the number of warning letters issued during the previous year and follow-up reviews conducted during HACCP implementation.

FOODBORNE PATHOGENS

Mr. HINCHEY. I am looking at Consumer Reports, and it is raising a number of red flags with regard to the safety of food out in the marketplace, not at the production facilities, but where people are buying it.

In January the magazine released a report on the condition of chicken in supermarkets. Consumer Reports purchased 484 fresh whole broilers in stores in 25 cities across the country in the spring of 2002. They found *Campylobacter* in 42 percent of the chickens and *Salmonella* in 12 percent of the chickens. They also found that 90 percent of the *Campylobacter* bacteria and 34 percent of the *Salmonella* were resistant to one or two more antibiotics that would normally be used to treat the illnesses caused by this bacteria.

This is a real product. It is in real stores being purchased by real people, and I think that what we are concerned about is that this gets out into the stores in spite of the system that we have set up for controlling *Salmonella* and the other bacteria. The Department doesn't even sample for *Campylobacter*, but I am told this is a serious illness that can cause meningitis, arthritis and something called Guillaume-Barre syndrome.

Consumer Reports say that USDA is working on a study that could help establish a standard for *Campylobacter*, but that you have no timeline in mind for setting the standard. Last November another Consumer Report study looked at contamination in ground beef in grocery stores. They found that 1 percent had substantial levels of fecal bacteria; again, a troubling finding, because there were 198 samples of ground beef from supermarkets in 9 States that tested for fecal bacteria. Two of the samples had high levels of *E. coli* O157.H7, and that we know that 60 people die routinely from *E. coli* O157.H7 infections, and 73,000 become ill. This is a matter of concern. It is being published in a national publication. I would like you to comment on that, if you would, and tell us what you think we ought to be doing working with you to try to prevent these things from occurring in the future.

Ms. MURANO. Certainly.

Well, as a microbiologist, I am very well acquainted with *Campylobacter*.

Mr. HINCHEY. What is it?

Ms. MURANO. It is a gram-negative bacteria that does cause a pretty profuse, watery diarrhea with foul odor, and it is gastroenteritis that certainly can have complications in specific people, such as what you mentioned, Guillaume-Barre syndrome, et cetera.

FUNDING FOR BASELINE STUDIES

Let me say to you first, to answer the last part of your question. One of the reasons that we are requesting money for these baseline studies is so that we can do baseline studies, for example, on *Campylobacter jejuni*, to determine the prevalence of it in different food products that we regulate throughout the country. That is very important for us because that is how we can then discern what should be the levels.

But before we run out of time, I do want to certainly make the case that without minimizing the importance of doing whatever we can to reduce *Campylobacter* illnesses, this is another one of those statistics that CDC has shown that over the last 5 years or so, there has been a 27 percent decrease in *Campylobacteriosis* illness in the United States, which heartens us certainly, but we do agree that through these baseline studies we will be able to really ascertain what is the prevalence of this organism and then decide what we need to do about it.

Mr. HINCHEY. I remain troubled by it because this is a recent report in *Consumer Reports*, and 42 percent of the chicken that they sampled had this particular bacteria, the *Campylobacter* bacteria. That is a very high percentage, 42 percent.

Ms. MURANO. But we intend to do something about it is what I am telling you.

Mr. HINCHEY. Okay. Thank you, Mr. Chairman.

Mr. BONILLA. Thank you, Mr. Hinchey.

Ms. Kaptur, I will let you conclude, unless there are many remaining questions today. But Mr. Boyd has one brief question, and then we will go to Ms. Kaptur to conclude the hearing.

EXOTIC NEWCASTLE DISEASE

Mr. BOYD. Thank you, Mr. Chairman. And my question maybe is for Dr. McKee.

The Exotic Newcastle disease issue in California, I know you have got FSIS inspectors from all over, including in my State of Florida, going there to help. Can you tell us about the protocol for quarantine after those personnel come back to their States? And there has been some question amongst some of my folks that it may not be adequate, and I wanted you to address that.

Mr. MCKEE. Thank you, Mr. Chairman and Mr. Boyd. I can't go into exact details of the process, but I was involved in direction that a protocol would be set up that would be adequate to prevent any return of or contamination of those inspectors or veterinarians that were helping to work the Newcastle outbreak. So I can assure you that the procedures that we put in place to prevent that was adequate.

I do have information. Seventy-two hours is the decontamination time that they are required to go through, and it is a process that we can assure that there will not be contamination coming back into the plant.

Mr. BOYD. Dr. McKee, there have been some, including a former ARS director of the Southeast Poultry Research Lab in Athens, Georgia, who have questioned the adequacy of that protocol, and I don't understand all of those things. You and your people, some of

whom are sitting behind you, do better than I do, but if you would personally look at it and be satisfied those protocols are adequate, I think it would be very helpful to our people in Florida.

Mr. MCKEE. Yes, I will certainly do that.

Mr. BONILLA. Thank you, Mr. Boyd.

Mr. Hinchey is going to submit a couple more questions for the record, to my understanding, but I will let Ms. Kaptur wrap up the last 5-minute round here that we have.

FOODBORNE ILLNESSES

Ms. KAPTUR. Thanks, Mr. Chairman.

I just wanted to place on the record, before I conclude, data from the CDC that food-borne illness this past year has caused 76 million illnesses in our country, 325,000 hospitalizations and 5,000 deaths. In the new data that the CDC has given to us, they only have summarized the data relating to the incidence of illnesses, and there is no data on hospitalizations or death in the newly amended report. The CDC does discuss the FSIS, however, and HACCP, but they lump statistics together with the FDA, seafood, juice, HACCP, egg quality improvements and so forth. One of the statements they do make in this updated report is that there is a very high incidence of food-borne illnesses in children; especially infants remain a major concern.

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Ms. KAPTUR. I would also like to submit for the record in my own way in defense of a food inspector that I have never met following on the Wampler plant. It was just one inspection report submitted midyear last year where he observed the operations of the chicken roll department and observed several flies on the chicken salad blending area during operations. He immediately notified his department supervisor of those findings and observed noncompliance in the following week. The preventative measures, as indicated on the previous report, were not applied or were ineffective as he then did a subsequent examination. He found no documentation to suggest that the company had done anything to remediate the problem. He held a meeting with the second shift plant manager and provided a written notification of a repetitive facility noncompliance.

I just believe that this set of deaths and illnesses didn't have to happen because something didn't go right inside of the inspection process in its relationship to the plant management. Too many weeks were wasted, Madam Under Secretary, and I am hoping for the record you would provide for us a detailed explanation of what happened in all those days that were wasted before the USDA finally shut that plant down and tried to get the company to remediate the Listeria and other problems, health and safety problems, that were there.

[The information follows:]

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Chronology of Events Leading to the Recall of Products from Est.
P-1351 and Subsequent Activities Regarding the School Lunch Program

DATE	ACTION
January 2, 2002	The Food Safety and Inspection Service (FSIS) collects routine product sample from Est. P-1351. Results negative.
June 19	FSIS collects routine product sample from Est. P-1351. Results negative.
July 10	FSIS collects routine product sample from Est. P-1351. Results negative.
July 18	The first culture date for an individual with what would later be identified as the outbreak strain was identified in Delaware. The Pulse Field Gel Electrophoresis (PFGE) patterns for this culture may not have been immediately sent by Delaware to the Centers for Disease Control and Prevention (CDC) to be posted on PulseNet.
August	The Pennsylvania Department of Health noticed an unusual number of listeriosis cases. CDC was alerted and a search of PulseNet picked up a cluster of matching PFGE patterns. In late August, Pennsylvania requested CDC assistance to investigate the illnesses. CDC requested that FSIS provide information on recent <i>Listeria monocytogenes</i> recalls.
August 30	CDC investigators travel to Pennsylvania to join the Philadelphia Department of Health <i>Listeria monocytogenes</i> investigation.
September 4	Seven listeriosis illnesses in the Philadelphia area and five illnesses in other locations in the U.S., are found to have matching PFGE patterns. Health officials describe the cluster of illnesses as an outbreak. The source of the <i>Listeria</i> is unknown, but preliminary Pennsylvania patient interview data suggest that sliced turkey products; sliced, prepackaged American cheese; and milk were consumed by cases with the outbreak pattern.
September 4-5	Preliminary interview data for two patients in a New York nursing home and one death in Pennsylvania indicate consumption of products from Est. B. Many believe the source of the outbreak had been identified. FSIS asks the nursing home to hold intact product. The agency continues to investigate in search of evidence to act.
September 4-9	FSIS begins traceback of products received at the New York nursing home where illnesses occurred. FSIS collects samples of intact Est. B product from the New York nursing home and from Philadelphia area grocery stores identified as the source of turkey meat consumed by the Philadelphia individual who died. FSIS sends the products to the agency's Microbial Outbreaks and Special Projects Branch (MOSPE) Laboratory in Athens, Georgia, for analysis.
September 10	FSIS informs Est. B that product samples were being analyzed for <i>Listeria monocytogenes</i> .
September 11	FSIS Consumer Safety Officer (CSO) conducts comprehensive assessment at Est. B. No obvious problems found.
September 12	FSIS collects routine product sample from Est. P-1351. Results negative.
September 12	First 39 sub-samples from Est. B, including intact retail products and samples from a turkey breast obtained at the New York nursing home, all confirm negative. FSIS begins analyzing 13 samples from a second turkey breast obtained from the New York nursing home.

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DATE	ACTION
September 12	CDC launched a case control study on the increase of listeriosis cases in Pennsylvania and surrounding states.
September 13	FSIS and FDA issue a health advisory about the increase of listeriosis cases in Pennsylvania and surrounding states.
September 15	Results from the 13 samples of the second turkey breast from the New York nursing home report negative.
September 18	CDC issues press release: Update: Listeriosis Outbreak Investigation.
September 20	A non-intact, unlabeled package of turkey product collected on September 3, 2002, from a New York City deli by the New York State Department of Agriculture and Markets, tests positive for <i>Listeria monocytogenes</i>. Preliminary analysis suggests it matches the outbreak strain of <i>Listeria monocytogenes</i>. New York could not provide to FSIS the identity of the establishment that produced the product sampled.
September 23	CDC issues press release: Listeriosis Update.
September 23	CDC provides a preliminary analysis of data from its case-control study to FSIS, FDA, and state and local public health officials. Sliced deli turkey breast, shrimp, and crab are shown to have a statistically significant association with the outbreak illnesses. CDC reports that no specific source for each product was identified and interviews of patients and subsequent data analysis continues. FSIS partners with state and local public health and agriculture departments to look for common source products.
September 25	Teams comprised of FSIS and state agencies' staff begin visiting retail grocery stores and delis identified in the case-control study. The teams review current store records and product inventories and provide the information to the CDC. FSIS continues to collect intact turkey products from locations in the New York City area where recently ill patients reported purchasing or consuming turkey products. FSIS collects approximately: 23 intact packages on 9/25/02; 8 intact packages on 9/26/02; one intact package on 9/27/02; and several non-intact samples. All FSIS samples are shipped overnight to the MOSPB laboratory.
September 26	An FSIS review of purchase records at the New York City deli, from which a sample tested positive on Sept. 20, indicate that the non-intact sample that tested positive was produced at Est. P-1351.
September 26-27	FSIS initiates analysis of eight of the 30 plus product samples collected in New York. At the laboratory, priority was given to intact samples. When the data became available, priority would also be given to product samples from establishments that appeared multiple times on the inventories collected by the teams (Sept. 25-27) in New York. The MOSPB laboratory begins with eight intact samples from seven establishments collected at eight different deli locations. The FSIS MOSPB laboratory can

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	initiate approximately four product samples per day. Each product sample is analyzed as 13 independent sub-samples. All initial eight samples are negative, including samples from Est. C, Est. D, Est. E, and Est. F, all returned negative results.
September 27	Information from the FSIS and state teams' investigation, combined with CDC epidemiological data, indicates that Est. P-1351 is the poultry processing supplier with the most probable "link" associated with the outbreak illnesses, if the illnesses were caused by poultry products.
September 25	CDC issues press release: Update: Listeriosis Outbreak Investigation
September 26	CDC issues press release: Update: Listeriosis Outbreak Investigation
September 27	CDC issues press release: Update: Listeriosis Outbreak Investigation
September 27	FSIS CSO is sent to Est. P-1351 to review the establishment's food safety systems. Findings indicate that construction occurred in the establishment's packaging area on July 27 and 28. The findings also show that the plant had Listeria species positives during the summer from environmental samples and from samples taken from employee aprons, gloves, and cuffs.
September 29 - October 2	Based on information available on Sept. 27, MOSPB begins analysis on several Est. P-1351 samples collected in New York by the FSIS and state teams.
September 30	FSIS expands the CSO assessment by sending a Food Safety Investigative Team to Est. P-1351. The FSIS CSO also continues an assessment of Est. P-1351.
October 1	CDC issues press release: Update: Listeriosis Outbreak Investigation.
October 1	The Food Safety Investigative Team, which, among others, includes a microbiologist, epidemiologist, and two representatives from CDC, begins work at Est. P-1351. The team tours the plant and starts the process of reviewing the plant's operations and paperwork.
October 2	Investigative team takes a total of 17 shelf-life and current production samples from Est. P-1351.
October 2	FSIS issues a Public Health Update: FSIS Continues to Investigate Listeria Illness.
October 3	CDC issues press release: Update: Listeriosis Outbreak Investigation.
October 3	FSIS initiates analysis of Est. P-1351 product samples collected by the Food Safety Investigative Team.
October 3-4	FSIS collects 57 environmental samples from structural and equipment surfaces at Est. P-1351.
October 3	The Food Safety Investigative Team meets with plant management for four hours to review Hazard Analysis and Critical Control Points (HACCP) inadequacies and problems with the plant's plan.
October 4	CDC issues press release: Update: Listeriosis Outbreak Investigation.
October 4	FSIS exit conference recommends issuing a Notice of

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DATE	ACTION
	Intended Enforcement (NOIE) at Est. P-1351 based on Sanitation Standard Operating Procedures (SSOP) and HACCP plans that did not meet regulatory requirements.
October 5	A deli in Harlem recalls store-sliced turkey breast from Est. C following a non-intact positive sample collected by New York State Department of Agriculture and Markets. A companion sample of non-intact product collected by FSIS was later found to be positive and match the outbreak strain. Four establishments had product in that deli, including Est. P-1351, Est. E, and Est. F
October 5-6	FSIS compliance officers (COs) are sent to assess product distribution patterns at delis in the Philadelphia area that were frequented by controls in the case-control study, to assist with data analysis.
October 7	FSIS issues a NOIE to Est. P-1351 because SSOP and HACCP plans do not meet regulations (9 CFR parts 416 & 417).
October 8	A shelf-life sample of turkey pastrami collected on October 2 from Est. P-1351 tests positive for <i>Listeria monocytogenes</i> . The PFGE pattern does not match outbreak strain.
October 9	CDC issues press release: Update: Listeriosis Outbreak Investigation.
October 9	Est. P-1351 voluntarily recalls approximately 295,000 pounds of ready-to-eat fresh and frozen turkey and chicken products. FSIS issues a press release and recall notification report at approximately 1:50 p.m. Per the established procedure, the press release was distributed nationwide and the Recall Notification Report (RNR) was sent to state health and agriculture departments, the Food and Nutrition Service (FNS), the Agricultural Marketing Service (AMS), and the rest of the full distribution list. Both the press release and the RNR were posted on the FSIS web site.
October 9	FNS IS NOTIFIED BY FSIS EARLY IN THE MORNING THAT THERE WAS TO BE A VOLUNTARY RECALL BY EST. P-1351 OF TURKEY PRODUCTS. THE ESTABLISHMENT IDENTIFIED THAT 833 CASES OF SMOKED TURKEY BREAST THAT WAS TO BE PART OF THE RECALL HAD BEEN PROCESSED FOR A USDA CONTRACT ON AUGUST 13. FNS CONTACTED AMS AND IT WAS DETERMINED THE PRODUCT HAD GONE TO A WAREHOUSE, LANTER CO. IN GRANITE CITY, IL. FNS CONTACTS THE WAREHOUSE AND DETERMINES THAT ALL PRODUCT IS STILL IN STORAGE. LANTER PUTS THE PRODUCT ON HOLD. EST. P-1351 OFFICIALLY ANNOUNCES RECALL OF PRODUCTS IN THE AFTERNOON. EST. P-1351 ALSO CONTACTS THE WAREHOUSE TO ADVISE OF THE RECALL AND ASK THAT IT BE TAGGED AND HELD. EST. P-1351 FAXED THE RECALL NOTIFICATION AND PRODUCT RETURN INSTRUCTIONS TO LANTER.
October 9 - 10	25 environmental samples from Est. P-1351, both product contact surfaces and non-product contact surfaces, taken by FSIS on October 3-4, come back positive for <i>Listeria monocytogenes</i> . Two isolates were later confirmed to match

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	the PFGE outbreak strain; two other isolates match PFGE for recalled turkey pastrami, one from product contact surface.
October 10	Est. P-1351 voluntarily discontinues operations.
October 11	FSIS presents information to establishment Est. P-1351 about the pathogen presence in shelf life samples, as well as the positive environmental samples.
October 11	FSIS begins analysis of intact samples produced by Est. C, collected at another New York deli and from a market in Pennsylvania. Results negative. FSIS begins analysis of non-intact sample produced by Est. C, collected at the Harlem deli. Results positive with the outbreak strain. FSIS begins analysis of non-intact sample produced by Est. E, collected at the Harlem deli. Results negative.
October 12	FSIS receives response to the October 7 NOIE from Est. P-1351. Response is inadequate and FSIS requests additional information from plant management. Plant operations are still discontinued.
October 12	CDC informs FSIS that three of the environmental positives from Est. P-1351 match the outbreak strain by one enzyme (Saturday at 5:49 PM).
October 11, 12, and 13	FSIS meets for expansion of products to be recalled. Key facts include: (1) an environmental positive from a product contact surface that matches the PFGE strain from the Turkey Pastrami that led to the initial Est. P-1351 recall; (2) Other product contact positives; (3) CDC information that three environmental samples match the outbreak strain by one enzyme; and (4) CDC summary of the uniqueness of the outbreak strain.
October 12	Est. P-1351, Pilgrim's Pride Corporation, recalls all products produced between May 1 and Oct. 11, 2002, with a total of approximately 28 million pounds, including the 295,000 pounds recalled on Oct. 9, 2002.
October 13	Following a 1:30 a.m. recall conference call, FSIS issues a press release and the RNR at 6:50 a.m. on Sunday, Oct. 13, 2002. The press release is distributed to media nationwide. Following the same established procedure as had been used in the past, the RNR is distributed via email to the approximately 480-member distribution list, which includes representatives from FNS and AMS. Both the press release and the RNR are posted on the FSIS web site.
October 13	EST. P-1351 ISSUES A PRESS RELEASE ANNOUNCING AN EXPANSION OF THE PREVIOUS RECALL DUE TO ADDITIONAL LISTERIA FOUND IN A FLOOR DRAIN AT THE FRANCONIA, PA PLANT FROM MAY 1 - OCT. 11, 2002. OF THE 27.4 MILLION POUNDS OF PRODUCT IN THIS RECALL THERE WERE 1.68 MILLION POUNDS UNDER THE USDA CONTRACTS THAT WERE AFFECTED. EST. P-1351 SENT, VIA FEDERAL EXPRESS, PACKETS TO EACH AFFECTED WAREHOUSE/DISTRIBUTOR WITH SCHOOL-BOUND PRODUCT. THE PACKETS INCLUDED DETAILS OF THE RECALL ALONG WITH THEIR SPECIFIC ITEMS INVOLVED. THE PACKET ALSO CONTAINED A CONTACT NAME TO ARRANGE FOR PICK UP OF THE PRODUCT.
October 13	CDC confirms 3 environmental samples match outbreak pattern

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	at the 2 enzyme level (Sunday, 6:42 PM). A further analysis on the same gel in the same laboratory finds that only 2 match; neither is a product contact surface.
October 14	EST. P-1351 CALLS MANY WAREHOUSES ARRANGING FOR PRODUCT PICKUP. WAREHOUSES BEGIN RELEASING RECALLED PRODUCT TO EST. P-1351.
October 15	FSIS receives additional information from Est. P-1351 and convenes a Technical Advisory Group (TAG) to assess the information. The establishment is still not operating.
October 15	FSIS initiates analysis of intact samples produced by Est. C. Results are negative. This completed analysis of all Est. C samples at the MOSPB laboratory.
October 15	CDC issues press release: Update: Listeriosis Outbreak Investigation
October 15	EST. P-1351 CONTINUES TO CONTACT WAREHOUSES. IN ADDITION TO THE OCTOBER 13. FED EX PACKET, ALL BUT TWO HAVE NOW BEEN NOTIFIED BY PHONE. EST. P-1351 AND USDA CONTINUE TO WORK ON IDENTIFYING DELIVERY ORDER (DO) NUMBERS FOR COMMODITY THAT WENT TO STATE DISTRIBUTING AGENCIES. IN THE MORNING, FNS/PDD ISSUED A NOTICE TO CONTACTS AT ALL STATE DISTRIBUTING AGENCIES AND FNS REGIONAL OFFICES INCLUDING STATES THAT WERE NOT SENT ANY OF THE IMPLICATED PRODUCT. STATES ARE TOLD THAT EST. P-1351 HAS TAKEN THE LEAD ON CONTACTING WAREHOUSES TO RETRIEVE RECALLED PRODUCT AND THAT THE STATES SHOULD GIVE PERMISSION TO WAREHOUSES TO RELEASE PRODUCT, IF THE QUESTION ARISES. THE FSIS COMPLETE LIST OF RECALLED PRODUCT IS NOTED IN THE E-MAIL AND A LINK IS GIVEN. STATES ARE TOLD THAT THEY WILL RECEIVE A COMPLETE LIST OF DO NUMBERS AS SOON AS IT IS AVAILABLE. LISTS ARE BEING RECONCILED BETWEEN EST. P-1351 AND AMS RECORDS. AMS IDENTIFIES THE STATES THAT RECEIVED PRODUCT. FNS/PDD SENDS ANOTHER MEMO IN THE AFTERNOON TO ALL STATES IDENTIFYING THE 23 STATES THAT RECEIVED PRODUCT. STATES WERE ADVISED TO INSTRUCT SCHOOLS NOT TO USE ANY OF THE IDENTIFIED PRODUCT BUT TO PUT IT ON HOLD.
October 16	FSIS receives response to the NOIE from Est. P-1351. Response is inadequate and FSIS requests additional information from plant management on Oct. 17. The plant was not operating.
October 16	EST. P-1351 CALLS THE 2 REMAINING WAREHOUSES TO ARRANGE FOR PRODUCT PICKUP ALTHOUGH THEY HAD ALREADY RECEIVED THE FED EX PACKET FROM EST. P-1351 ON OCTOBER 13 AND HAD BEEN CONTACTED BY PDD ON OCTOBER 15. AMS PROVIDES A LIST OF ALL CONFIRMED AND RECONCILED DOS TO FNS. FNS DEVELOPS A CHART CONTAINING INFORMATION ON PRODUCT TYPE, DESTINATION CITY, DO NUMBER AND QUANTITY THAT IS SENT TO ALL STATES AND REGIONAL OFFICES. FNS REQUESTS

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DATE	ACTION
	INFORMATION ON THE NUMBER OF POUNDS OF RECALLED PRODUCT THAT IS IN THEIR WAREHOUSES, HOW MANY POUNDS WERE PICKED-UP, HOW MANY POUNDS WENT TO FURTHER PROCESSING, AND HOW MANY POUNDS WERE DELIVERED TO SCHOOLS. THE MEMO ALSO ASKS FOR INFORMATION ON HOW MANY POUNDS ARE IN SCHOOL STORAGE FACILITIES AND HOW MANY POUNDS WERE SERVED. FNS REQUESTED THAT THESE DATA BE SENT TO THEM BY 3 P.M. EST ON FRIDAY, OCTOBER 18TH. FNS ALSO INSTRUCTS STATES TO HOLD PRODUCT, NOT TO DESTROY OR USE IT, AND WAIT UNTIL IT CAN BE PICKED-UP. A LINK TO THE FNS "HOLD AND RECALL PROCESS" DOCUMENT IS PROVIDED IN THE E-MAIL. AMS AND FDD DETERMINE THAT 160,000 POUNDS OF THE PRODUCT WERE NEVER SHIPPED AND WERE BEING HELD AT EST. P-1351.
October 17	INFORMATION COMING IN FROM STATES: NEBRASKA REPORTS THAT ALL 1010 CASES ARE ON HOLD AT THE STATE WAREHOUSE. UTAH REPORTS HAVING 1009 CASES (40,000 LBS.), NONE OF WHICH WAS EVER DISTRIBUTED TO SCHOOLS AND NONE OF IT WAS CONSUMED. MINNESOTA REPORTS THAT NONE OF ITS 1007 CASES OF TURKEY BREAST DELI HAD BEEN RELEASED FROM STORAGE. IT IS BEING HELD AND AWAITS PICK-UP BY EST. P-1351. MINNESOTA FOOD AND NUTRITION SERVICE WAS CONTACTED MONDAY, OCTOBER 14 BY THE STORAGE FACILITY STATING THAT EST. P-1351 NOTIFIED THEM BY PHONE OF THE RECALL AND INSTRUCTED THEM TO HOLD IT AND WAIT FOR PICK-UP. PENNSYLVANIA REPORTS THAT OF THE 375 CASES RECEIVED IN THE STATE WAREHOUSE, 322 REMAIN IN INVENTORY AND ARE AWAITING PICKUP. 53 CASES HAD ALREADY BEEN DISTRIBUTED TO SCHOOLS. ONE SCHOOL DISTRICT RECEIVED 7 CASES OF THE PRODUCT OF WHICH 1 PLUS CASE WAS SERVED TO STUDENTS. THE STATE REPORTS THAT THE REMAINING 4 PLUS CASES ARE BEING SENT FOR TESTING. SCHOOLS WANT TO KNOW WHAT TO TELL CONCERNED PARENTS ABOUT LIKELIHOOD OF ILLNESS. FNS IS WORKING ON CRAFTING A STATEMENT, BUT HAS MADE BOTH CDC UPDATE AND THE FSIS PRESS RELEASE AVAILABLE, BOTH OF WHICH CONTAIN GUIDELINES FOR CONSUMERS. RHODE ISLAND REPORTS THAT THEY HAVE 40,005 LBS. OF EST. P-1351 COOKED TURKEY HAM IN STORAGE. PRODUCT WAS RECEIVED OCT 10, 2002 AND NONE OF IT WAS DISTRIBUTED. THEY ARE AWAITING PICK-UP BY EST. P-1351.
October 18 - November 15	FNS CONTINUED TO GATHER REPORTS FROM AFFECTED STATES. DATA ARE AS FOLLOWS: INFORMATION RELATED TO THE PRODUCT: • TOTAL AMOUNT OF PRODUCT RECEIVED BY STATES FOR SCHOOL LUNCH WAS 1.68 MILLION POUNDS.

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LISTERIA RECALL

Chronology of Events Leading to the Recall of Products from Est.
P-1351 and Subsequent Activities Regarding the School Lunch Program

DATE	ACTION
	• 89.3% OF THE PRODUCT WAS NOT SERVED TO CHILDREN. • 6.3% OF THE PRODUCT WAS SERVED TO CHILDREN. • 4.4% OF THE PRODUCT IS STILL UNACCOUNTED FOR (DON'T KNOW IF IT MADE IT TO THE SCHOOLS OR IF STILL IN WAREHOUSE). • ALMOST ALL PRODUCT THAT WAS SERVED WAS SERVED PRIOR TO THE RECALL. INFORMATION RELATED TO STATES THAT RECEIVED PRODUCT: • OF THE 23 STATES ORIGINALLY THOUGHT TO HAVE RECEIVED PRODUCT, IT WAS DETERMINED THAT ONLY 20 STATES ACTUALLY DID RECEIVE IT. • 8 STATES DID NOT MAKE PRODUCT AVAILABLE THROUGH THE SCHOOL LUNCH PROGRAM (NEVER MADE IT PAST THE STATE TO THE LOCALS). • 12 STATES MADE THE PRODUCT AVAILABLE THROUGH THE SCHOOL LUNCH PROGRAM. IMPACT: • NONE OF THE PRODUCT THAT WAS DISTRIBUTED TO STATES FOR THE SCHOOL LUNCH PROGRAM HAS TESTED POSITIVE FOR LISTERIA MONOCYTOGENES. • NO REPORTED ILLNESS OF SCHOOL CHILDREN.
November 1	CDC issues press release: Listeriosis Update
November 4	CDC issues press release: Listeriosis Update
November 7	At the end of Oct., FSIS established a procedure that allows AMS and FNS representatives to observe recall committee conference calls when their commodities are involved. The next recall involving product destined for the school lunch program occurred on November 7, FSIS recall #101-2002. AMS and FNS participated as observers on the recall committee conference call.
November 9	FSIS receives satisfactory response from Est. P-1351 addressing all issues in the NOIE.
November 12	FSIS provided written confirmation that the agency agrees to verify Est. P-1351 implementation of corrective action requested in the NOIE.
November 13	FSIS informed plant management that, based on Est. P-1351's proposed corrective and preventative action plan, FSIS would defer a decision regarding further enforcement action.
November 14	Est. P-1351 resumes operation.
November 14	FSIS recall #102-2002 was conducted as a result of an AMS sample testing positive for E. coli O157:H7. It was determined that all product that was being used for AMS contracts was held at the establishment, but other products were to be recalled. Even though contract product was held, AMS and FNS observed the FSIS recall conference call.

CONSUMER NOTIFICATION OF RECALLS

Ms. KAPTUR. I thank you very much for your testimony today, and in the remaining 2 minutes my final question is I am going to submit for the record the recall notice that was just issued on a plant in Ohio, and it basically tells people where the product was made, American Food's Group, Green Bay Dressed Beef, 106,000 pounds of fresh and frozen ground beef contaminated with E. coli 0157:H7. But then they tell you that some of it was sent to Kroger as beef ground sirloin patties. Some of it was sent to Meyers as ground beef chuck.

How does the consumer know how to interpret these in order to protect themselves? It says that these products were distributed to stores in Ohio, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Tennessee, Virginia and West Virginia. What is the consumer's ability to know that this is something I don't want to buy? What kind of labeling or information can you provide to the consumer so they know how to act on this report? How can you make it consumer-friendly?

Ms. MURANO. I understand that, and the difficulty that sometimes occurs. But in this particular case there is what we call case-ready product which would have that label. So in this particular case, this is easy for a consumer to know because it is case-ready. In other words, it came already packaged. But what happens a lot of times is that product gets sold to a supermarket, they open it up, regrind it, mix in some other trimmings, and then it gets repackaged, and that is the product that consumers cannot correlate with what might be on a press release such as this.

In this particular instance, that is not a problem, but typically it is for that very reason, because of the repackaging that occurs at the retail store. That is why we urge people then to simply return the product to the point of purchase or throw it out or whatever they want to do with it, because they have that power within them, and I don't underestimate the intelligence of American consumers. I think people realize that if you live in one of those States, and you have ground beef, there is nothing wrong with going to your point of purchase and saying, is this part of the recall? And retailers do a very good job of informing their customers whether it is or it isn't.

But I do share in the concern certainly that what we want is for consumers to heed these warnings, and that is something that is a personal concern to me because a lot of times even when consumers know that a product is contaminated, that it is exactly what they have in their refrigerator, such as what happened a few years ago with ice cream from Schwan's company, 31 percent of the people, knowing that the product was contaminated and they were contacted by Schwan's, still went ahead and ate it. So it is a difficult situation that even when they have all the information, sometimes they don't comply, and that is why our food safety education campaign is so important.

RECOVERY OF RECALLED PRODUCTS

Ms. KAPTUR. Madam Under Secretary, I am going to ask you for recommendations for the record of how bar-coding can be placed on

meat, especially the plants that have been cited in the past, so the consumer can absolutely know that they shouldn't buy it, because most of the meat that is recalled is not recovered.

[The information follows:]

BAR-CODING

All product recalls are voluntary actions undertaken by companies or institutions. The company conducting the recall determines the best way to notify their consumers, which may include the issuance of a press release or some other type of public information. Currently, FSIS has in place mechanisms to allow consumers to identify product involved in a voluntary recall. All labels for products under FSIS' jurisdiction must list the establishment's name and address. When a company decides to carry out a voluntary recall, FSIS issues two documents for the recall of all products under FSIS inspection—a press release and a Recall Notification Report (RNR), which lists the company's name and address. The press release is widely distributed to various news media outlets, trade associations, consumer groups, and Congressional staff. The RNR is distributed via e-mail to other Federal agencies and to over 450 food safety, agricultural, and public health officials throughout the United States at the Federal, State, and local levels. Both the FSIS press release and the RNR are posted on the agency's web site. The agency believes that bar-coding would not provide any additional benefit over the agency's current practices for notifying consumers.

What percentage of the meat at Wampler's has been recovered to date; not recalled, but recovered? Of 27 million pounds, how much?

Ms. MURANO. I don't know the answer to that, but I am sure it is not anywhere near the full amount. Part of the problem is that we always conduct recalls going as far back in time as necessary to err on the side of safety, and most of the time a lot of that product has already been consumed, too, so for us to recover it is impossible.

I do agree with you that a lot of times we put down a figure of a certain amount, and there is no way we can recover that amount because it has already been consumed. So that is one of the frustrations that we actually have with people being very concerned about knowing how much product is there.

Mr. BONILLA. Dr. Murano, thank you for your testimony here today.

Dr. McKee, Steve, we appreciate your time, and I think that you sense, every member of this subcommittee, that they have a tremendous respect and appreciation for the work that you have done under the leadership of Dr. Murano the last year and a half.

Ms. Kaptur has a letter she would like to submit for the record. Is that correct, Ms. Kaptur?

Ms. KAPTUR. Thank you, Mr. Chairman. It is.

Mr. BONILLA. Without objection, it will be entered into the record.

[The information follows:]

Congress of the United States
Washington, DC 20515

March 12, 2003

The Honorable Ann M. Veneman
 Secretary of Agriculture
 Department of Agriculture
 1400 Independence Avenue, SW
 Washington, DC 20520

Dear Madam Secretary:

New information reveals that managers at the ConAgra Beef Company knew of 33 positive tests for the pathogen *E. coli* O157:H7 late last spring, but apparently did not take legally required steps to end the life-threatening contamination before Americans fell seriously ill. That ConAgra officials would behave in this apparently reckless manner raises serious questions of corporate responsibility. And that ConAgra was not required to inform USDA immediately of these test results reveals a gaping loophole in our nation's food safety laws.

In June and July 2002, at least 20 Americans across several states developed infections with *E. coli* O157:H7 linked to contaminated meat produced by the ConAgra facility in Greeley, Colorado. After an initial recall of 354,200 pounds of beef at the end of June, ConAgra eventually recalled 19 million pounds of beef in July, then the second-largest recall ever. The recall covered meat produced at the plant from April 12 to June 29.¹ In a series of letters over the last six months, members of Congress have raised serious questions about whether the company acted appropriately and whether USDA responded quickly enough to protect the public health.² Newly released documents shed light on both of these questions.

On January 27, Under Secretary for Food Safety Dr. Elsa A. Murano responded to our letters by providing additional information about the ConAgra recall.³ The new information included copies of all the noncompliance reports filed by USDA food inspectors at the Greeley facility from 2000 to 2002 and a copy of the Notice of Intended Enforcement sent by USDA to ConAgra Beef Company on July 18, 2002. We appreciate the completeness of Under Secretary

¹USDA, *Colorado Firm Recalls Beef Trim and Ground Beef Products of Possible E. Coli O157:H7* (July 19, 2002).

²Letter from Rep. Henry A. Waxman, Rep. Rosa L. DeLauro, Rep. Marcy Kaptur, and Sen. Richard J. Durbin to Secretary of Agriculture Ann M. Veneman (July 26, 2002); Letter from Rep. Henry A. Waxman, Rep. Rosa L. DeLauro, Rep. Marcy Kaptur, and Sen. Richard J. Durbin to Secretary of Agriculture Ann M. Veneman (Sept. 12, 2002); Letter from Rep. Henry A. Waxman, Rep. Rosa L. DeLauro, Rep. Marcy Kaptur, and Sen. Richard J. Durbin to Secretary of Agriculture Ann M. Veneman (Dec. 19, 2002).

³Letter from Under Secretary for Food Safety Elsa A. Murano to Rep. Henry A. Waxman (Jan. 27, 2003).

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Murano's response. These documents reveal what appears to be a shocking disregard on the part of ConAgra for the safety of the American public.

USDA officials reviewed ConAgra's own health and safety records in the middle of July 2002, after the outbreak of human illness had already been linked to the plant.⁴ According to the Notice of Intended Enforcement we received, this review apparently uncovered several critical facts. USDA found that for weeks prior to the first recall, ConAgra officials knew of *E. coli* O157:H7 contamination at the facility but did not take legally required steps to protect the public. USDA wrote:

Specifically, during the weeks of May 20, 2002 through May 31, 2002; June 3, 2002, and June 7, 2002; June 10, 2002 and June 14, 2002; June 17, 2002 and June 21, 2002; and June 24, 2002 and June 29, 2002, the establishment received 33 positive *E. Coli* O157:H7 on trim meat materials produced at Establishment 969 [the Greeley facility].⁵

According to USDA, ConAgra's response to the 33 positive tests failed to meet legal requirements. First, contrary to federal regulation, the company did not "perform a review to determine the acceptability of the affected product for distribution."⁶ Second, ConAgra did not, as required, "take action, when necessary, with respect to the affected product to ensure that no product that is injurious to health or otherwise adulterated . . . enters commerce after receiving results of these laboratory samples."⁷ Third, the company did not reassess its Hazard Analysis and Critical Control Point (HACCP) plan in light of the contamination. In fact, USDA found that after each positive test, the company answered three key questions in the same way:

How severe is the food safety risk regarding sickness or injury? Answer High.
 What is likelihood of occurrence based on past history and future potential? Answer Low.

⁴Secretary of Agriculture Ann M. Veneman, *Transcript of Press Conference with Secretary of Agriculture Ann M. Veneman and Undersecretary for Food Safety Elsa Murano Regarding the ConAgra Beef Company Recall* (July 19, 2002); Letter from Under Secretary for Food Safety Elsa A. Murano to Rep. Henry A. Waxman (Sept. 5, 2002).

⁵Letter from USDA District Manager Ronald K. Jones to Mr. Warren Mirtsching, Vice President of ConAgra Beef Company (July 18, 2002) (emphasis added).

⁶*Id.* The regulation referred to is 9 CFR 417.3(b)(2).

⁷*Id.* The regulation referred to is 9 CFR 417.3(b)(3).

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Does the program need to be revised? Answer No.⁸

USDA did find that ConAgra made some changes to its safety procedures, including changes to its procedures for hot water pasteurization and treatment of cattle. According to USDA, however, ConAgra did not assure that these measures actually controlled the *E. coli* O157:H7 hazard or include them in standard safety procedures.

Compounding ConAgra's failure to respond adequately to the 33 positive *E. coli* O157:H7 tests was the company's apparent failure to turn the results over to USDA for nearly two months.⁹ Early notification of the *E. coli* O157:H7 findings could have made an enormous difference in the course of the outbreak and might have prevented some of the illnesses that occurred. Dates of the onset of illness ranged from June 14 to July 15, weeks after the initial contamination was known to ConAgra.¹⁰

In May, USDA officials may have missed two opportunities to recognize the severity of the contamination at ConAgra because the Department did not know of ConAgra's testing results. In mid-May, USDA investigated positive *E. coli* O157:H7 results from a grinding facility that obtained meat from the Greeley plant.¹¹ At the time, however, USDA was unable to trace the problem back to ConAgra. USDA inspectors at the Greeley facility were also documenting noncompliance with safety standards. For example, on May 29, 2002, a USDA inspector signed a noncompliance record citing ConAgra for leaving scrap meat overnight on all three conveyers.¹² This finding suggested that the facility was not adequately cleaned between shifts, a serious and ongoing hazard if the belts were contaminated with *E. coli* O157:H7. Without knowledge of the positive tests, however, USDA officials were apparently unable to put two and two together. Leaving aside the separate question of whether USDA's efforts to protect

⁸*Id.* The regulation referred to is 9 CFR 417.3(b)(4).

⁹USDA officials have repeatedly stated that Department officials first reviewed the company's own safety records in mid-July 2002. On Friday, February 21, 2003, Congressional staff contacted Swift & Company (formerly ConAgra Beef Company) and asked whether ConAgra had actually notified USDA of its own positive *E. coli* O157:H7 results when the testing was done. The company official did not answer and did not respond to a followup phone call.

¹⁰*Id.*

¹¹USDA, *Chronology of FSIS Sampling and Actions in ConAgra (est. 969) and Galligan's Wholesale Meat Co (Est. 6475)* (Sept. 5, 2002).

¹²USDA, Noncompliance Record 00028-02, Establishment 969 (May 2002).

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the public in this case were sufficient, ConAgra's actions appear to have had troubling consequences.

Because it appears that ConAgra's failure to follow the law or notify USDA immediately may have directly contributed to serious illness, we urge USDA to fully investigate the company's conduct and consider seeking criminal penalties against the company and any officials who acted recklessly. We also urge you to continue close oversight of this large production facility, now run by Swift & Company. Aggressive actions by USDA would send a strong message to other food companies about the importance of following the law.

Beyond an apparent failure of corporate responsibility, ConAgra's 33 positive tests also expose a gaping loophole in existing food safety law: the company was not required to turn over the positive results immediately to USDA. Current USDA policy is to hope companies will act responsibly and share important health and safety data with food safety regulators. But this voluntary approach appears grossly inadequate to protect the public health.

In the wake of the ConAgra recall, USDA has taken a number of steps to improve oversight of meat production. The agency issued new guidance on *E. coli* O157:H7,¹³ which ends exemptions to government-run random testing and encourages additional company testing at critical control points. However, random tests by USDA are few and far between. Even if the President's request for additional testing is granted, meat production facilities will not be tested by USDA on a regular basis.¹⁴ Moreover, when USDA finds a positive result on random testing, the agency no longer requires 15 consecutive negative samples.

Additionally, while USDA is now reviewing HACCP plans of beef slaughter establishments,¹⁵ the agency still is not requiring that these plans include verification testing for *E. coli* O157:H7. This allows companies to perform any testing for this pathogen outside of the HACCP structure, with no obligation to turn positive results over to USDA.

In the aftermath of the ConAgra outbreak and other challenges to the safety of our nation's food supply, we believe Congress should give clear direction to the agency to (1) require

¹³USDA, *USDA Strengthens Food Safety Policies* (Sept. 24, 2002).

¹⁴The President has proposed approximately doubling the number of random tests. Approximately 5,500 tests were performed at approximately 1,700 federally inspected plants in 2001. USDA, *Microbiological Results of Raw Ground Beef Products Analyzed for Escherichia coli O157:H7* (online at: <http://www.fsis.usda.gov/OPHS/ecolitest/tables1.htm>).

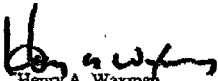
¹⁵USDA, *Statement of Dr. Garry L. McKee, Administrator, Food Safety And Inspection Service* (Feb. 7, 2003).

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USDA to set industry performance standards for pathogens like *E. coli* O157:H7; (2) require companies to turn over all pathogen testing results immediately to USDA; and (3) require companies to deliver the positive samples to USDA for DNA fingerprinting, allowing matches with cases of human illness. These steps are urgently needed to protect Americans from future outbreaks of foodborne disease. We ask that you join us in support of these provisions.

Thank you for your consideration of this request. We would appreciate a reply by March 21, 2003.

Sincerely,



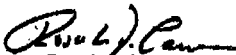
Henry A. Waxman
Ranking Minority Member
Committee on Government
Reform
U.S. House of Representatives



Marcy Kaptur
Ranking Minority Member
Subcommittee on Agriculture,
Rural Development, Food and
Drug Administration, and
Related Agencies
Committee on Appropriations
U.S. House of Representatives



Richard J. Durbin
Ranking Minority Member
Subcommittee on Oversight
of Government Management,
Restructuring, and the
District of Columbia
Committee on Governmental
Affairs
U.S. Senate



Rosa L. DeLauro
Member
Subcommittee on Agriculture,
Rural Development, Food and
Drug Administration, and
Related Agencies
Committee on Appropriations
U.S. House of Representatives



Sherrod Brown
Ranking Minority Member
Subcommittee on Health
Committee on Energy and Commerce
U.S. House of Representatives

Mr. BONILLA. Again, we thank you for your testimony. The subcommittee will stand in recess until 1:30 this afternoon.

[Recess.]

[The information follows:]



NEWS RELEASE

United States Department of Agriculture - Office of Communications - 1400 Independence Avenue, SW
Washington, DC 20250-1300 - Voice: (202) 720-4623 - Email: OC.NEWS@usda.gov - Web: www.USDA.gov

Release No. 0091.03

Alisa Harrison (202) 720-4623

VENEMAN PRESENTS OPTIONS TO MODERNIZE MEAT INSPECTION AUTHORITIES

WASHINGTON, March 19, 2003---Agriculture Secretary Ann M. Veneman today outlined several tools that USDA is considering to modernize the department's enforcement authorities under the meat and poultry inspection system.

"We have taken numerous actions to reduce pathogens," said Veneman. "However, we need to modernize our regulatory tools to make additional progress throughout the food system."

During remarks to the 2003 Food Safety Summit and Expo, Veneman said that USDA is considering actions such as mandatory notification to USDA when a federal establishment has reason to believe that meat or poultry has been adulterated or misbranded.

Additional Information

-  [Food Safety Mobile](#)
-  [Transcript Coming Soon](#)
-  [Print this document](#)

In addition, the department will consider authority to impose civil penalties after notice in writing and continued lack of compliance. This authority would involve due process before an administrative law judge, and liabilities would be limited to penalties based on continued noncompliance. Also, cease-and-desist orders and potential suspensions at earlier phases and on an expedited basis arising from HACCP violations may be considered.

Veneman said these ideas are not the only options and that USDA will work with all interested parties to look at new ideas for enhancing food safety systems and providing incentives for compliance.

"Input from a variety of sources will be critical as we move forward," said Veneman. "We can achieve further results if we work together, remain vigilant and consider new approaches in our regulatory systems."

USDA will also upgrade existing training programs by integrating scientific and technical advances, including HACCP validation, into its programs and augmenting current training programs through distance-learning and interactive sessions near employees' work-sites. In addition, USDA is creating collaborative teams to develop and validate decontamination strategies.

The actions announced today follow aggressive steps already taken including; record increases in food safety budget proposals including a FY 2004 proposal that, if passed by Congress, would represent a 15 percent increase since 2001; requiring intervention steps in plants to reduce the incidence of E. coli O157:H7; improving traceback systems to inform suppliers of processing facilities when a positive E. coli O157:H7 sample is discovered; issuing a new directive to reduce Listeria in ready-to-eat meat and poultry

that is risk-driven, and focuses on environmental testing in order to reduce the risk of product contamination; completing a scientific risk assessment to finalize the rulemaking process for Listeria; accelerating in-depth HACCP reviews in plants that fail to meet Salmonella standards; and increasing the training of Consumer Safety Officers and the inspection workforce to ensure regulations are being followed and strong HACCP systems are maintained.

"As we celebrate Agriculture Week to educate Americans about our bountiful, affordable food supply, it is important to remember that the success of our farmers and ranchers and the entire food industry relies on the confidence of consumers in a safe food supply" said Veneman.

Veneman also launched the USDA Food Safety Mobile that will visit some 100 communities this year alone to educate consumers about safe food handling techniques. More information on the Food Safety Mobile can be found at <http://www.fsis.usda.gov/>

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QUESTIONS SUBMITTED BY CONGRESSMAN BONILLA
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

PILOT PROGRAMS

Mr. Bonilla: Please identify all pilot programs FSIS has in operation and include those pilot programs to be established in fiscal year 2003 and those proposed for fiscal year 2004. Please also provide beginning and ending dates for the projects and estimated costs of each.

Response: The information is provided for the record. [The information follows:] The following programs involve the testing of new inspection processes and/or equipment in meat and poultry plants. FSIS does not directly incur increased costs as a result of these programs. The related inspection and verification tasks would be performed by agency inspectors irrespective of the presence of the new inspection processes and/or equipment. In most cases, the plant and company involved in the test would incur the cost associated with the purchase of the new inspection machine, process, and supplies. Please note that all pilot programs will be reviewed at the end of each year, but that some pilot programs may be completed before then.

ARS Machine Vision

The Agricultural Research Service is developing two inspection systems. One is the visible/NIR spectrophotometer subsystem; the second is multi-spectral imaging system. ISL successfully integrated a CCD spectroscopy detection system with object-oriented program modules. The functionality of the system was tested in a laboratory, and an in-plant poultry slaughter environment for a three week period. The results indicate that the system is robust and can operate in a real-time frame. With the upgraded hardware and retrievable real-time data storage, it makes possible future expansion of disease detection functions.

Beginning Date 1997
Ending Date 12/03
FSIS Direct Cost 0.

Poultry Carcass On-Line Re-Processing Using Trisodium Phosphate (TSP)

The pilot involves continuous trials at representative commercial poultry slaughter plants to test the effectiveness of TSP as a cleaning and sanitizing agent for use in on-line reprocessing of poultry carcasses. The pilot started July 14, 1997, and over 80 plants are currently using the protocol for poultry carcass on-line reprocessing. On September 18, 1998, Rhodia petitioned FSIS for rulemaking to amend 9CFR§381.91 to allow on-line reprocessing of poultry carcasses using TSP. On December 1, 2000, FSIS issued the proposed rule "Performance Standards for On-Line anti-microbial Reprocessing of Pre-Chill Poultry Carcasses."

Beginning Date 07/97
Ending Date 12/03
FSIS Direct Cost 0

Poultry Carcass On-Line Re-Processing Using Acidified Sodium Chlorite

This pilot involves continuous trials at representative commercial poultry slaughter plants to test the effectiveness of acidified sodium chlorite as a cleaning and sanitizing agent for use in on-line reprocessing of poultry carcasses. The pilot programs started on July 20, 1998, and over 15 plants are currently using the protocol for poultry carcass on-line reprocessing. On December 1, 2000, FSIS issued the proposed rule "Performance Standards for On-Line Antimicrobial Reprocessing of Pre-Chill Poultry Carcasses."

Beginning Date 07/98
 Ending Date 12/03
 FSIS Direct Cost 0

BOC GAS Macron Loop Chilling System (Ozone)

This pilot involves continuous trials at representative commercial poultry slaughter plants to test the effectiveness of the Macron Loop Chilling System. This system recycles poultry chilling water by cycling the water through filters and ozone disinfecting equipment.

Beginning Date 08/98
 Ending Date 12/03
 FSIS Direct Cost 0

BOC GAS Macron Loop System (Ozone)

Continuous trials are being conducted at representative commercial poultry slaughter plants to test the effectiveness of the Macron Loop System to reuse ozone treated water in carcass rinse cabinets. This system recycles carcass-rinse water by cycling the water through filters and ozone disinfecting equipment.

Beginning Date 11/99
 Ending Date 12/03
 FSIS Direct Cost 0

Ecolab's On-line Reprocessing Technology using Peroxyacetic Acid Solution

This pilot involves the evaluation of poultry carcass on-line reprocessing utilizing Inspexx 100 (a solution of peroxyacetic acid, acetic acid, and hydrogen peroxide, etc.) Poultry carcasses will be sprayed pre-chill with the Inspexx 100 solution. Microbial sampling and visual examination of carcasses will determine the efficacy of the system. One establishment is using this system.

Beginning Date 10/01
 Ending Date 12/03
 FSIS Direct Cost 0

ZEP Anti-microbial treatment System for On-line Reprocessing of Poultry Carcasses

This pilot involves the evaluation of the ZEP ZATS system for on-line reprocessing of poultry carcasses. The ZATS system incorporates chlorine dioxide as the anti-microbial agent. It is applied in a triple-chambered cabinet as a deluge rinse. Currently one establishment is using the system.

Beginning Date 01/02
 Ending Date 12/03
 FSIS Direct Cost 0

On-line Reprocessing via the Macron Loop Turbo Wash System

This pilot will validate the BOC Macron Loop System for removing visible fecal contamination and reducing microbial populations of post-eviscerated contaminated poultry carcasses. System proposes to use the previously approved BOC Macron Loop Technology in conjunction with a turbo wash system to reprocess contaminated poultry carcasses on-line. The BOC Macron Loop system uses filters and ozone to decontaminate the water. A small amount of chlorine is also injected into the system. Currently one establishment is testing this system.

Beginning Date 08/02
 Ending Date 12/03
 FSIS Direct Cost 0

MPSC Rinsing and Chilling

The MPSC's Rinsing and Chilling Technique is a procedure designed to improve meat quality and entails the intravascular administration of a sterilized, chilled, high pH solution of FDA/USDA approved substances at the end of the bleeding process. The in-plant trial is to evaluate the effect of the procedure on inspectors' ability to perform inspection, the amount of moisture retained in the meat, and the effect on the microflora on the carcass.

Beginning Date 1978
 Ending Date 12/03
 FSIS Direct Cost 0

Tomco's Pathogen Management System Utilizing Hypochlorous Acid

This pilot uses an application of an antimicrobial agent on poultry carcasses to replace off-line reprocessing. Poultry carcasses are treated at multiple points in the slaughter process to control pathogens. Treatment points are post-defeathering, post-evisceration, and in the chiller. One establishment is using this system.

Beginning Date 10/02
 Ending Date 12/03
 FSIS Direct Cost 0

Sani-Rinse System for On-line Reprocessing of Poultry

This pilot uses an application of an antimicrobial agent (chlorine dioxide) on poultry carcasses to replace off-line reprocessing. The protocol was submitted by Pilgrim's Pride Poultry. One plant is currently using this system.

Beginning Date 08/02
 Ending Date 12/03
 FSIS Direct Cost 0

On-line Reprocessing Trial using Sodium Metasilicate (SMS)

This protocol is submitted by Rhodia, the same company that originally received approval for on-line reprocessing with TSP. The intent is to replace TSP with the SMS. The equipment and method of application is the same. The usage concentration is about half that of TSP. They are both highly alkaline compounds. One establishment is testing this system.

Beginning Date 10/02
 Ending Date 12/03
 FSIS Direct Cost 0

Micro-Clear System for Poultry Reprocessing

This pilot uses an application of antimicrobial solution to poultry carcasses to replace off-line reprocessing. This is an on-line reprocessing procedure for poultry carcasses utilizing chlorine dioxide as the antimicrobial agent. It differs from the other chlorine dioxide systems in that the carcasses are treated in a tank, rather than in a spray/deluge cabinet.

Beginning Date Spring 2003
 Ending Date 12/03
 FSIS Direct Cost 0

Efficacy of 5 percent Hot Organic Acid as an Antimicrobial Agent on Chilled Beef Carcasses

This pilot will assess the efficacy of 5 percent hot organic (acetic and lactic) acid as an antimicrobial intervention for post-evisceration chilled beef carcasses. Organic acids have been shown to be an effective antimicrobial agent on hot beef carcasses. Organic acids are currently in use at the pre-evisceration carcass spray, post-steam pasteurization, and final carcass wash at 2.0-2.5 percent and 55 degrees Celsius. Testing will consist of collecting 100 samples during five production days at an IBP plant in Norfolk, NE.

Beginning Date Spring 2003
 Ending Date Summer 2003
 FSIS Direct Cost 0

Chlorine Dioxide Beef Carcass Spray

This pilot will assess the synergistic effect of chlorine dioxide on lactic acid-treated beef carcasses for reducing food borne pathogens on the surface of beef carcasses.

Beginning Date Summer 2003
 Ending Date Fall 2003
 FSIS Direct Cost 0

Hide-On Carcass Wash System

This pilot involves the commercial test of a hide-on carcass wash system designed to reduce the presence of surface pathogens on fresh meat using sodium hydroxide as the antimicrobial.

Beginning Date 02/03

Ending Date Winter 2003

FSIS Direct Cost 0

Path X Pilot Protocol, Monochloramine Anti-microbial treatment of Poultry Processing Water

This pilot will assess the effectiveness of using Monochloramine, when manufactured in accordance with Zentox Process No. CM-17711 and delivered as part of the PathX Pathogen Reduction Process to reduce microbial contamination in poultry process water.

Beginning Date Summer 2003

Ending Date Summer 2004

FSIS Direct Cost 0

HACCP-Based Inspection Models Project

The goal of the Hazard Analysis and Critical Control Point (HACCP)-based Inspection Models Project (HIMP) pilot program, which began in 1997, is to improve food safety by enabling FSIS to maintain the same level of consumer protection with fewer inspectors tied to the slaughter line. This will improve public health by providing FSIS with the flexibility to carry out more food safety activities within plants and along the farm-to-table continuum, including those addressing Homeland Security.

Under the traditional inspection system, an FSIS inspector is stationed at a fixed point in the middle of the processing line. Decisions about carcass conditions and food safety concerns are made at this one fixed point.

Under HIMP, one inspector inspects each carcass at the end of the line, while other FSIS inspection personnel are given the freedom to move throughout the facility and the processing line. Inspectors move through the facility to ensure that the plant's critical control points in its food safety system are effectively preventing and stopping pathogens and other food safety hazards that may not be visible to the naked eye or found through traditional visual inspection, resulting in more intense and effective inspection and verification activities.

Just as products are produced under the traditional inspection system, meat and poultry produced under the HIMP pilot is subject to the Federal Meat Inspection Act and the Poultry Products Inspection Act and their accompanying regulations. USDA inspectors still inspect and make a critical appraisal of every carcass.

Currently, 19 young chicken, two young turkey, and three market hog plants are actively participating in the HIMP Models phase.

FSIS has developed the HIMP system through a public process by holding numerous public meetings to solicit input. In addition, in June 2002, FSIS made public two sets of data regarding HIMP during a

meeting of the National Advisory Committee on Meat and Poultry Inspection (NACMPI).

Since the project began in 1997, \$5.7 million in contracts have been awarded for data collection to the Research Triangle Institute, an independent consulting firm.

FSIS has obtained a third-party review of the project design and data from the National Alliance for Food Safety (NAFS). The NAFS presented the results of the review during a November 6, 2002, National Advisory Committee on Meat and Poultry Inspection (NACMPI) meeting. The NAFS report stated, "the HIMP system compared favorably to the traditional system of inspection with regard to meaningful parameters to consumers of poultry and poultry products."

USDA has addressed recommendations contained in the January 2002 report by the General Accounting Office on how to improve HIMP. USDA has established criteria for evaluating establishments entering the project, established core training requirements for plant personnel, and drafted process control requirements for quality defects. USDA is evaluating additional changes that would be beneficial to the program.

In the FSIS FY 2004 budget proposal, HIMP is not listed as a separate initiative. For FY 2004, as with previous years, the pilot continues to be supported from FSIS' base level funding.

RESEARCH PROJECTS

Mr. Bonilla: What coordinated research is FSIS conducting with the Agricultural Research Service (ARS) and other USDA agencies?

Response: There are three recent examples of coordinated research efforts between FSIS and ARS. In May 2002, FSIS initiated a survey to gather information on dioxin in U.S. meat and poultry products. FSIS developed the survey in coordination with the Food and Drug Administration, the Environmental Protection Agency, and ARS. ARS' laboratory in Fargo, ND, is conducting the analyses on the meat and poultry samples collected for the survey and ARS representatives take part in the oversight committees that are managing the survey.

The pathogen predictive modeling project that ARS has conducted has enabled their scientists to model pathogen growth in different food matrices using various time and temperature parameters. ARS provided this predictive pathogen modeling software program to both FSIS and industry.

ARS has conducted a study to estimate the prevalence of *Listeria* in hot dogs. While ARS did not use the same method to test for *Listeria* as FSIS does for regulatory sampling, ARS is continuing its research on means to prevent contamination of hot dogs by *Listeria*, and measures that will inhibit the growth of *Listeria* in hot dogs.

In addition to work with ARS, FSIS has input into research programs conducted by the Cooperative State Research Education and Extension Service (CSREES). CSREES solicits input from FSIS for new

initiatives, including the draft version of its recent Agricultural and Food Security program.

INSPECTED ESTABLISHMENTS

Mr. Bonilla: Please provide a table showing the number of U.S. plants inspected in fiscal years 2001 and 2002 and the number estimated for fiscal years 2003 and 2004.

Response: The information is provided for the record.

[The information follows:]

Federally Inspected Establishments

	2001	2002	2003	2004
	Actual	Actual	Estimated	Estimated
Slaughter Plants	230	118	128	128
Processing Plants	4,201	4,152	4,175	4,175
Combination Slaughter and Processing Plants	933	964	980	980
Talmadge-Aiken Plants <u>1/</u>	242	359	329	329
Import Establishments	120	110	115	115
Egg Plants	72	82	70	72
Total	5,798	5,785	5,797	5,797

1/ Federal Slaughter, processing, and combination plants that are inspected by State employees under Federal supervision.

Note that this does not include plants that are inspected on a voluntary basis only, or inspected food warehouses.

ELIGIBLE EXPORTING COUNTRIES

Mr. Bonilla: Please provide a table showing the number of foreign plants inspected in fiscal year 2001 and 2002 and the number estimated for 2003 and 2004.

Response: The information is provided for the record.

[The information follows:]

Foreign Establishments Inspected During Foreign Country Audits
FY 2001 thru FY 2003

	Eligible Country	Ests. Audited FY 2001 (Actual)	Ests. Audited FY 2002 (Actual)	Ests. Audited FY 2003 (Projected)
1	Argentina	8	11	31
2	Australia	20	13	15
3	Austria	NT	2	NCE
4	Belgium	7	2	4
5	Brazil	9	13	40
6	Canada	9	AI	39
7	Costa Rica	4	4	4
8	Croatia	2	2	3
9	Czech Republic	2	2	2
10	Denmark	9	11	26
11	England	NT	3	5
12	Finland	7	5	8
13	France	19	11	23
14	Germany	11	6	12
15	Honduras	2	1	2
16	Hong Kong	NCE	NCE	NCE
17	Hungary	6	7	14
18	Iceland	5	9	4
19	Ireland	NT	9	6
20	Israel	9	10	10
21	Italy	27	81	66
22	Japan	3	BSE	BSE
23	Mexico	24	23	23
24	Netherlands	NT	20	26
25	New Zealand	10	13	15
26	Nicaragua	3	3	3
27	Northern Ireland	NT	NCE	2
28	Poland	7	10	10
29	Romania	3	2	2
30	Spain	4	4	4
31	Sweden	2	2	2
32	Switzerland	6	DA	3
33	Uruguay	FMD	8	24
TOTALS		217	287	428 ¹

NT: No travel arrangements were available as these audits were scheduled to be performed shortly after the events of 9/11/01.

NCE: No establishments were certified for export to the United States.

FMD: Country temporarily suspended because of Foot and Mouth Disease.

AI: Auditor taken ill; audit was performed later in calendar year (Oct 2002) but not in FY 2002.

BSE: Country identified as bovine spongiform encephalopathy (BSE) source and beef was the only product being exported.

DA: Declined audit; all establishments delisted by FSIS pending future audit.

¹ Projected increase in establishment audits for 2003 is because FSIS has selected several countries for intensified equivalence verification, which means they will be audited more than once this fiscal year.

Foreign Establishments Inspected During Foreign Country Audits
Projected for FY 2004

Eligible Country		Establishments Projected for Audit in FY 2004
1	Argentina	30
2	Australia	15
3	Austria	4
4	Belgium	4
5	Brazil	30
6	Canada	40
7	Chile (New)	4
8	Costa Rica	4
9	Croatia	3
10	Czech Republic	2
11	Denmark	15
12	Dominican Republic (New)	4
13	England	5
14	Finland	4
15	France	15
16	Germany	6
17	Guatemala (New)	4
18	Honduras	2
19	Hong Kong	1
20	Hungary	7
21	Iceland	4
22	Ireland	6
23	Israel	10
24	Italy	60
25	Japan	BSE
26	Mexico	30
27	Netherlands	26
28	New Zealand	15
29	Nicaragua	3
30	Northern Ireland	2
31	Paraguay (New)	8
32	Poland	10
33	Romania	2
34	San Marino (New)	2
35	Slovakia (New)	4
36	Slovenia (New)	2
37	Spain	4
38	Sweden	2
39	Switzerland	3
40	Uruguay	15
TOTALS		407

Chile, San Marino, and Slovakia are expected to become eligible for export to the US in Calendar Year (CY) 2003. Dominican Republic, Guatemala, Paraguay, and Slovenia are presently suspended from eligibility, but may regain export eligibility in CY 2003.

Mr. Bonilla: How many countries are currently eligible to export to the U.S.?

Response: There are thirty-three countries currently eligible to export meat and/or poultry to the U.S., although one of these countries - Hong Kong - is considered an inactive, eligible country because its single previously certified establishment has not been relisted.

Mr. Bonilla: Please provide a list of these countries as well as the type and volume of product that was imported in fiscal year 2002.

Response: The information is provided for the record.

[The information follows:]

U.S. Imported Meat and Poultry Products FY 2002			
Country	Product Name	Pounds Presented	Pounds Rejected
ARGENTINA	CANNED BEEF	407,477	0
	CANNED BEEF (OTHER)	1,568,833	468
	CANNED COOKED BEEF (SHELF STABLE)	1,788,089	4,129
	CANNED CORNED BEEF	10,236,308	2,136
	MICRO-PROCESSED BEEF	1,834,452	0
	MICRO-PROCESSED BEEF (FROZEN)	26,420,715	228,372
	PROCESSED BEEF	2,427,478	0
AUSTRALIA	BEEF-CARCASSES AND CUTS	175,603,634	336,156
	BEEF--EDIBLE ORGANS	1,362,776	17,739
	BEEF--HEAD MEAT AND TONGUE	4,694,241	61,629
	BEEF-MANUFACTURING	660,922,582	1,847,445
	CANNED BEEF	76,123	0
	CANNED CORNED BEEF	1,924,455	3,308
	CANNED MUTTON/LAMB	96,458	0
	CANNED VARIED COMBINATION	13,661	0
	FRESH BEEF	2,846,945	109,743
	FRESH GOAT	12,917,539	144,976
	FRESH VEAL	2,345,998	1,004
	MICRO--FRESH BEEF	5,661	2,661
	MICRO-PROCESSED BEEF	1,281	0
	MUTTON & LAMB--CARCASSES AND CUTS	97,506,488	1,377,622
	MUTTON & LAMB--EDIBLE ORGANS	177,596	41
	MUTTON & LAMB--MANUFACTURING	155,695	0
	PORK-MANUFACTURING	44	0
	VEAL-CARCASSES AND CUTS	3,354,516	3,938
	VEAL--EDIBLE ORGANS	291,747	0
	VEAL-MANUFACTURING	4,390,260	3,760
AUSTRIA	CANNED PICNICS	1,249	0
	CURED PORK	54,990	336
	MICRO-PROCESSED PORK	32,952	0
	PROCESSED PORK	30,445	0
BELGIUM	CANNED HAMS OVER 6 LBS	350,996	66

	CANNED PICNICS	7,247,888	5,866
	CURED PORK	532,301	0
BRAZIL	CANNED BEEF	1,182,350	44
	CANNED BEEF(OTHER)	27,355,626	80,098
	CANNED COOKED BEEF (SHELF STABLE)	551,880	0
	CANNED CORNED BEEF	54,428,586	710,569
	CURED BEEF	111,629	0
	MICRO-PROCESSED BEEF	3,510,730	20
	MICRO-PROCESSED BEEF (FROZEN)	12,378,320	78,108
	PROCESSED BEEF	516,730	0
CANADA	BEEF--CARCASSES AND CUTS	252,208,624	267,801
	BEEF--EDIBLE ORGANS	10,966,513	16,200
	BEEF--HEAD MEAT AND TONGUE	13,351,242	117,120
	BEEF--MANUFACTURING	240,013,984	262,845
	CANNED BEEF	18,266,083	0
	CANNED BEEF(OTHER)	39,671	0
	CANNED HAMS OVER 6 LBS	10,737,707	4,048
	CANNED LUNCHEON MEAT OR CHOPPED HAM	448,724	0
	CANNED MUTTON/LAMB	116,180	0
	CANNED PICNICS	2,763,378	0
	CANNED PORK	9,752	0
	CANNED PORK(OTHER)	6,390,490	63
	CANNED VARIED COMBINATION	6,339,711	0
	CANNED VEAL	1,984	0
	COOKED BEEF(OTHER)	9,889	0
	CURED BEEF	95,856	0
	CURED PORK	24,435,617	2,835
	FRESH BEEF	19,165,984	75
	FRESH CHICKEN	22,788,460	45,776
	FRESH MUTTON/LAMB	315,115	0
	FRESH PORK	258,849,075	125,206
	FRESH RATITES	19	0
	FRESH SQUAB	10,325	0
	FRESH VEAL	11,981,422	59,199
	MICRO--DUCK	1,696	0
	MICRO--FRESH BEEF	335,175,762	192,568
	MICRO-PROCESSED BEEF	20,125,530	75,019
	MICRO-PROCESSED BEEF (FROZEN)	232,307	0
	MICRO-PROCESSED CHICK	30,074,208	49,158
	MICRO-PROCESSED PORK	100,201,754	180,897
	MICRO-PROCESSED TURKEY	3,328,146	0
	MICRO-PROCESSED VARIED COMBINATION	3,785,542	46,409
	MUTTON & LAMB--CARCASSES AND CUTS	521,480	0
	MUTTON & LAMB--EDIBLE ORGANS	127	0
	MUTTON & LAMB--MANUFACTURING	197,160	0
	PORK--CARCASSES AND CUTS	302,948,754	328,065
	PORK--EDIBLE ORGANS	110,985	0
	PORK--MANUFACTURING	113,339,845	143,716
	POULTRY PRODUCTS--OTHER	1,620,986	1,938
	POULTRY PRODUCTS--PIES	22,540,260	2,971

	POULTRY PRODUCTS--SPECIALITY ITEMS	8,868,249	5,658
	PROCESSED BEEF	15,652,303	94,994
	PROCESSED CHICKEN	2,106	0
	PROCESSED DUCK/GOOSE	2,193	0
	PROCESSED MUTTON & LAMB	41,641	2,226
	PROCESSED PORK	13,122,298	36,163
	PROCESSED TURKEY	25,552	0
	PROCESSED VARIED COMBINATION	3,186,612	26,905
	PROCESSED VEAL	36,900	1
	READY-TO-COOK CHICKEN	3,120,645	90
	READY-TO-COOK DUCK	820,579	3,198
	READY-TO-COOK GEESE	18,963	0
	READY-TO-COOK TURKEYS	4,539,922	12
	SAUSAGE(TRICHINA TREATED)	23,556	0
	VEAL-CARCASSES AND CUTS	3,156,755	68,838
	VEAL--EDIBLE ORGANS	10,348	0
	VEAL-MANUFACTURING	240,118	0
CROATIA	CANNED HAMS OVER 6 LBS	13,824	0
	CANNED PICNICS	26,496	0
	CANNED PORK	136,801	0
	CURED PORK	78,878	0
COSTA RICA	BEEF-CARCASSES AND CUTS	8,590,664	60
	BEEF--EDIBLE ORGANS	127,886	0
	BEEF-MANUFACTURING	10,863,631	60
	FRESH BEEF	113,469	0
	MICRO--FRESH BEEF	30	0
	PROCESSED BEEF	26,637	0
DENMARK	CANNED HAMS OVER 6 LBS	14,503,717	2,322
	CANNED LUNCHEON MEAT OR CHOPPED HAM	4,809,993	0
	CANNED PICNICS	6,383,893	0
	CANNED PORK	34,234	0
	CANNED PORK(OTHER)	353,341	0
	CURED PORK	3,848,399	1,525
	MICRO-PROCESSED PORK	2,536,438	0
	PORK-CARCASSES AND CUTS	25,237,127	302,704
	PORK--EDIBLE ORGANS	486,000	90
	PORK-MANUFACTURING	52,940,887	117,921
	PROCESSED PORK	216,141	231
	SAUSAGE(TRICHINA TREATED)	108,612	0
FINLAND	PORK-CARCASSES AND CUTS	214,563	198
	PORK-MANUFACTURING	2,349,232	1,117
FRANCE	CANNED PORK	24,545	69
	CANNED PORK(OTHER)	277	0
	CANNED VARIED COMBINATION	18,081	0
	CURED PORK	434,108	0
	MICRO-PROCESSED PORK	3,457	0
	POULTRY PRODUCTS--OTHER	140	0
	POULTRY PRODUCTS--SPECIALITY ITEMS	166,390	529
	PROCESSED BEEF	152,893	608
	PROCESSED CHICKEN	36,920	89

	PROCESSED DUCK/GOOSE	7,093	14
	PROCESSED MUTTON & LAMB	831	43
	PROCESSED PORK	613	217
	PROCESSED VARIED COMBINATION	845	0
	PROCESSED VEAL	13,849	0
	READY-TO-COOK DUCK	35	0
	READY-TO-COOK GEESE	1,117	34
GERMANY	CURED PORK	698,048	0
	SAUSAGE (TRICHINA TREATED)	58,904	17
HONDURAS	BEEF-CARCASSES AND CUTS	47,237	0
	BEEF-MANUFACTURING	775,200	128,400
HUNGARY	CANNED HAMS OVER 6 LBS	2,152,548	0
	CANNED PICNICS	1,643,028	0
	CURED PORK	111,068	0
	MICRO-PROCESSED PORK	167,247	9,951
ICELAND	MUTTON & LAMB--CARCASSES AND CUTS	95,978	0
IRELAND	CURED PORK	102,520	72
	PORK-CARCASSES AND CUTS	1,629,570	246
	PORK-MANUFACTURING	2,043,245	1,420
	PROCESSED PORK	54,968	0
	SAUSAGE (TRICHINA TREATED)	55,880	0
ISRAEL	MICRO-PROCESSED CHICK	1,067,904	780
	MICRO-PROCESSED TURKEY	587,190	589
	POULTRY PRODUCTS--SPECIALITY ITEMS	192,779	0
	PROCESSED TURKEY	661	0
ITALY	CANNED HAMS OVER 6 LBS	95,410	2,128
	CURED PORK	4,554,025	15,886
	MICRO-PROCESSED PORK	515,723	2,637
	SAUSAGE (TRICHINA TREATED)	5,123	0
MEXICO	BEEF-CARCASSES AND CUTS	4,319,332	17,599
	BEEF--EDIBLE ORGANS	392,693	2,360
	BEEF-MANUFACTURING	2,447	0
	CANNED BEEF	7,551	0
	CANNED PORK (OTHER)	37,319	0
	CURED PORK	5,605	0
	FRESH BEEF	141,240	789
	MICRO--FRESH BEEF	3,173,130	0
	MICRO-PROCESSED BEEF (FROZEN)	1,393	0
	MICRO-PROCESSED CHICK	791,807	0
	MICRO-PROCESSED TURKEY	868,799	0
	MICRO-PROCESSED VARIED COMBINATION	4,201	0
	PORK-CARCASSES AND CUTS	115,873	0
	PORK-MANUFACTURING	89,660	0
	POULTRY PRODUCTS--PIES	446,888	0
	PROCESSED BEEF	7,056,969	4,926
	PROCESSED PORK	134,191	53
NETHERLANDS	CANNED HAMS OVER 6 LBS	4,122,059	34,596
	CANNED LUNCHEON MEAT OR CHOPPED HAM	4,835,247	3,252
	CANNED PORK (OTHER)	168,615	0
	CURED PORK	291,164	0

	PROCESSED VARIED COMBINATION	38,754	0
	SAUSAGE (TRICHINA TREATED)	402,446	21
NEW ZEALAND	BEEF-CARCASSES AND CUTS	49,632,046	60,028
	BEEF--EDIBLE ORGANS	229,258	153
	BEEF--HEAD MEAT AND TONGUE	2,219,729	41,250
	BEEF-MANUFACTURING	351,735,218	1,309,899
	CANNED BEEF	773,952	225
	CANNED CORNED BEEF	1,622,045	24
	CANNED MUTTON/LAMB	35,403	16
	CANNED VARIED COMBINATION	54,350	0
	FRESH BEEF	863,284	1,608
	FRESH GOAT	1,271,328	13,036
	FRESH RATITES	67,370	128
	FRESH VEAL	1,058,930	32,287
	MICRO--FRESH BEEF	180	0
	MICRO-PROCESSED BEEF	64,563	0
	MUTTON & LAMB--CARCASSES AND CUTS	45,219,867	272,663
	MUTTON & LAMB--EDIBLE ORGANS	595,332	240
	MUTTON & LAMB--MANUFACTURING	574,733	240
	PROCESSED BEEF	151,003	0
	PROCESSED MUTTON & LAMB	40	0
	VEAL-CARCASSES AND CUTS	8,394,956	3,010
	VEAL-MANUFACTURING	9,601,852	55,924
NICARAGUA	BEEF-CARCASSES AND CUTS	8,599,200	0
	BEEF--EDIBLE ORGANS	464,263	0
	BEEF--HEAD MEAT AND TONGUE	76,958	0
	BEEF-MANUFACTURING	20,868,309	1,080
	FRESH BEEF	76,537	0
POLAND	CANNED HAMS OVER 6 LBS	12,898,294	0
	CANNED LUNCHEON MEAT OR CHOPPED HAM	125,256	7,875
	CANNED PICNICS	424,347	0
	CANNED PORK	330,694	6,683
	CANNED PORK (OTHER)	458,726	1,430
	CURED PORK	264,921	32
	MICRO-PROCESSED PORK	2,217	0
	PROCESSED PORK	44,191	0
SPAIN	CANNED HAMS OVER 6 LBS	11,340	0
	CURED PORK	602,281	0
	SAUSAGE (TRICHINA TREATED)	264,526	0
SWEDEN	PORK-CARCASSES AND CUTS	85,584	94
	PORK-MANUFACTURING	28,690	0
N. IRELAND	PORK-MANUFACTURING	548,774	0
URUGUAY	BEEF-MANUFACTURING	55,085	65
	CANNED BEEF	291,267	1,848
	CANNED BEEF (OTHER)	67	16
	CANNED CORNED BEEF	1,792,178	36
	MICRO-PROCESSED BEEF (FROZEN)	4,273,101	77
	PROCESSED BEEF	632,100	0
All 27 Countries Totals :		3,714,384,882	9,643,750

Mr. Bonilla: Has the number of eligible countries increased over fiscal year 2001?

Response: The number of eligible countries remained steady at thirty-three through fiscal year (FY) 2002, but is expected to rise in FY 2003 as Chile, San Marino, and Slovakia attain equivalence and become eligible to export to the United States. Additionally, four eligible countries are presently suspended from export but may be reinstated in 2003 (Dominican Republic, Guatemala, Paraguay and Slovenia).

Mr. Bonilla: Please update the tables in last year's hearing record showing the number of countries eligible to export to the U.S., and the number that actually exported products to the U.S. for fiscal year 2002.

Response: The information is provided for the record.

[The information follows:]

Countries Eligible To Export To The U.S.
and Countries That Exported To The U.S.
During FY 2002

Eligible Systems (33)	Actual Exporters (27)
Argentina	Argentina
Australia	Australia
Austria	Austria
Belgium	Belgium
Brazil	Brazil
Canada	Canada
Costa Rica	Costa Rica
Croatia	Croatia
Czech Republic	
Denmark	Denmark
England	
Finland	Finland
France	France
Germany	Germany
Honduras	Honduras
Hong Kong **	
Hungary	Hungary
Iceland	Iceland
Ireland	Ireland
Israel	Israel
Italy	Italy
Japan	
Mexico	Mexico
Netherlands	Netherlands
New Zealand	New Zealand
Nicaragua	Nicaragua
Northern Ireland	Northern Ireland
Poland	Poland
Romania	
Spain	Spain
Sweden	Sweden
Switzerland	
Uruguay	Uruguay

** During FY 2002, Hong Kong was an inactive eligible exporting country due to a delistment of its single certified plant in May 2001.

Mr. Bonilla: What countries have applications pending to export meat, poultry or egg products to the U.S.?

Response: The information is provided for the record.

[The information follows:]

Countries with applications pending to export meat, poultry or egg products to the U.S.

30 COUNTRIES	PRODUCT(S)
Argentina	Egg products
Australia	Egg products, ratites
Bosnia/Herzegovina	Meat
Brazil	Poultry
British Virgin Islands	Meat and poultry
Chile	Meat and poultry
China	Meat and poultry
Columbia	Meat and poultry
Costa Rica	Poultry
Denmark	Poultry
Hungary	Poultry
Jamaica	Meat and poultry
Jordan	Meat and poultry
Korea	Meat and poultry
Lebanon	Poultry
Lithuania	Meat
Mexico	Equine, poultry, egg products
Namibia	Meat
New Zealand	Ratites
Panama	Meat
Peru	Ratites
Philippines	Meat
Russia	Meat
San Marino	Meat
Slovakia	Meat
South Africa	Meat and poultry
Spain	Poultry
Taiwan	Poultry
Thailand	Poultry
Turkey	Poultry

Note: A number of the countries listed already export meat and/or poultry products to the U.S., however they have applied to export additional products that they are not currently permitted to export to the U.S.

Mr. Bonilla: How are exporting countries certified?

Response: Any country can apply for eligibility to export meat, poultry, or egg products to the United States. Normally, the application process begins with a letter to FSIS from a foreign government asking for clearance to export its products for sale in U.S. commerce. FSIS responds to these letters with a standard package consisting of questionnaires designed to collect detailed information about the foreign food regulatory system; examples of completed questionnaires that demonstrate how FSIS would answer them; and copies of pertinent U.S. laws, regulations, and other documents. The initial package provides an applicant country with information about the U.S. meat and poultry food regulatory system and conveys expectations about sanitary measures that FSIS anticipates in an equivalent foreign system. In summary, the initial eligibility package explains by example the level of sanitary protection that FSIS deems appropriate.

Foreign countries often take months to assess the initial eligibility package and complete all necessary questionnaires. Upon request, FSIS provides advice and guidance to foreign governments concerning any portion of the application process. When the completed application is received, FSIS conducts an initial document analysis. In many cases, further information or clarification is needed. FSIS advises the foreign government of data or other information needed to finish the evaluation, and works collaboratively with its food regulatory officials to facilitate this process. Upon completion of the document analysis step, FSIS makes a decision as to whether the foreign food regulatory system documentation (1) meets all U.S. import requirements in an equivalent manner, and (2) cumulatively provides the same level of public health protection attained domestically. If this step is satisfactorily completed, FSIS would then carry out an on-site audit of the entire foreign meat, poultry, and/or egg products food regulatory system.

Initial equivalence audits are conducted by a multidisciplinary team of experts. Composition of the audit team may include a veterinarian, food technologist, microbiologist, chemist, residue technician, compliance officer, document analysis case officer, and others as needed. In some instances, auditors may possess multiple skills and will perform more than one function. The audit planning process begins with each auditor becoming completely familiar with all documentation submitted by the foreign government. The audit scope includes system records such as country laws, regulations, notices, and other program implementation documents; records of establishment operations, inspection results, enforcement activities; chemical residue controls from farm to slaughter; microbiological and chemical testing programs; laboratory support, sampling programs, testing methodologies, and special U.S. import requirements such as pathogen reduction and HACCP programs. Data collection instruments are devised to evaluate each foreign food regulatory system component.

During the on-site audit, FSIS auditors correlate foreign program documentation with observations about program delivery. Thus, the goal of an initial equivalence audit is to verify that the foreign food regulatory system has satisfactorily implemented all the country laws, regulations, and other inspection or certification requirements that FSIS found to be equivalent during the document analysis step. Follow-

up audits are conducted when necessary to complete the initial equivalence on-site process. When both the document analysis and on-site audit steps have been satisfactorily completed, FSIS publishes a proposed rule in the *Federal Register* that announces results of the first two steps and proposes to add the country to its list of eligible exporters. Upon receipt of public comments, FSIS makes a decision about system equivalence based upon all available information and publishes a final rule in the *Federal Register* announcing country eligibility.

Mr. Bonilla: Was a sample of slaughter and processing plants inspected in all certified countries in fiscal year 2002?

Response: Yes, a sample of slaughter and processing plants was inspected in all certified countries that were exporting to the U.S. in fiscal year 2002. Audits in Hong Kong and Northern Ireland were not conducted because neither country had establishments certified for export to the United States. Japan was not audited because we do not allow imports from it due to BSE. Switzerland declined the audit request and FSIS delisted all of the Swiss establishments pending a future audit.

Mr. Bonilla: Will all certified countries be inspected in fiscal year 2003?

Response: All certified countries except for Austria and Hong Kong, which have not certified any establishments for FY 2003, and Japan, which we do not allow imports from due to BSE, will be inspected in FY 2003.

TRACEBACK OF IMPORTED PRODUCT

Mr. Bonilla: Imported product that has passed inspection at the port of entry is treated as domestic product if it is later found to be unfit. Does this mean that we can not trace back a shipment of contaminated meat to its country of origin?

Response: The Federal meat and poultry inspection laws provide that imported product that has passed port-of-entry reinspection and entered the United States be treated as domestic product. All product entering the United States carries labeling on the shipping container indicating the country and plant of origin. In addition, consumer-ready products, such as canned hams, are fully labeled with the country and plant of origin, which is retained throughout the distribution chain.

FSIS trace back procedures apply to both domestically produced product, as well as imported product that has passed port-of-entry reinspection. A shipment of contaminated meat can be traced back to the country of origin by use of box labels, production codes, and paperwork, including the Import Information Application and the foreign country health certificate. Trace back is effective unless the products are further processed under U.S. inspection and no longer carry the original labeling. This is true for both domestic and imported product. If the products are further processed, they can be traced back to the establishment where the further processing occurred.

If a problem is found with imported product after it has entered the United States, it is treated the same as domestic product with regard to disposition. It cannot be re-exported. It must be either destroyed or converted to animal food, except in some specific cases where it can be further processed or re-labeled to bring it into compliance with U.S. regulatory requirements.

In 2002, FSIS modernized the Automated Import Inspection System (AIIS). The AIIS is a computer system that captures information such as markings and certification numbers that will allow FSIS to better track shipments of meat, poultry, and egg products once they enter the country. The system links inspectors at all ports-of-entry, allowing information on shipments and violations to be shared immediately.

FOREIGN COUNTRY EQUIVALENCY DETERMINATIONS

Mr. Bonilla: Please list the countries by name, for which you did equivalence determinations in Fiscal Year 2002.

Response: New Zealand was the only country for which FSIS carried out an equivalence determination in FY 2002. An equivalence determination is done when a country approved to import to the U.S. requests that a procedure, such as a sanitary measure, be determined as equivalent to U.S. food safety inspection standards.

Mr. Bonilla: Once FSIS determines equivalence in a country exporting meat and poultry products to the United States, is there any follow up inspection at ports of entry or the retail level?

Response: Yes. All meat and poultry shipments that enter the United States are reinspected for transportation damage, labeling, proper certification, general condition, and accurate count. In addition, the AIIS system assigns various additional types of reinspection, which can include product examination; laboratory analysis for microbiological contamination, chemical residues, food chemistry, and species; net weight checks; examination of the condition of containers; and incubation of shelf-stable product.

In 2002, FSIS announced that the agency was modernizing the AIIS. The upgraded system allows inspectors at all ports-of-entry to share information on shipments and violations immediately.

IMPORT INSPECTION

Mr. Bonilla: What percentage of imports does FSIS inspect?

Response: The sampling program at ports-of-entry is a reinspection of products produced under a foreign inspection system that is equivalent to FSIS rules and regulations. FSIS verifies all shipments for proper documentation, and for all countries, except for Canada, all product is off-loaded and staged for FSIS verification of overall condition (transportation damage), accurate labeling and box count. In the case of Canada, these verification activities are

performed at the back of the vehicle transporting the shipment. During FY 2002, approximately 18.5 percent of all lots of meat and poultry products presented at U.S. ports-of-entry were subjected to additional reinspection activities, which include organoleptic evaluation as well as product sampling for food chemistry, microbiological, and residue testing.

Mr. Bonilla: List, by country, the number of plants inspected in fiscal years 2000 through 2002 and indicate the number of plants in each country that were not consistent with USDA policies and standards.

Response: The information is provided for the record.

[The information follows:]

Foreign Inspection System Audits of Eligible Countries
FY 2000

	Eligible. Country	Date of Audit	Number of Certified Plants	Number of Plants Audited	Number of Plants Delisted
1	Argentina	Mar/Apr 00	32	8	0
2	Australia	Postponed			
3	Austria	Nov 99	2	2	0
		Mar 00	3	1	0
4	Belgium	May 00	8	8	2
5	Brazil	May/Jun 00	25	9	1
6	Canada	Apr 00	460	8	0
7	Costa Rica	Sep 00	4	4	0
8	Croatia	Nov 99	2	2	0
9	Czech Republic	May/Jun 00	2	2	0
10	Denmark	Sep 00	97	9	0
11	England	Apr/May	5	5	0
12	Finland	Sep/Oct	7	7	0
13	France	Postponed			
14	Germany	Dec 99	13	8	0
15	Honduras	Mar 00	2	2	0
16	Hong Kong	Feb 00	1	1	0
17	Hungary	Jan/Feb 00	9	6	0
18	Iceland	Oct 99	4	4	0
19	Ireland	Apr/May 00	6	6	2
20	Israel	May 00	16	8	1
21	Italy	Sep 00	120	9	2
22	Japan	Feb 00	3	3	0
23	Mexico	Nov 99	37	20	3
24	Netherlands	Jan/Feb 00	30	8	0
25	New Zealand	Mar 00	72	9	0
26	Nicaragua	Sep 00	3	3	0
27	Northern Ireland	Apr/May 00	1	1	0
28	Poland	May/Jun 00	18	7	0
29	Romania	Feb/Mar 00	3	3	0
30	Spain	Jun 00	4	4	0
31	Sweden	Sep 00	2	2	0
32	Switzerland	Jan/Feb 00	5	5	0
33	Uruguay	Jun 00	23	9	0
	TOTALS		1,019	183	11

**Foreign Inspection System Audits of Eligible Countries
FY 2001**

	Eligible Country	Date of Audit	Number of Certified Plants	Number of Plants Audited	Number of Plants Delisted
1	Argentina	Mar/Apr 01	35	8	0
2	Australia	Oct/Nov 00 Aug/Sep 01	99 103	9 14	1 0
3	Austria	Postponed			
4	Belgium	Aug 01	7	7	4
5	Brazil	Jul/Aug 01	28	9	0
6	Canada	Jun/Jul 01	513	9	0
7	Costa Rica	Jul 01	4	4	0
8	Croatia	Dec 00	2	2	0
9	Czech Republic	Jul/Aug 01	2	2	0
10	Denmark	Mar/Apr 01	99	9	0
11	England	Postponed			
12	Finland	Aug 01	7	7	2
13	France	Oct/Nov 00 May 01	29 27	11 8	0 0
14	Germany	Oct/Nov 00 Jul/Aug 01	11 5	6 5	0 0
15	Honduras	Jun 01	2	2	0
16	Hong Kong				
17	Hungary	Nov 00	8	6	0
18	Iceland	Oct 00	5	5	0
19	Ireland	Postponed			
20	Israel	May/Jun 01	15	9	0
21	Italy	May/Jun 01	141	27	8
22	Japan	Aug/Sep 01	3	3	0
23	Mexico	Nov/Dec 00 Jan 01 May 01	34 33 30	11 1 12	1 0 1
24	Netherlands	Postponed			
25	New Zealand	May/Jun 01 Sep 01	71 0	9 1	0 n/a
26	Nicaragua	Jun 01	3	3	0
27	Northern Ireland	Postponed			
28	Poland	Apr 01	16	7	0
29	Romania	Nov/Dec 00	3	3	0
30	Spain	Mar/Apr 01	4	4	0
31	Sweden	Aug 01	2	2	1
32	Switzerland	Mar/Apr 01	6	6	0
33	Uruguay	Postponed			
	TOTALS		1,146	220	18

Note: Hong Kong decertified its only establishment in May 2001. No country audit was conducted.

Foreign Inspection System Audits of Eligible Countries FY 2002

	Eligible Country	Date of Audit	Number of Certified Plants	Number of Plants Audited	Number of Plants Delisted
1	Argentina	May/June 02	34	11	4
2	Australia	Feb/Mar 02	101	13	0
3	Austria	Mar 02	2	2	2
4	Belgium	Feb/Mar 02	2	2	0
5	Brazil	Jan/Feb 02	29	13	2
6	Canada *	Delayed to 03			
7	Costa Rica	Jul 02	4	4	0
8	Croatia	Jan 02	2	2	0
9	Czech Republic	Sep 02	2	2	0
10	Denmark	Jan/Feb 02	90	11	2
11	England	Feb 02	3	3	0
12	Finland	Sep 02	5	5	1
13	France	Apr 02	24	11	2
14	Germany	May/Jun 02	6	6	0
15	Honduras	Jun 02	1	1	0
16	Hong Kong **				
17	Hungary	Feb/Mar 02	7	7	0
18	Iceland	Oct 01	5	5	1
	Iceland	Sep 02	4	4	0
19	Ireland	Nov/Dec 01	4	4	1
	Ireland	Jul 02	5	5	1
20	Israel	Feb/Mar 02	17	10	0
21	Italy	Nov/Dec 01	129	40	4
	Italy	Apr/May 02	82	41	0
22	Japan ***				
23	Mexico	Nov 01	29	11	2
	Mexico	Apr/May 02	30	12	0
24	Netherlands	Oct 01	24	8	2
	Netherlands	Jun/Jul 02	19	12	3
25	New Zealand	Apr 02	73	13	0
26	Nicaragua	June 02	3	3	0
27	Northern Ireland	Nov/Dec 01	0	0	0
	Northern Ireland	Aug 02	0	0	0
28	Poland	Sep/Oct 02	20	10	0
29	Romania	Oct/Nov 01	2	2	0
30	Spain	Dec 01	4	4	0
31	Sweden	Aug 02	1	2	1
32	Switzerland	Delayed to 03			
33	Uruguay	Jan/Feb 02	21	8	0
	TOTALS To Date		784	287	28

* Auditor taken ill; audit was performed later in calendar year (Oct 2002) but not in FY 2002.

**Hong Kong decertified its only establishment in May 2001. No country audit was conducted.

***Not currently eligible to ship product to the U.S. due to BSE status.

Mr. Bonilla: In those three fiscal years, have any foreign countries or companies refused FSIS access to plants?

Response: Yes. Switzerland declined the request for an annual audit in FY 2003. FSIS immediately delisted all Swiss establishments from eligibility for export to the U.S. FSIS has advised the Government of Switzerland that no Swiss establishment will be reinstated to export until FSIS completes an audit of their meat inspection system.

Mr. Bonilla: What percentage of meat and poultry in the marketplace is imported?

Response: In 2002, FSIS reinspected 3.9 billion pounds of meat and poultry products into the U.S. from 33 eligible foreign countries, which is approximately 4-6 percent of domestic production.

Mr. Bonilla: Please give the Committee some specific information on the elements of the equivalency audits done by USDA scientists to determine the ability of a foreign country to meet U.S. standards for meat.

Response: All foreign food regulatory system equivalence audits are conducted at least annually in four phases: planning, execution, evaluation, and feedback. For example, an annual system equivalence verification audit would consist of the following activities.

1. PLAN. FSIS prepares a consolidated annual plan to audit each country that exports meat, poultry, or egg products to the United States. Individual country audit plans are based, in large part, upon prior experience with the exporting country. For example, all previous FSIS audit reports are reviewed to identify issues for inclusion in the current audit. Port-of-entry reinspection data are also reviewed at this time to determine trends and identify areas of special interest for audit. These documents and data are used by FSIS to develop an audit plan that is customized for each country. The plan includes a list of foreign establishments selected for centralized records review. A subset of these establishments is further selected for on-site audit. FSIS uses a statistical method for establishment selection. Additional establishments may be added for cause. The audit plan is transmitted to the exporting country for comment before implementation. The audit protocol is sufficiently detailed to inform the exporting country of the audit objectives, scope and criteria, who will be visiting, what they wish to see, where they wish to go, and when they wish to do so. Special emphasis is given to adoption of new sanitary measures or food regulatory system changes that have occurred since the last audit either through initiative of the exporting country or in response to new U.S. import requirements.

2. **EXECUTE.** An auditor (or in some cases an audit team) is dispatched to the exporting country's inspection headquarters and/or to sub-offices as agreed in the audit protocol. Opening discussions are held with exporting country officials to determine if the national system of inspection, verification and enforcement is being implemented as documented, and to identify significant trends or changes in operations. The FSIS auditor examines a sample of program records that evidence exporting country regulatory activities, and accompanies country officials on field visits to a representative sample of establishments that are eligible for export to the United States. Exporting country officials conduct a review to verify that each selected establishment continues to achieve the U.S. level of sanitary protection. Particular attention is paid to how eligible establishments address food safety hazards, some of which may be different from those encountered in the United States. FSIS auditors observe establishment activities and correlate review findings made by exporting country officials. Selected microbiological and chemical laboratories are also reviewed, and a farm or feedlot is visited to verify animal drug controls. In a closing meeting, the FSIS auditor provides exporting country officials with an overview of conditions observed and ensures that audit observations are clearly understood.

3. **EVALUATE.** FSIS conducts a post-audit evaluation of all data collected on-site. When evaluating audit data, FSIS considers how sanitary measures of the foreign food regulatory system compare or contrast to those used in the U.S., and determines whether the foreign system cumulatively provides the same level of protection.

4. **FEEDBACK.** FSIS thereafter sends the exporting country a draft audit report and provides them an opportunity to comment on its findings. After consideration of country comments, a final report is prepared. An action plan is mutually developed to address any issues raised by the audit. These issues are tracked by FSIS until resolution and are automatically included as items of special interest in the next audit.

All reports of equivalence verification audits are posted on the FSIS web site when they are "final," which is immediately after the final version is delivered to the audited country.

In some instances, when a more in-depth audit of a country is deemed necessary, FSIS will dispatch an interdisciplinary team of experts to conduct an equivalence verification. Occasionally, a country may be identified for more than one audit per year. These decisions are made on a case-by-case basis. Initial equivalence audits are always conducted by a team of experts.

In addition, the FY 2004 budget request includes \$1.8 million to increase FSIS equivalence reviews in exporting countries. In recent years, FSIS has experienced a rise in applications from foreign countries to export meat, poultry, and egg products to the United States. This funding is necessary for the agency to hire additional foreign auditors to meet the demands of increased foreign inspection

system audits. This will help ensure that foreign meat, poultry, and egg products establishments are shipping product to the U.S. that meets the same standard of safety required in U.S. establishments.

Mr. Bonilla: What level of surveillance has the Department decided is sufficient for foreign plants?

Response: Primary surveillance of foreign plants is conducted by the foreign inspection service during continuous inspection in each certified slaughter and processing establishment. FSIS performs equivalence verification audits annually in every exporting country and visits a sample of certified establishments. It is important to note that the purpose of annual FSIS equivalence verification audits is to evaluate foreign inspection systems, not individual foreign establishments. The audit goal is to verify that foreign governments are regulating certified plants in a manner that ensures they maintain the same level of public protection achieved by U.S. domestic establishments.

Mr. Bonilla: Are they subject to the same standards as domestic plants?

Response: Yes. Foreign certified establishments must maintain the same standards applied to U.S. domestic establishments.

Mr. Bonilla: For what reasons are foreign plants delisted (that is, not allowed to export to the U.S.)?

Response: A foreign plant would be delisted if it were found to have any serious deficiency that shows it is not meeting standards equal to those achieved in U.S. domestic plants. Examples include instances of direct product contamination; poor environmental sanitation that could lead to direct product contamination, lack of a sanitation standard operating procedure or failure to implement an existing procedure; no HACCP plan or an inadequate plan or not following an existing plan; no testing for generic *E. coli*; less than continuous inspection coverage; humane slaughter violations; and any other fundamental requirement of equivalence.

Mr. Bonilla: Under what circumstances are they allowed to resume export of products to the U.S.?

Response: FSIS allows foreign inspection services to recertify a delisted plant upon correction of all deficiencies that resulted in its delistment. During the next annual audit, FSIS visits any plant that was delisted the year before to verify that its deficiencies have been corrected.

Mr. Bonilla: Please provide a table listing resources (dollars and full-time equivalents) directed to equivalency audits, foreign inspection, and border inspection for the current year and budget year.

Response: The information is provided for the record.

[The information follows:]

	FY 2003	FY 2004
Equivalency audits and foreign inspection	\$4,371,801	\$6,148,801
Border (port-of-entry) reinspection	11,755,199	12,533,199
Total	16,127,000	18,682,000
Full-time equivalents	159	167

SANITARY AND PHYTOSANITARY COOPERATIVE EFFORTS

Mr. Bonilla: How does FSIS work with other agencies in USDA and with other U.S. government agencies on trade-related matters such as Sanitary and Phytosanitary regulations, new requirements under trade agreements, and trade disputes?

Response: FSIS' Office of International Coordination staff works with other USDA and Federal government agencies on various trade related issues and negotiations to ensure that our public health mission is taken into consideration. FSIS personnel are active participants in the World Trade Organization (WTO) Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) Committee meetings to:

1. Monitor and provide input on the application of SPS measures as they relate to food safety.
2. Participate in the development of U.S. government international food safety positions.
3. Identify SPS issues that may affect agency objectives and raise these issues either formally at the SPS Committee sessions, or during informal consultations with other governments.

FSIS participates in the Free Trade Agreement of the Americas (FTAA) and the Free Trade Agreement with Chile negotiations to:

1. Avoid a FTAA text that competes with the SPS Agreement.
2. Focus on resolving practical implementation issues within the Hemisphere.

3. Promote a systems approach to Chile's approval of the U.S. meat and poultry inspection system and certification of U.S. establishments exporting to Chile.
4. Facilitate market access for U.S. meat and poultry products.

The U.S. Codex Office is located in FSIS, under the Office of the Under Secretary for Food Safety at the USDA. The Under Secretary for Food Safety is the head of the Codex office, as the highest ranking food safety official in the United States. FSIS actively participates in developing international food safety standards through the Codex Alimentarius Commission. In this capacity, FSIS informs the public of the sanitary and phytosanitary standard-setting activities of Codex and seeks comments on standards under consideration and recommendations for new standards. Codex is an important international standard-setting organization whose health and safety standards serve as key reference points in settling trade disputes under the Agreement on Sanitary and Phytosanitary Measures.

STATE EQUIVALENCY

Mr. Bonilla: FSIS is responsible for assessing the effectiveness of state meat and poultry inspection programs. What happens when a state program is found to be inadequate?

Response: FSIS reviewed each State's program at least once every three to five years. State programs that are found to have significant deficiencies are reviewed on a more frequent basis. If Federal reviews of a State program identify system-wide deficiencies, the State is expected to take immediate control actions to ensure food safety, and to undertake long-term initiatives to correct the underlying causes of the problem. In these situations, FSIS provides technical support. If these actions fail, FSIS will designate the program for Federal assumption of inspection. If it is determined that the State system is not equal to the Federal program, all plants would be put under Federal inspection.

Mr. Bonilla: Are any states currently operating substandard programs?

Response: All State programs must be assessed as equal to the Federal inspection system. If an audit finds otherwise, the State has the opportunity to undertake corrective initiatives, but if these initiatives fail to correct the problems, establishments would be put under Federal inspection. At present, none have been determined to be operating substandard programs.

Mr. Bonilla: What are Talmadge-Aiken plants?

Response: Talmadge-Aiken plants are meat and poultry slaughter, processing, and combination (slaughter and processing) establishments that operate under Federal inspection regulations administered by State inspection personnel. For the plants operating in this manner, FSIS has signed State-Federal cooperative agreements under the authority of the

Talmadge-Aiken Act (7 U.S.C. 450). Enacted in 1962, the Act provides the Secretary of Agriculture with authority to enter into agreements with the States for the administration and enforcement of Federal laws and regulations by State agencies. Under these agreements, State employees administer Federal meat and poultry inspection in specified establishments and the Federal marks of inspection are applied to the products. USDA supervises Talmadge-Aiken plant inspection and reimburses the States at the rate of 50 percent of the cost of administering inspection under Talmadge-Aiken arrangements.

CONDEMNED PRODUCT

Mr. Bonilla: Please update the table on condemned product in last year's hearing record to include 2002.

Response: The information is provided for the record.

[The information follows:]

Condemned Product

Fiscal Year	Poultry (Thousands of head)	Livestock (Thousands of head)	Liquid Egg Products (millions of pounds)
1990	71,056	410	95
1991	74,282	386	104
1992	72,154	401	109
1993	63,927	385	113
1994	69,192	412	128
1995	79,998	469	139
1996	82,665	546	145
1997	87,573	543	153
1998	80,668	591	181
1999	87,862	707	274
2000	94,758	680	209
2001	59,565	680	274
2002	49,907	571	232

Mr. Bonilla: How much of these products were imported?

Response: Under the Federal Meat Inspection Act and Poultry Product Inspection Act, imported products that pass FSIS reinspection at ports-of-entry "shall, upon entry into the United States, be deemed and treated as domestic articles." Imported products that do not pass reinspection would be refused entry into the United States. In FY 2002, FSIS rejected 9,643,750 pounds of imported product.

Mr. Bonilla: Does FSIS have any way to track imported product after it enters the U.S.?

Response: The Federal meat and poultry inspection laws provide that imported product that has passed port-of-entry reinspection and entered the United States be treated as domestic product. All product entering the United States carries labeling on the shipping container indicating the country and plant of origin. In addition, consumer-ready products, such as canned hams, are fully labeled with the country and plant of origin.

FSIS trace back procedures apply to both domestically produced product, as well as imported product that has passed port-of-entry reinspection. A shipment of contaminated meat can be traced back to the country of origin by use of box labels, production codes, and paperwork, including the Import Information Application and the foreign country health certificate. Trace back is effective unless the products are further processed under U.S. inspection and no longer carry the original labeling. This is true for both domestic and imported product. If the products are further processed, they can be traced back to the establishment where the further processing occurred.

If a problem is found with imported product after it has entered the United States, it is treated the same as domestic product with regard to disposition. It cannot be re-exported. It must be either destroyed or converted to animal food, except in some specific cases where it can be further processed or re-labeled to bring it into compliance with U.S. regulatory requirements.

In 2002, FSIS modernized the Automated Import Inspection System (AIIS). The AIIS is a computer system that captures information such as markings and certification numbers that will allow FSIS to better track shipments of meat, poultry, and egg products once they enter the country. The system links inspectors at all ports-of-entry, allowing information on shipments and violations to be shared immediately.

RECALLS

Mr. Bonilla: Please provide a list of recalls for the past three years, including 2002, the reason for the recall, and the amount recalled.

Response: The information is provided for the record.

[The information follows:]

Recalls for Calendar Year 2000 (76)				
CASE#	DATE	ESTABLISHMENT	PROBLEM TYPE	POUNDS RECALLED
001-00	01/14/00	BRIDEN FOODS	BACTERIA, LISTERIA	600
002-00	01/14/00	CAROLINA TURKEYS	PROC/CONT DEFECTS, UNDERPROCESSED	145,797
003-00	01/28/00	HOUSE OF RAEFORD FARMS	BACTERIA, LISTERIA	4,500
004-00	01/28/00	KOENEMANN SAUSAGE CO	BACTERIA, LISTERIA	200
005-00	02/10/00	ADVANCE FOOD CO	UNDECLARED SUBSTANCE	211,000
006-00	02/16/00	CALAWAY PACKING	BACTERIA, E. COLI O157:H7	4,600
007-00	02/23/00	GOLD KIST	BACTERIA, LISTERIA	160,760
008-00	02/25/00	CAMPBELL SOUP	EXTRANEIOUS MATERIAL, METAL	109,000
009-00	03/01/00	DORT MEAT CO	BACTERIA, LISTERIA	80
010-00	03/09/00	THREE STAR PROVISION CO	BACTERIA, SALMONELLA	270
011-00	03/13/00	ZARTIC	UNDECLARED SUBSTANCE	18,600
012-00	03/15/00	SMITH PACKING CO	BACTERIA, LISTERIA	400
013-00	03/17/00	GWALTNEY OF SMITHFIELD	MISBRANDED	1,536
014-00	03/24/00	BALL PARK BRANDS	BACTERIA, LISTERIA	34,500
015-00	04/06/00	FELLER'S PRECOOKED MEATS	BACTERIA, LISTERIA	13,531
016-00	04/13/00	QUEEN CITY SAUSAGE & PROVISION	BACTERIA, LISTERIA	850
017-00	04/26/00	THE MEAT BLOCK	BACTERIA, LISTERIA	180
018-00	05/03/00	THE MEAT BLOCK	BACTERIA, LISTERIA	215
019-00	05/05/00	HAHN BROTHERS	BACTERIA, LISTERIA	450
020-00	05/09/00	FRESKOMAX FOOD PROCESSORS	BACTERIA, LISTERIA	7,083
021-00	05/10/00	E.W. MAILHOT SAUSAGE	BACTERIA, LISTERIA	210
022-00	05/11/00	DESIGNER MEATS	BACTERIA, LISTERIA	1,125
023-00	05/12/00	POLK'S MEAT PRODUCTS	BACTERIA, LISTERIA	5,900
024-00	05/17/00	EAVES FOODS, INC	BACTERIA, E. COLI O157:H7	28,860
025-00	05/19/00	FREYBE SAUSAGE CO	BACTERIA, LISTERIA	400

026-00	05/23/00	A. THOMAS FOOD SERVICE	BACTERIA, E. COLI O157:H7	300
027-00	05/24/00	MIDWEST SAUSAGE CORP	BACTERIA, LISTERIA	2,870
028-00	05/24/00	CRAY HRI FOOD SERVICE	BACTERIA, LISTERIA	45
029-00	05/29/00	CURTIS PACKING CO	BACTERIA, LISTERIA	15,000
030-00	05/30/00	FOODS OF NEW MEXICO	BACTERIA, LISTERIA	45
031-00	06/06/00	MEGA MEATS INC.	BACTERIA, E. COLI O157:H7	420
032-00	06/07/00	SCHNUCK MARKETS	BACTERIA, LISTERIA	60
033-00	06/09/00	ZWEIGLE'S INC.	BACTERIA, LISTERIA	2,200
034-00	06/13/00	DEL GOULD MEATS	BACTERIA, E. COLI O157:H7	7,160
035-00	06/14/00	DEMES GOURMET CORP	BACTERIA, LISTERIA	1,800
036-00	06/14/00	PACKERLAND PACKING CO	BACTERIA, E. COLI O157:H7	196,000
037-00	06/14/00	AALA MEAT MARKET	BACTERIA, LISTERIA	270
038-00	06/16/00	FARMLAND FOODS	CHEMICAL, OIL	86,000
039-00	06/16/00	ALLEN'S FAMILY FOODS	EXTRANEIOUS MATERIAL, GLASS	387,000
040-00	06/23/00	IBP	BACTERIA, E. COLI O157:H7	266,000
041-00	06/24/00	IBP LAKESIDE	BACTERIA, E. COLI O157:H7	46,000
042-00	06/30/00	OWENS COUNTRY SAUSAGE	EXTRANEIOUS MATERIAL, PLASTIC	8,500
043-00	07/02/00	TOP-KUT MEATS	BACTERIA, E. COLI O157:H7	4,300
044-00	07/04/00	BERT HAZEKAMP & SONS	BACTERIA, E. COLI O157:H7	11,000
045-00	07/06/00	MRS. STRATTON'S SALADS	UNDECLARED SUBSTANCE, YELLOW #5	5,376
046-00	07/06/00	NODINE'S SMOKEHOUSE	BACTERIA, LISTERIA	125
047-00	07/17/00	HOME MADE BRAND FOODS	BACTERIA, LISTERIA	3,300
048-00	07/18/00	FIL-AM SPECIALITY FOODS	MISBRANDED	2,320
049-00	07/24/00	C & J TENDER MEATS	BACTERIA, E. COLI O157:H7	800
050-00	07/29/00	MOYER PACKING CO	BACTERIA, E. COLI O157:H7	346,700
051-00	07/31/00	JAC PAC FOODS	BACTERIA, E. COLI O157:H7	210,000
052-00	07/31/00	HARRIS RANCH BEEF	UNDECLARED SUBSTANCE, WHEY	217,000
053-00	08/03/00	LEVONIAN BROTHERS	BACTERIA, LISTERIA	19,000

054-00	08/03/00	SEA CHEF	BACTERIA, SALMONELLA	6,000
055-00	08/05/00	MOYER PACKING	BACTERIA, E. COLI O157:H7	235,350
056-00	08/08/00	LAKESIDE PACKERS	BACTERIA, E. COLI O157:H7	73,800
057-00	08/08/00	TRI CITY MEATS	BACTERIA, LISTERIA	380
058-00	08/16/00	CANINO'S SAUSAGE CO	UNDECLARED SUBSTANCE	1,100
059-00	08/20/00	ALDON FOOD CORPORATION	BACTERIA, SALMONELLA	460
060-00	08/30/00	BERKS PACKING CO	EXTRANEIOUS MATERIAL, METAL	6,588
061-00	09/06/00	ROCHESTER MEATS CO	BACTERIA, E. COLI O157:H7	30,000
062-00	09/18/00	LYKES MEAT GROUP	PROC/CONT DEFECTS, UNDERPROCESSED	39,856
063-00	09/27/00	COBORN'S INC.	BACTERIA, LISTERIA	80
064-00	09/30/00	MIKAILIAN MEAT PRODUCTS	BACTERIA, SALMONELLA	260
065-00	10/03/00	LAY PACKING CO	BACTERIA, LISTERIA	900,000
066-00	10/04/00	LEO G. FRABONI SAUSAGE CO	BACTERIA, LISTERIA	240
067-00	10/10/00	NEWHART FOODS	BACTERIA, LISTERIA	90
068-00	10/12/00	GREAT RIVER FOOD CORP	UNDECLARED SUBSTANCE	9,500
069-00	10/17/00	SKYLARK MEATS	BACTERIA, E. COLI O157:H7	47,000
070-00	10/27/00	SIMMONS FOODS	UNDECLARED SUBSTANCE	716,000
071-00	10/27/00	OMAHA STEAKS INTERNATIONAL	BACTERIA, E. COLI O157:H7	22,000
072-00	10/31/00	BADGERLAND MEAT & PROVISIONS	BACTERIA, E. COLI O157:H7	750
073-00	11/21/00	H & H MEAT PRODUCTS	BACTERIA, E. COLI O157:H7	58,000
074-00	12/04/00	GREEN BAY DRESSED BEEF	BACTERIA, E. COLI O157:H7	1,100,000
075-00	12/14/00	CARGILL TURKEY PRODUCTS	BACTERIA, LISTERIA	16,895,000
076-00	12/20/00	HARPER'S COUNTRY HAMM	BACTERIA, LISTERIA	10,400
		Total Pounds Recalled		22,743,092

Recalls for Calendar Year 2001 (87)				
CASE#	DATE	ESTABLISHMENT	PROBLEM TYPE	POUNDS RECALLED
001-01	01/11/01	BRAKEBUSH BROTHERS	EXTRANEIOUS MATERIAL, PLASTIC	483,000
002-01	01/16/01	SERENADE FOODS	BACTERIA, LISTERIA	4,400
003-01	01/24/01	WATSON QUALITY FOOD PRODUCTS	BACTERIA, LISTERIA	2,100
004-01	01/26/01	QUE TAL?	BACTERIA, LISTERIA	230,874
005-01	02/01/01	TYSON FOODS	UNDECLARED SUBSTANCE, WHEAT	139,590
006-01	02/09/01	SERENADE FOODS	BACTERIA, LISTERIA	6,000
007-01	02/14/01	CARRIAGE HILL FOODS	PROC/CONT DEFECTS, UNDERPROCESSED	750
008-01	02/14/01	GOLD KIST	RESIDUE, ALDICARB	421,000
009-01	02/19/01	TYSON FOODS	PROC/CONT DEFECTS, UNDERPROCESSED	2,300,000
010-01	02/28/01	LIBERTY RICHTER	BACTERIA, LISTERIA	3,700
011-01	03/14/01	KENNY'S MARKET	BACTERIA, E. COLI O157:H7	90
012-01	03/15/01	814 SECOND AVENUE CORP.	BACTERIA, SALMONELLA	1,100
013-01	03/19/01	PRIME FOODS	BACTERIA, E. COLI O157:H7	8,100
014-01	03/22/01	DEVANCO FOODS	BACTERIA, LISTERIA	1,570
015-01	03/28/01	CONTI PACKING CO	BACTERIA, LISTERIA	7,800
016-01	03/30/01	SIMMONS FOODS	UNDECLARED SUBSTANCE	5,500,000
017-01	03/30/01	CONAGRA GROCERY PRODUCTS	EXTRANEIOUS MATERIAL, METAL	271,000
018-01	03/30/01	KEYSTONE FOODS	UNDECLARED SUBSTANCE	2,300,000
019-01	04/04/01	PHIL'S SMOKEHOUSE	BACTERIA, LISTERIA	780
020-01	04/06/01	CAMINO REAL FOODS	CHEMICAL, AMMONIA	403,000
021-01	04/12/01	BAR-S FOODS COMPANY	BACTERIA, LISTERIA	14,600,000
022-01	04/19/01	BRYAN FOODS	MISBRANDED	18,500
023-01	05/05/01	EMMPAK FOODS	BACTERIA, E. COLI O157:H7	471,000
024-01	04/22/01	LAKE SIDE PACKERS	BACTERIA, E. COLI O157:H7	204,000
025-01	05/08/01	EMMPAK FOODS	BACTERIA, E. COLI O157:H7	254,000

026-01	05/13/01	YOUNG & STOUT	BACTERIA, E. COLI O157:H7	150
027-01	05/16/01	RYMER MEAT INC.	UNDECLARED SUBSTANCE	78,000
028-01	05/21/01	EVERGREEN MEATS	BACTERIA, E. COLI O157:H7	1,800
029-01	06/19/01	PALMER FISH CO. INC	BACTERIA, E. COLI O157:H7	4,632
030-01	06/20/01	KOCH'S TURKEY FARM	BACTERIA, LISTERIA	75
031-01	06/24/01	EXCELL CORPORATION	BACTERIA, E. COLI O157:H7	190,000
032-01	06/28/01	BERKS PARKING CO	UNDECLARED SUBSTANCE	400
033-01	07/01/01	STAMPEDE PACKING CO	BACTERIA, LISTERIA	100
034-01	07/03/01	SIERRA MEAT CO	BACTERIA, E. COLI O157:H7	2,400
035-01	07/03/01	KEN WEAVER MEATS	RESIDUE, PENICILLIN, SULFADIMETHOXINE	5,000
036-01	07/04/01	JIM'S MARKET & LOCKER	BACTERIA, LISTERIA	70
037-01	07/13/01	ACADEMY PACKING CO	UNDECLARED SUBSTANCE (SOY)	29,000
038-01	07/18/01	HILLSHIRE FARMS & KAHNS	BACTERIA, SALMONELLA	13,600
039-01	07/31/01	MEAT CLEAVER	BACTERIA, E. COLI O157:H7	1,600
040-01	08/03/01	BROOKWOOD FARMS	PROC/CONT DEFECTS, DRY/TEMP REQ.	31,000
041-01	08/07/01	KABOBS INC.	UNDECLARED SUBSTANCE (WHEY)	14,300
042-01	08/10/01	ROYAL PALATE FOODS	BACTERIA, LISTERIA	650
043-01	08/13/01	BENTON PACKING CO	BACTERIA, E. COLI O157:H7	40
044-01	08/14/01	GLOBAL FOOD MANAGEMENT GROUP	BACTERIA, LISTERIA	950
045-01	08/22/01	ODOM'S TENNESSEE PRIDE	EXTRANEIOUS MATERIAL, PLASTIC	4,900
046-01	08/26/01	GREEN BAY DRESSED BEEF	BACTERIA, E. COLI O157:H7	530,000
047-01	08/29/01	IBP	BACTERIA, E. COLI O157:H7	500,000
048-01	09/03/01	CLASSIC FOOD, LP	BACTERIA, BOTULINUM	15,000
049-01	09/05/01	CONAGRA GROCERY PRODUCTS	UNDECLARED SUBSTANCE	290,000
050-01	09/06/01	MONDO & SONS	BACTERIA, LISTERIA	20
051-01	09/07/01	WEST LIBERTY FOODS	UNDECLARED SUBSTANCE	410,000
052-01	09/26/01	PAYTONS BARBECUE	BACTERIA, LISTERIA	1,600
053-01	09/28/01	CONAGRA POULTRY CO	PROC/CONT DEFECTS, UNDERPROCESSED	18,000

054-01	09/28/01	FRESH MARK	PROC/CONT DEFECTS, UNDERPROCESSING	13,000
055-01	10/04/01	GOLDEN PLATTER FOODS	BACTERIA, LISTERIA	7,500
056-01	10/05/01	RYMER MEAT INC	BACTERIA, LISTERIA	5,600
057-01	10/08/01	GLOBAL DISTRIBUTORS	BACTERIA, E. COLI O157:H7	400
058-01	10/09/01	J. H. DODMAN CO	BACTERIA, E. COLI O157:H7	265
059-01	10/10/01	PAN-AM MICHELS	PROC/CONT DEFECTS, UNDERPROCESSED	10,000
060-01	10/10/01	BOB'S BETTER BEEF	BACTERIA, LISTERIA	5,000
061-01	10/15/01	SHARON PACKING CO	BACTERIA, E. COLI O157:H7	545
062-01	10/19/01	SANDERSON FARMS	UNDECLARED SUBSTANCE	-
063-01	10/31/01	R. L. ZEIGLER CO	BACTERIA, LISTERIA	189,000
064-01	11/01/01	RUDOLPH FOODS CO	UNDECLARED SUBSTANCE	420
065-01	11/08/01	LOUIS RICH	BACTERIA, LISTERIA	11,800
066-01	11/08/01	DAKOTA FOODS	PROC/CONT DEFECTS, UNDERPROCESSED	3,580
067-01	11/09/01	JIMMY PECCIS TASTE OF ITALY	UNDECLARED SUBSTANCE	3,400
068-01	11/10/01	KORTE & CO	BACTERIA, E. COLI O157:H7	4,600
069-01	11/30/01	NESTLE USA - PREPARED FOODS	UNDECLARED SUBSTANCE	52,000
070-01	12/04/01	SHELTON MAJESTIC MEAT CO	BACTERIA, LISTERIA	45
071-01	12/08/01	NIMAN RANCH	BACTERIA, E. COLI O157:H7	1,900
072-01	12/12/01	PERFECT PASTA	BACTERIA, LISTERIA	700
073-01	12/17/01	LUIGINO'S	EXTRANEIOUS MATERIAL, PLASTIC	202,000
074-01	12/19/01	ALEWEL'S COUNTRY MEATS	BACTERIA, LISTERIA	115
075-01	12/20/01	LARRY'S SAUSAGE COMPANY	BACTERIA, LISTERIA	3,300
076-01	12/27/01	ZWANENBERG FOOD GROUP	MISBRANDED	144,000
077-01	12/27/01	R.B.I. COMPANY	MISBRANDED	36,000
078-01	12/27/01	TASTIE FARMS	MISBRANDED	164,000
079-01	12/27/01	BERNS & KOPPSTEIN	MISBRANDED	578,000
080-01	12/28/01	REMA FOODS	MISBRANDED	185,000

081-01	12/28/01	TRANSMUNDO CO.	MISBRANDED	-
082-01	12/28/01	SAMPCO	MISBRANDED	151,200
083-01	12/28/01	THE TUPMAN THURLOW CO	MISBRANDED	288,000
084-01	12/28/01	ASTRO SALES INTERNATIONAL	MISBRANDED	216,000
085-01	12/28/01	CUMBERLAND GAP PROVISIONS	EXTRANEIOUS MATERIAL, TAMPERING, VARIOUS	251,000
086-01	12/28/01	AUSTRAL FOODS	MISBRANDED	36,000
087-01	12/28/01	OHIO PACKING CO	EXTRANEIOUS MATERIAL, TAMPERING, VARIOUS	16,000
			Total Pounds Recalled	32,356,011

Recalls for Calendar Year 2002 (113)				
CASE#	DATE	ESTABLISHMENT	PROBLEM TYPE	POUNDS RECALLED
001-02	01/08/02	MJM TARBAX INTERNATIONAL	MISBRANDED	36,000
002-02	01/09/02	DE YULIO'S SAUSAGE CO.	MISBRANDED	700
003-02	01/15/02	MAPLE LEAF FOODS INTERNATIONAL	MISBRANDED	75,000
004-02	01/15/02	S & D HOLMES SMOKEHOUSE	BACTERIA, LISTERIA	2,500
005-02	01/18/02	SPECIAL AMERICA'S BBQ	BACTERIA, LISTERIA	150
006-02	01/20/02	CHIQUITA PROCESSED FOODS	MISBRANDED	8,300
007-02	01/23/02	SWIFT & COMPANY	UNDECLARED SUBSTANCE	609,000
008-02	01/24/02	JIMMY DEAN FOODS	UNDECLARED SUBSTANCE	3,600
009-02	01/28/02	MONTANA QUALITY FOODS & PROCES	BACTERIA, E. COLI O157:H7	270
010-02	02/06/02	FOREST PORK STORE	BACTERIA, LISTERIA	1,800
011-02	02/07/02	CONAGRA GROCERY PRODUCTS	MISBRANDED	408,000
012-02	02/07/02	BRAKEBUSH BROS.	PROC/CONT DEFECTS, UNDERPROCESSED	80,500
013-02	02/09/02	NESTLE USA	UNDECLARED SUBSTANCE	144,000
014-02	02/11/02	CONAGRA GROCERY PRODUCTS	MISBRANDED	386,000
015-02	02/12/02	HANOVER FOODS	NON-REGULATORY STANDARD	132,000
016-02	02/12/02	DON PEDRO'S MEATS	BACTERIA, LISTERIA	22
017-02	02/18/02	TOMMY'S QUALITY MEATS	BACTERIA, LISTERIA	500
018-02	02/22/02	CITY FOODS	PROC/CONT DEFECTS, COOLING	72,000
019-02	02/26/02	S & C BEEF PROCESSORS	BACTERIA, LISTERIA	30,700
020-02	02/28/02	ALLEN FAMILY FOODS	EXTRANEIOUS MATERIAL, METAL	460
021-02	03/05/02	LA BELLA SAUSAGE	UNDECLARED SUBSTANCE	-
022-02	03/05/02	CARITAS RANCH BAR B-Q	BACTERIA, LISTERIA	360
023-02	03/06/02	FARMLAND FOODS	MISBRANDED	580
024-02	03/15/02	WEST CENTRAL TURKEY'S	BACTERIA, LISTERIA	23,000
025-02	03/19/02	DOUBLE D MEAT CO.	BACTERIA, SALMONELLA	14,100

026-02	03/23/02	SOUTHTOWN MEAT CO.	BACTERIA, E. COLI O157:H7	2,800
027-02	03/25/02	M & W BEEF PACKERS	BACTERIA, E. COLI O157:H7	410
028-02	04/03/02	CONAGRA GROCERY PRODUCTS	MISC. ADULTERATION	6,300
029-02	04/12/02	GINGA BRASIL	INELIGIBLE IMPORT	2,758
030-02	04/16/02	BARBARA RADWIN CORP.	UNDECLARED SUBSTANCE	2,700
031-02	04/17/02	A. L. DUCK JR. INC	BACTERIA, LISTERIA	190
032-02	04/17/02	WEBER FOODS	BACTERIA, LISTERIA	100
033-02	04/23/02	PEOPLES SAUSAGE CO.	BACTERIA, SALMONELLA	200
034-02	04/25/02	JOHN MORRELL & CO.	BACTERIA, LISTERIA	140,000
035-02	04/26/02	MOMENCE PACKING CO.	EXTRANEIOUS MATERIAL, PLASTIC	7,300
036-02	04/30/02	GRILL MEAT PRODUCTS	BACTERIA, E. COLI O157:H7	145
037-02	05/01/02	TYSON FOODS	EXTRANEIOUS MATERIAL, PLASTIC	1,800
038-02	05/02/02	ADVANCE BRANDS	UNDECLARED SUBSTANCE	20,000
039-02	05/07/02	PONDEROSA MEAT & PROVISION	BACTERIA, LISTERIA	300
040-02	05/08/02	RADD DEW'S BAR-B- QUE PIT	UNDECLARED SUBSTANCE	7,000
041-02	05/22/02	HOUSE OF RAEFORD FARMS	UNDECLARED SUBSTANCE	143,000
042-02	05/23/02	PRG PACKING	BACTERIA, LISTERIA	77,000
043-02	05/23/02	M & M MEATS	BACTERIA, LISTERIA	50
045-02	06/04/02	VANGUARD CULINARY GROUP	UNDECLARED SUBSTANCE	37,400
044-02	06/04/02	WILLOW BROOKS FOODS	UNDECLARED SUBSTANCE	59,000
046-02	06/06/02	HUXTABLE'S	PROC/CONT DEFECTS, UNDERPROCESSED	4,000
047-02	06/06/02	TONY DOWN'S FOODS	PROC/CONT DEFECTS, UNDERPROCESSED	12,000
048-02	06/10/02	DEYULIO SAUSAGE CO.	UNDECLARED SUBSTANCE	-
049-02	06/11/02	TOBA OF IOWA LLC	BACTERIA, E. COLI O157:H7	330
050-02	06/16/02	SIMMONS FOODS	UNDECLARED SUBSTANCE	1,543,000
051-02	06/17/02	JOHN GRAVES FOOD SERVICE	BACTERIA, LISTERIA	10
052-02	06/21/02	BOAR'S HEAD PROVISION CO.	BACTERIA, LISTERIA	2,300

053-02	06/25/02	KNAUS SAUSAGE HOUSE	BACTERIA, LISTERIA	250
054-02	06/26/02	J & B MEATS	BACTERIA, E. COLI O157:H7	63,000
055-02	06/30/02	CONAGRA	BACTERIA, E. COLI O157:H7	19,000,000
056-02	07/02/02	MARRONE PASTA CORP.	UNDECLARED SUBSTANCE	3,150
057-02	07/03/02	T & B FOOD CORP.	BACTERIA, LISTERIA	100
058-02	07/12/02	ZACKY FARMS	MISBRANDED	22,500
059-02	07/15/02	CARNECO FOODS	BACTERIA, E. COLI O157:H7	131,000
060-02	07/15/02	KEENER'S	BACTERIA, E. COLI O157:H7	7,500
061-02	07/19/02	SMITHFIELD PACKING CO.	EXTRANEIOUS MATERIAL, PLASTIC	19,800
062-02	07/19/02	RUSSER FOODS	BACTERIA, LISTERIA	65
063-02	07/24/02	CARLE'S BRATWURST	UNDECLARED SUBSTANCE	190
064-02	07/27/02	HOWARD DARLING	BACTERIA, LISTERIA	22
065-02	08/02/02	PRG PACKING CORP.	BACTERIA, LISTERIA	3,400
066-02	08/04/02	RESER'S FINE FOODS	BACTERIA, LISTERIA	2,200
067-02	08/05/02	MINH FOOD CORP.	UNDECLARED SUBSTANCE	390
068-02	08/10/02	RUSSER FOODS	BACTERIA, LISTERIA	1,300
069-02	08/13/02	V.A.M.D. INC.	BACTERIA, SALMONELLA	250
070-02	08/14/02	FAMOUS AMOS RESTAURANTS	BACTERIA, LISTERIA	19
071-02	08/16/02	GEIER'S SAUSAGE KITCHEN	BACTERIA, LISTERIA	500
073-02	08/22/02	GFI AMERICA	BACTERIA, E. COLI O157:H7	717,000
072-02	08/22/02	TYSON FOODS	UNDECLARED SUBSTANCE	1,740
074-02	08/28/02	BROADAWAY HAM CO.	BACTERIA, LISTERIA	8,725
075-02	08/30/02	PACFOODS, U.S.A.	BACTERIA, LISTERIA	56
076-02	08/30/02	GALLIGAN WHOLESALE MEAT CO.	BACTERIA, E. COLI O157:H7	980
077-02	09/02/02	WRIGHT CITY MEAT CO.	BACTERIA, E. COLI O157:H7	510
078-02	09/04/02	PENNSYLVANIA MARARONI CO.	BACTERIA, LISTERIA	1,035
079-02	09/04/02	PRINCIPE FOODS USA	BACTERIA, LISTERIA	510

080-02	09/10/02	KRAFT FOODS	MISBRANDED	12,600
081-02	09/11/02	PARK 100 FOODS	MISBRANDED	2,200
082-02	09/13/02	MOYER PACKING CO.	BACTERIA, E. COLI O157:H7	203,600
083-02	09/16/02	GOLDEN TIGER	UNDECLARED SUBSTANCE	62,843
084-02	09/17/02	ALFREY'S SAUSAGE CO.	BACTERIA, LISTERIA	185
085-02	09/25/02	INDIANA PACKERS CORP.	UNDECLARED SUBSTANCE	730
086-02	09/27/02	EMMPAK FOODS	BACTERIA, E. COLI O157:H7	2,800,000
087-02	10/04/02	LUIGINO'S	UNDECLARED SUBSTANCE	16,300
088-02	10/05/02	SEIMER DISTRIBUTING CO.	BACTERIA, E. COLI O157:H7	40
089-02	10/08/02	DELAWARE FOODS	BACTERIA, LISTERIA	95
090-02	10/09/02	PILGRIM'S PRIDE CORP.	BACTERIA, LISTERIA	28,000,000
091-02	10/10/02	EMMPAK FOODS	BACTERIA, E. COLI O157:H7	568,000
092-02	10/11/02	GOLDEN COIN FOOD INDUSTRIES	BACTERIA, LISTERIA	150
093-02	10/14/02	BUNGE'S MEATS	BACTERIA, E. COLI O157:H7	305
094-02	10/28/02	SANTINA FOODS	UNDECLARED SUBSTANCE	25
095-02	10/29/02	NONN'S KITCHEN	MISBRANDED	150
096-02	10/30/02	CASA DI CARFAGNA	UNDECLARED SUBSTANCE	60,000
097-02	11/01/02	SIERRA MADRE FOODS	UNDECLARED SUBSTANCE	1,400
098-02	11/02/02	JACK LAMBERSKY POULTRY	BACTERIA, LISTERIA	4,200,000
099-02	11/05/02	LONE STAR FOOD SERVICE	UNDECLARED SUBSTANCE	2,800
100-02	11/05/02	NATIONAL CUSTOM PACKING	MISBRANDED	85,000
101-02	11/07/02	SKYLARK MEATS	BACTERIA, E. COLI O157:H7	110,000
102-02	11/14/02	SHAPIRO FARMERS MARKET	BACTERIA, E. COLI O157:H7	54,000
103-02	11/16/02	BUNGE'S MEATS	BACTERIA, E. COLI O157:H7	100
104-02	11/18/02	MAHAPEY'S FOOD PRODUCTS	BACTERIA, SALMONELLA	1,100
105-02	11/20/02	FAMOUS CHILI	MISBRANDED	-

106-02	11/20/02	J.M. PACKING	BACTERIA, LISTERIA	6,800
107-02	11/22/02	FAIRBANK RECONSTRUCTION CORP.	BACTERIA, E. COLI O157:H7	320,000
108-02	11/26/02	MR. PIZZA INC.	BACTERIA, LISTERIA	210
109-02	11/27/02	PECAN POINT FOOD PRODUCTS	BACTERIA, LISTERIA	540
110-02	12/03/02	MOSBY PACKING	BACTERIA, LISTERIA	556
111-02	12/04/02	CROFTON & SONS	BACTERIA, LISTERIA	8,600
113-02	12/12/02	CROFTON & SONS	BACTERIA, LISTERIA	1,200
112-02	12/12/02	CONAGRA POULTRY CO.	EXTRANEIOUS MATERIAL	36,200
			Total Pounds Recalled	60,641,556

Mr. Bonilla: How are consumers notified about recalls of products they may have purchased or consumed?

Response: All product recalls are voluntary actions undertaken by companies or institutions. The company conducting the recall determines the best way to notify their consumers, which may include the issuance of a press release or some other type of public notification. In addition, FSIS issues two documents for the recall of all products under FSIS inspection--a press release and a Recall Notification Report (RNR). The press release is widely distributed to various news media outlets, trade associations, consumer groups, and Congressional staff. The RNR is distributed via e-mail to other Federal agencies and to over 450 food safety, agricultural, and public health officials throughout the United States at the Federal, State, and local levels. Both the FSIS press release and the RNR are posted on the agency's web site.

Mr. Bonilla: How can a consumer get information on a recall and if the product was sold by their retailer?

Response: All product recalls are voluntary actions undertaken by companies or institutions. The company conducting the recall determines the best way to notify their consumers, which may include the issuance of a press release or some other type of public notification. In addition, FSIS issues two documents for the recall of all products under FSIS inspection--a press release and a Recall Notification Report (RNR).

The recalling firm is required to notify its customers both orally and in writing. FSIS verifies, through recall effectiveness checks, that this is done. Therefore, if a consumer contacted the retail outlet where they shop, the retail establishment would be able to inform them whether or not they are selling the product that is the subject of a recall.

If the recall reaches the retail level, both the FSIS press release and the Recall Notification Report clearly describe how consumers can identify the product(s) covered by the recall.

The FSIS press release issued for the recall contains the phone numbers of the FSIS Meat and Poultry Hotline. Consumers with questions about whether a meat or poultry product is the subject of a recall can also contact the FSIS Meat and Poultry Hotline for further information.

Mr. Bonilla: In what ways has FSIS changed its practices relating to recalls to improve effectiveness?

Response: FSIS continues to evaluate and improve recall effectiveness. The agency reacts quickly to remove potentially unsafe or adulterated product from the marketplace. Agency recall policies require FSIS personnel involved in managing the recall process to act quickly. FSIS' Office of Field Operations (OFO) has recently designed and implemented new procedures to ensure that the collection of needed product and distribution information occurs earlier in the recall process; that management of the recall process at the District level is well-coordinated and efficient; and that recall effectiveness checks are completed and reported promptly.

In the summer of 2002, in response to a need to begin gathering source material information, FSIS instructed its inspectors to begin collecting source material information immediately upon receiving a presumptive positive test result for *E. coli* O157:H7. Instructions on how to collect the information were not formally issued until FSIS could determine the best method for collecting the information. FSIS considered several points in the process, including collecting the source material information at the time of sample collection. However, it was ultimately decided that informing the company to begin collecting the information at the time of a presumptive positive was more appropriate and provided FSIS with the most appropriate means to collect the information. To reflect its policy decision, the agency issued an official FSIS Notice in the fall of 2002 instructing inspection personnel to inform company personnel that source material information would be collected if a presumptive positive test result was found to be positive. If the result is positive, FSIS notifies all of the supplying establishments of the positive finding and provides information to the supplier to help identify the *E. coli* O157:H7 positive lot. This policy is still carried out by the FSIS workforce. FSIS continues to evaluate its options to ensure that recalls can be effectively and efficiently carried out.

FSIS also held a public meeting in December 2002 to solicit public input on improving the recall process. Public comments received at this meeting are still being evaluated.

Mr. Bonilla: Is information about all recalls available to the public?

Response: Yes, recall information is made available to the public. In addition to any information that the company conducting the voluntary recall may distribute to the public, recall information is made public by FSIS in the form of press releases and Recall Notification Reports (RNRs). The public can access each RNR and recall press release on the agency's web site. Furthermore, the public may subscribe to receive FSIS press releases through a Listserv. In addition, FSIS sends all press releases to the media.

Mr. Bonilla: By what mechanism are recall decisions made?

Response: Under the Federal Meat Inspection Act and the Poultry Products Inspection Act, all recalls are voluntary actions taken by a company or institution, although FSIS has the authority to detain and/or seize adulterated product in commerce. Recalls may be initiated by the manufacturer or distributor of the meat or poultry products or at the request of FSIS.

During a meat or poultry recall, FSIS protects the public health by ensuring that potentially hazardous foods are removed from commerce as quickly as possible. The primary role of FSIS is to closely monitor the effectiveness of the firm's recall procedures and to provide scientific and technical advice. FSIS has a standing Recall Committee that works with the company to coordinate the recall. It is chaired by the Recall Management Division and consists of FSIS scientists, technical experts, field inspection managers, enforcement personnel, and communications specialists.

The Recall Committee meets to discuss the details concerning the potential recall, the scope of product affected by the recall, and the likelihood of adverse public health consequences presented by the product of concern. The Committee calls in necessary additional expertise, for example, a toxicologist, as needed. The Recall Committee arrives at a recommendation and then contacts the establishment to discuss the recall and the Committee's recommendation. It is the firm's decision to recall the product.

Guidelines and model recall plans are available to industry from various sources including FSIS Directive 8080.1. However, each establishment's recall plan is plant-specific.

LABORATORY ACCREDITATIONS

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the total number of labs that were accredited, the total number of accreditations, and the cost to include fiscal year 2002 actuals and estimates for fiscal year 2003.

Response: The information is provided for the record.

[The information follows]:

Accredited Laboratories
(Dollars in thousands)

Fiscal Year	Accredited Laboratories	Number of Accreditations	Fees
1990	265	297	\$902
1991	227	292	926
1992	231	313	1,024
1993	243	323	1,091
1994	149	186	672
1995	148	184	440
1996	150	186	360
1997	140	177	363
1998	137	173	365
1999	126	159	406
2000	120	149	246
2001	112	141	204
2002	114	141	216
2003 Estimate	105	144	216

Mr. Bonilla: How much was collected in accreditation fees in 2002?

Response: In FY 2002, the agency collected \$216,435 in accreditation fees.

Mr. Bonilla: What happens to accreditation fees after they are collected?

Response: Accreditation fee collections are placed in a no-year account, which is available for future laboratory accreditation costs.

Mr. Bonilla: What is the balance of funds?

Response: At the end of FY 2002, the account balance was \$1.1 million.

INSPECTION EXEMPTIONS

Mr. Bonilla: An establishment is exempt from Federal and/or State inspection if the product is for the sole use by the owner of the livestock, the owner's family, or nonpaying guests. How many exempt plants are there?

Response: There are about 2,100 State-inspected plants and about 2,800 federally-inspected plants conducting custom exempt operations. In addition, there are about 2,500 known firms (not under inspection) engaged in custom exempt operations. While custom exempt plants do not require inspection, the facility is required to be maintained and operated in a sanitary manner and product is to be marked "Not for Sale" or "Exempted." Custom exempt plants are reviewed by FSIS annually, or more often depending on previous reviews.

Mr. Bonilla: Can a plant be exempt for a part of its production on a daily or weekly basis?

Response: Under the Curtis Amendment of 1970 to the Federal Meat Inspection Act, an establishment can be exempt for a part of its production on a daily or weekly basis if it is producing product for the sole use of the owner of the product, his or her household, guests, or employees. However, such establishments must perform a thorough clean up following exempt activities before operating under inspection and must keep inspected and exempted product separated and identified. The Curtis Amendment does not apply to the Poultry Products Inspection Act. A custom exempt poultry plant is prohibited from operating under a grant of inspection.

RESIDUE TESTS

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the number of SOS, STOP, CAST, and FAST tests performed to include fiscal year 2002.

Response: The information is provided for the record.

[The information follows:]

RESIDUE TEST BY FISCAL YEAR					
YEAR	SOS	STOP	CAST	FAST	TOTAL
1992	106,133	117,858	79,666	--	303,657
1993	101,118	116,600	85,033	--	302,751
1994	127,742	93,428	54,783	17,831	293,784
1995	26,273	74,632	79,542	68,410	248,857
1996	17,682	41,428	19,448	96,805	175,363
1997	11,415	37,140	12,529	52,393	113,477
1998	9,484	36,630	7,751	122,273	176,138
1999	9,410	35,993	5,582	125,534	176,519
2000	8,891	32,980	5,554	154,949	202,374
2001	7,813	24,250	737	211,985	244,785
2002	9,050	20,631	--	217,485	247,166

In 2002, CAST was discontinued and replaced by FAST

SOS = Sulfa on Site

STOP = Swab Tests on Premises

CAST = Calf Antibiotic and Sulfa Tests

FAST = Fast Antimicrobial Screen Test

Mr. Bonilla: What were the results of these procedures?

Response: In FY 2002, there were 1,837 total residue violations detected, including 10 by SOS tests, 124 by STOP tests, and 1,703 by FAST tests.

VOLUNTARY INSPECTION

Mr. Bonilla: In total, how many inspection hours were performed in fiscal year 2002 on a voluntary basis and how much was reimbursed to FSIS?

Response: In FY 2002, FSIS employees provided 95,712 voluntary inspection hours, including 25,063 hours of overtime and holiday work for inspections not required by law. Fees paid for these inspection services totaled \$3,766,820.

GRANTS TO STATES

Mr. Bonilla: Please update the table that appears in last year's hearing record showing a cost breakout, by state, of the Grants to States program to include fiscal year 2002 actuals and fiscal year 2003 estimates.

Response: The information is provided for the record.

[The information follows:]

GRANTS TO STATES PROGRAM
[In Thousands of Dollars]

State	2001	2002	2003 Est.
Alabama	\$1,126	\$1,135	\$1,241
Arizona	587	579	633
Delaware	242	440	481
Georgia	2,453	2,339	2,557
Illinois	4,931	5,154	5,634
Indiana	1,652	1,200	1,311
Iowa	1,118	1,086	1,187
Kansas	1,775	1,658	1,812
Louisiana	1,821	1,678	1,834
Maine	--	--	50
Minnesota	430	393	429
Mississippi	1,502	917	1,002
Missouri	192	210	229
Montana	500	356	389
New Mexico	435	440	481
North Carolina	3,390	3,089	3,376
North Dakota	156	103	114
Ohio	4,663	4,379	4,786
Oklahoma	1,669	1,334	1,458
South Carolina	1,375	1,022	1,117
South Dakota	604	602	658
Texas	4,816	4,680	5,116
Utah	872	917	1,002
Vermont	395	361	395
Virginia	1,542	1,380	1,122
West Virginia	649	600	656
Wisconsin	3,217	2,931	3,203
Wyoming	263	223	244
TOTAL	42,375	39,206	42,517

VOLUME AND COST OF MEAT AND POULTRY INSPECTION AT SLAUGHTER

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the volume of meat and poultry inspected at slaughter to reflect the separate cost associated with each from fiscal year 1993 to present.

Response: The information is provided for the record.

[The information follows:]

Volume And Cost Of Meat And Poultry Inspected At Slaughter
(Dollars in millions)

Fiscal Year	Millions of pounds		Slaughter inspection cost		
	Red meat	Poultry	Meat	Poultry	Total
1993	40,688	37,095			\$296
1994	41,091	39,626	\$138	\$173	311
1995	43,663	41,303	134	180	314
1996	44,689	43,572	133	185	318
1997	40,522	44,233	139	193	332
1998	42,300	43,200	148	196	344
1999	42,249*	46,882	162	211	373
2000	44,788	48,137	156	230	386
2001	47,397	46,728	162	244	406
2002	42,237	50,444	164	248	412
2003 est.	45,000	51,300	178	257	436

Note: The separate cost of meat and poultry slaughter is not available prior to FY 1994

* During FY 1999, problems in data processing/software in the Animal Disposition Reporting System, (an FSIS data base containing information on birds and animal slaughtered commercially), caused duplicate records to be processed. This inflated FY 1999 inspection totals for livestock used in prior year's versions of this table. The FY 1999 figures used here are corrected amounts developed from a reconstruction of the FY 1999 data base.

FSIS ENFORCEMENT ACTIVITIES

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the number of FSIS enforcement activities, to include Fiscal Year 2002.

Response: The information is provided for the record.

[The information follows:]

FSIS Enforcement Activities										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Suspensions of inspection	n/a	n/a	n/a	n/a	64	77	118	184	119	126
Cases received	1,348	1,381	1,039	776	797	1,409	2,370	2,386	1,540	977
Cases filed with hearing clerk	4	8	6	17	6	6	9	6	6	8
Prosecutions	22	24	27	41	22	24	23	12	9	11
Civil injunctions	0	4	7	7	1	3	0	2	4	4
Seizures	1	1	1	1	1	0	2	1	0	1
Warning letters	1,721	1,662	1,361	1,063	1,097	1,626	2,778	2,283	1,837	1,331
Withdrawal of custom exempt privilege						2	1	0	1	0
Administrative Orders	4	7	5	8	12	7	8	4	6	8
Detentions	796	672	586	466	327	631	941	769	627	536
Pounds detained (millions)	13.1	22.0	10.1	31.3	44	16	20.6	34.0	13.4	36.8
Recalls monitored	36	45	48	23	25	40	55	76	66	119
Planned reviews	12,114	11,198	10,170	8,716	7,648	10,746	10,198	18,030	11,921	13,749
Random reviews	36,179	35,013	27,732	22,383	18,494	5,430	33,778	31,362	20,303	15,450
Total Reviews	48,293	46,211	37,902	31,099	26,142	16,176	43,976	49,392	32,224	29,199

AMOUNT OF POULTRY INSPECTED

Mr. Bonilla: Please update the table that appears in last year's hearing record showing the number of poultry carcasses inspected from fiscal year 1993.

Response: The information is provided for the record.

[The information follows:]

POULTRY CARCASSES INSPECTED PER FISCAL YEAR
[In Millions]

Year	Young Chickens	Mature Chickens	Turkeys	Ducks	Other
1993	6,613	171	277	20	5.3
1994	7,014	174	278	21	5.2
1995	7,303	163	279	19	5.5
1996	7,517	154	290	20	5.3
1997	7,646	164	289	22	9.5
1998	7,416	159	266	22	8.9
1999	7,896	176	262	24	7.8
2000	8,082	170	262	24	9.7
2001	7,780	152	252	26	10.4
2002	8,322	173	263	24	10.0

NUMBER OF LIVESTOCK INSPECTED AT SLAUGHTER

Mr. Bonilla: Update the table that appears in last year's hearing record showing the number of livestock inspected at slaughter, by species for fiscal years 1993 through 2002.

Response: The information is provided for the record.

[The information follows:]

LIVESTOCK INSPECTED PER FISCAL YEAR
(In Millions)

Year	Cattle	Calves	Sheep	Goats	Swine	Equines
1993	32,569	1,210	5,094	289	90,481	184
1994	33,179	1,191	4,645	365	90,206	109
1995	35,681	1,395	4,512	333	94,490	113
1996	37,690	1,723	4,268	421	93,397	113
1997	35,809	1,579	3,743	375	78,489	88
1998	33,273	1,447	3,386	396	93,259	71
1999*	33,680	1,268	3,390	463	88,902	62
2000	35,136	1,103	3,315	530	93,385	50
2001	37,641	1,333	3,463	592	96,600	62
2002	31,404	1,034	2,922	553	89,855	43

*During FY 1999 problems in data processing/software in the Animal Disposition Reporting System, (an FSIS data base containing information on birds and animal slaughtered commercially), caused duplicate records to be processed. This inflated FY 1999 inspection totals for livestock used in prior year's versions of this table. The FY 1999 figures used here are corrected amounts developed from a reconstruction of the FY 1999 data base.

EGG PRODUCTS INSPECTION AND SALMONELLA ENTERITIDIS

Mr. Bonilla: Please describe FSIS responsibilities for egg products inspection and *Salmonella* Enteritidis.

Response: Under the authority of the Egg Products Inspection Act (EPIA), the mission of FSIS is to ensure that egg products are wholesome, not adulterated, and properly marked, labeled and packaged. FSIS has broad authority to issue regulations to carry out the provisions of the EPIA, including the authority to prescribe terms and conditions under which inspection will be provided and maintained. Currently, FSIS carries out its food safety responsibilities through an inspection program in egg products plants that relies on FSIS inspection program personnel for detection and correction of plant sanitation and food safety problems.

FSIS is nearing completion of a revision to the 1998 risk assessment of *SE* in shell eggs and egg products. The risk assessment was revised to support FSIS' development of risk-based performance standards.

MEAT AND POULTRY HOTLINE

Mr. Bonilla: How many calls did the Meat and Poultry Hotline receive in fiscal year 2002?

Response: In fiscal year 2002, the Hotline received 85,572 calls.

Mr. Bonilla: How does this compare with the two previous fiscal years?

Response: In fiscal year 2000, the Hotline received 86,567 calls, and in fiscal year 2001, the Hotline received 85,613 calls.

HACCP PLANTS

Mr. Bonilla: How many plants in the United States are operating with the HACCP system?

Response: As of March 3, 2003, there were 5,307 Federally-inspected plants operating with the HACCP system in the United States. This includes 344 large plants (500 or more employees); 2,176 small plants (11 to 499 employees); and 2,787 very small plants (those with 10 or less employees. There are also over 2,000 State-inspected plants in the United States operating under the HACCP system.

SENTINEL SITES

Mr. Bonilla: Please identify the sentinel sites for the food safety initiative.

Response: The sentinel sites for the Food Safety Initiative are located in the States of Minnesota, Oregon, Connecticut, Georgia, Colorado, Maryland, California, New York and Tennessee.

Mr. Bonilla: How much do FSIS, FDA, and CDC respectively budget for the FoodNet program?

Response: FSIS budgets \$1.5 million annually for FoodNet; CDC budgets \$7.6 million; and FDA budgets \$600,000.

FAIM PROJECT EXPENDITURES

Mr. Bonilla: Please provide a table showing expenditures for the FAIM project from its first year with estimates for fiscal year 2003 and subsequent years.

Response: The information is provided for the record.

[The information follows:]

Field Automation and Information Management
(In thousands of dollars)

Fiscal Year	Expenditures
1996	\$7,230
1997	9,485
1998	8,023
1999	7,524
2000	5,846
2001	9,781
2002	6,139
2003	11,795
2004 and future (estimated)	11,872

(During FY 2002, the activity structure combined the State FAIM portion of the former Special Assistance for State Programs activity (\$3,867,000) with the Federal FAIM activity (\$8,005,000) for a total appropriation of \$11,872,000. A rescission of 0.65 percent has been applied for FY 2003 to reduce the new money available in FY 2003 to \$11,795,000.)

EGG PRODUCTS INSPECTION TRAINING

Mr. Bonilla: When will meat and poultry inspectors be trained in egg products inspection?

Response: FSIS inspects all egg products that are used by food manufacturers, food service, institutions, and retail stores, with the exception of those exempted under the Egg Products Inspection Act. FSIS is cross-utilizing meat and poultry inspectors to staff egg products plants in various locations, where it is practical for use of such resources. Currently, a technical orientation course presented by FSIS' Technical Service Center, supplemented by on-the-job training, constitutes the egg products inspection training program.

Mr. Bonilla: Is there a formal training program?

Response: The agency intends to further develop a formal training program upon final rulemaking to implement HACCP as the regulatory framework for the egg products inspection program.

GRANTS TO STATES

Mr. Bonilla: Please provide a table showing the distribution of the grants to states for fiscal years 2002, 2003, and 2004.

Response: The information is provided for the record.

[The information follows:]

GRANTS TO STATES PROGRAM
[In Thousands of Dollars]

State	2002	2003 Est.	2004 Est.
Alabama	\$1,135	\$1,241	\$1,254
Arizona	579	633	640
Delaware	440	481	486
Georgia	2,339	2,557	2,584
Illinois	5,154	5,634	5,694
Indiana	1,200	1,311	1,325
Iowa	1,086	1,187	1,200
Kansas	1,658	1,812	1,832
Louisiana	1,678	1,834	1,854
Maine	--	50	600
Minnesota	393	429	434
Mississippi	917	1,002	1,013
Missouri	210	229	232
Montana	356	389	393
New Mexico	440	481	486
North Carolina	3,089	3,376	3,413
North Dakota	103	114	114
Ohio	4,379	4,786	4,837
Oklahoma	1,334	1,458	1,473
South Carolina	1,022	1,117	1,129
South Dakota	602	658	665
Texas	4,680	5,116	5,171
Utah	917	1,002	1,013
Vermont	361	395	399
Virginia	1,380	1,122	--
West Virginia	600	656	663
Wisconsin	2,931	3,203	3,238
Wyoming	223	244	248
TOTAL	39,206	42,517	42,390

ELECTRONIC EXPORT CERTIFICATES

Mr. Bonilla: What is the status of your work on electronic export certificates?

Response: FSIS continues to support the development of an automated system to issue export certificates. Our agency has developed a document specifying the requirements for the system, both from the standpoint of FSIS and the export industry. Currently, we are engaged in a pilot project with Mexico that will allow the electronic generation and transmittal of export certificates to that country. Together with Mexico, we have drawn up a four-phase plan. We are in the final stages of Phase I which is developing an on-line system that works for both countries. Phase II calls for a pilot test of the system, Phase III calls for enhancing the system, and Phase IV calls for the development of a paperless system where certificate information will be transmitted electronically to Mexico and, eventually, to other foreign countries.

Mr. Bonilla: Does either system meet the needs of FSIS customers and stakeholders?

Response: FSIS believes the system meets the needs of the agency and the export community. Industry representatives from various meat and poultry organizations have been included in all phases of the pilot project.

Mr. Bonilla: When will implementation of the system begin?

Response: FSIS received funding for the pilot project in the FY 2003 appropriations and is currently in the development phase of this system. The agency has met with Mexican inspection officials about beginning the pilot project by the end of 2003.

CODEX ALIMENTARIUS

Mr. Bonilla: What is the total budget for Codex Alimentarius activities, by agency, for USDA?

Response: Within USDA, FSIS, FAS, AMS, and GIPSA participate in Codex Alimentarius activities. The following table identifies funding by agency:

[The information follows:]

USDA Funding for Codex Alimentarius
(Dollars in Thousands)

Agency	2003	2004
FSIS	\$2,656	\$2,777
FAS	425	425
AMS	249	257
GIPSA	45	47
Total, USDA	3,375	3,506

Mr. Bonilla: Are any USDA funds used to support the Codex activities of other USG agencies?

Response: The U.S. Codex Office is located in the Food Safety and Inspection Service, under the Office of the Under Secretary for Food Safety at the USDA. The Under Secretary for Food Safety is the head of the Codex office, as the highest ranking food safety official in the United States. With FSIS being the lead Federal agency responsible for Codex activities, USDA funds have supported the training of delegates to Codex Committees. These delegates are employees of USDA, the Department of Health and Human Services (DHHS), and the Environmental Protection Agency (EPA). Equipment owned by USDA and publications produced by USDA are made available to support Codex activities of other USG agencies. FSIS has not borne the travel expenses of non-FSIS government personnel participating in Codex activities. The Foreign Agricultural Service has also supported Working Group and/or Drafting Group meetings of Codex Committees.

Mr. Bonilla: What is the relationship between the Codex Alimentarius and the World Trade Organization?

Response: The rules that govern international trade are those that were agreed to during the Uruguay Round of Trade Negotiations and apply to the members of the World Trade Organization (WTO). With respect to food safety matters, those rules are set out in the Agreement on the Application of Sanitary and Phytosanitary Measures (The SPS Agreement). Codex Alimentarius is recognized as the expert body in the world whose opinion on food safety issues is considered in the WTO. The standards, guidelines, and other recommendations of the Codex Alimentarius Commission are considered by the WTO to reflect international consensus regarding the requirements for protecting human health from foodborne risks.

The overall objective of the SPS Agreement is to permit countries to take legitimate measures to protect the life and health of their consumers, but to keep them from using those measures in a way that unjustifiably restricts trade. The primary goal of the SPS Agreement is to limit the use of any measures that may restrict trade to those that are justified to provide the necessary level of public health protection. It recognizes the right of Member States to protect their consumers at a level they consider necessary, subject to certain principles, such as consistency and transparency.

Mr. Bonilla: How do Codex activities relate to WTO sanitary and phytosanitary agreements?

Response: The standards, guidelines, and recommendations of the Codex Alimentarius Commission are considered by the WTO to reflect international consensus regarding the requirements for protecting human health from foodborne risks. A Member State's food safety measures are considered justified and in accordance with the provisions of the SPS Agreement if they are based on Codex standards and related texts. While the adoption and application of Codex standards are not mandatory, failure to apply the Codex standards creates the potential for dispute if a Member State applies standards that are more restrictive to trade than necessary to achieve the required levels of protection. Additionally, by the terms of the SPS Agreement, WTO members are committed to considering Codex standards as a basis for their national laws and regulations, and to participating in the development of those international standards.

ATTRITION FOR FSIS INSPECTORS

Mr. Bonilla: What has been the average attrition for FSIS inspectors over the past 5 years?

Response: The average attrition rate for FSIS inspectors over the past five years has been six percent.

FSIS FOOD SAFETY ACTIVITIES FUNDING

Mr. Bonilla: The budget for fiscal year 2004 states that FSIS food safety activities will be fully funded, providing 7,680 meat and poultry inspections. Is this a sufficient number of inspectors to meet food safety goals and the needs of the industry?

Response: Yes, 7,680 inspectors should be sufficient to handle the inspection requirements associated with the demand for inspection service anticipated from industry. Inspectors are supplemented in the field by scientifically trained Consumer Safety Officers and Veterinary Medical Officers.

Mr. Bonilla: How was this number determined?

Response: The number of 7,680 inspectors was based on a variety of factors that include present inspection staffing availability and needs, current and projected industry demands for inspection service, and potential changes in demand for various commodities.

FIELD AUTOMATION AND INFORMATION MANAGEMENT

Mr. Bonilla: Phase I of the Field Automation and Information Management Program (FAIM) was completed at the close of fiscal year 2000 for Federal inspectors. What is the status of Phase I of the program for state inspectors? What is the current status of Phase II of the program?

Response: Phase I for State inspectors is over 83 percent complete, with remaining implementation dependent solely on the ability of the State programs to fund their 50 percent share of the costs. Once the remaining States obtain their funding, FSIS will immediately complete their implementation.

Phase II of the FAIM program is continuing at a vigorous pace. In FY 2001, FAIM began the "replenishment" phase to replace computers. The replenishment phase has been modified to allow replacement of Federal FAIM computers on a four year cycle - this will be completed in FY 2004. States will be encouraged to adopt the same schedule if their funding allows, but will be supported under the original five year cycle as necessary. In addition, FAIM continues to (1) provide technical support to existing users, (2) deploy new software applications such as ProClarity (a powerful data analysis tool), a new Automated Import Inspection System (AIIS), and an updated Daily Activity Report for compliance and review activities, and (3) train new users.

Mr. Bonilla: How many computers have been delivered to Field staff to date?

Response: By the end of FY 2003, FAIM will have deployed (under Phase II) over 3,750 replacement computers to Federal inspection personnel. In turn, these users will have retired their old computers. The replaced computers will be (a) re-deployed to FSIS personnel in the 350 largest slaughter establishments thereby providing additional resources in those plants, (b) assigned to special projects including telecommuting and work-at-home as requested, (c) placed in an inventory loaner pool, or (d) donated to charitable organizations.

Given that in FY 2001, FAIM entered into a replenishment phase to replace older computers, it is more accurate to discuss the total number of computers currently in service rather than the total number of computers delivered since inception of the program. FAIM presently has over 5,350 computers deployed to Federal and State field inspection personnel.

EXTERNAL REVIEW OF FINANCIAL AND ACCOUNTING PROCEDURES

Mr. Bonilla: What is the status of the external review of FSIS financial and accounting procedures as discussed at last year's hearing?

Response: Since last year's hearings, FSIS has extended its contract with the Logistic Management Institute (LMI). Under this extension FSIS is assessing its field financial and related administrative functions and taking steps to improve them using consistent processes and modern tools. In addition, FSIS asked LMI to evaluate the agency's financial management controls and requested an outline for improving financial control policy in the agency and control risk evaluation guidelines. This LMI report, *Financial Management Controls at the Food Safety and Inspection Service*, was dated September 2002.

Further, LMI is helping to develop an "Operations Guide/Manual" which will compile processes and procedures for financial management activities of the District Offices.

OUTSOURCING MICROBIOLOGICAL TESTING

Mr. Bonilla: In last year's House Report, the Committee strongly encouraged FSIS to explore the possibility of outsourcing microbiological testing to accredited laboratories. Please report on the progress made in this endeavor.

Response: Funds are requested in the FY 2004 budget to conduct nationwide microbiological baseline studies to provide scientific information needed for ongoing risk assessments. Some of this testing will be outsourced allowing FSIS laboratories to conduct more compliance and HACCP verification assays. It will contribute to improvements in data quality by permitting FSIS to collect more appropriate scientific data with which to conduct risk assessments and to more accurately track prevalence and levels of foodborne disease-causing bacteria. It also will address FSIS biosecurity concerns by strengthening the risk assessment process that will indicate the most vulnerable points in the food chain for FSIS-regulated products.

IRRADIATION

Mr. Bonilla: What is the record for review of firms wishing to incorporate irradiation into their HACCP plans?

Response: FSIS supports the implementation of technologies, such as irradiation, that may reduce the prevalence of pathogens that cause foodborne illnesses. New irradiation facilities requesting a grant of inspection to irradiate meat or poultry follow the same procedure as all other facilities. FSIS is not aware of any new requests for grants of inspection for the irradiation of meat or poultry. Currently, there are seven establishments with grants of inspection that indicate that they irradiate meat or poultry. One of the seven establishments is not actively irradiating meat or poultry. In addition, there are three facilities that have indicated that they intend to pursue grants of inspection, but have not yet done so.

Mr. Bonilla: How long have FSIS reviews of the plan modifications taken?

Response: FSIS supports the implementation of technologies, such as irradiation, that may reduce the prevalence of pathogens that cause foodborne illnesses. However, FSIS does not prior-approve HACCP plans, including plans for irradiation.

Mr. Bonilla: What is the FSIS goal for such a review?

Response: FSIS' goal when developing irradiation regulations was to make clear the objectives to be met when designing irradiation facilities and procedures so that FSIS would not have to provide a prior-approval. FSIS believes that the regulations have been effective in streamlining the process.

MICROBIOLOGICAL PERFORMANCE STANDARDS

Mr. Bonilla: How is the Department using microbiological performance standards?

Response: FSIS has microbiological performance standards for raw products and for ready-to-eat products. For raw products, the *Salmonella* performance standards are designed to provide an assessment of how well each establishment is maintaining process control in the production of carcasses and ground product. FSIS collects samples of raw product on a daily basis until a full set of samples is received (e.g., 53 samples for ground beef). When an establishment fails to meet the microbiological standard, FSIS notifies the establishment that process control is not being adequately maintained. FSIS then schedules a second set of samples. When an establishment fails to meet the microbiological standard for the second time, FSIS uses the failure to trigger a more in-depth assessment of the food safety system. FSIS sends a team of subject matter experts, such as microbiologists and compliance officers, into the establishment to assess what might be contributing to the establishment's failure to meet the standard. Generally, FSIS has found that establishments have not adequately validated the effectiveness of their food safety systems when they fail to meet the second set.

For ready-to-eat products, FSIS uses the microbiological performance standards as a measure of how effective the lethality treatment must be to ensure that the products are safe, particularly from *Salmonella*. FSIS has established microbiological performance standards for cooked roast beef and all cooked poultry. FSIS believes that these microbiological performance standards have been effective in providing a uniform standard for all establishments to meet.

FSIS AUTOMATED CORPORATE TECHNOLOGY SUITE (FACTS)

Mr. Bonilla: In FY 2003, FSIS received an increase of \$14.5 million for the FSIS Automated Corporate Technology Suite (FACTS) initiative. Have any of these funds been obligated to date? What specific types of purchases have been made and what purchases are planned for the balance of FY 2003?

Response: Yes, \$5.5 million of the \$14.5 million for FACTS has been obligated to date. Purchases have been made for application development to improve inspection processes, improved infrastructure to provide backups of FSIS critical systems and improved telecommunications for inspectors. The same types of purchases will be expanded through the end of FY 2003.

Mr. Bonilla: How much of the \$14.5 million will be obligated in FY 2004?

Response: The \$14.5 million is part of the base budget and that amount of funding will be obligated each year through FY 2008 for FACTS initiatives.

Mr. Bonilla: How much of the \$14.5 million will be one-time purchases, and how much will be needed for on-going activities?

Response: FSIS will need \$14.5 million annually for on-going activities.

PUBLIC MEETINGS

Mr. Bonilla: What public meetings are planned in the remainder of the current year? List topic, date and location.

Response: FSIS relies on public meetings to gather input from industry, academia, consumer groups, and the general public. On April 29, 2003, in Washington, D.C., FSIS held a follow-up meeting to the January 2002 public meeting on Applied Epidemiology. In addition, the agency has planned public meetings on HACCP Application and Poultry Processing, and Risk Analysis. However, the dates and locations of these meetings have not been finalized. We will provide the information to the Committee once it has been finalized.

FACTS

Mr. Bonilla: FACTS is meant to replace the existing information systems, so one would presume some cost savings will result. What are the estimated savings, and in what year will that occur?

Response: As you state, FACTS is intended to replace existing information systems as well as the cumbersome and slow manual processes with a fully automated and real-time data gathering, inputting and processing system. These improvements to our systems are much needed and are timely in light of heightened threats to the food supply and the need for the agency to act and communicate rapidly when the

public's health is at risk. These technologies will allow instant communication between FSIS field employees, import surveillance liaison officers and regional and headquarter personnel. While it is difficult to immediately measure the budget impact from this initiative, these new technologies and data systems will help us dramatically improve our ability to monitor, detect, and respond to intentional and unintentional adulteration in meat, poultry and egg products.

CODEX ALIMENTARIUS FOOD SAFETY ACTIVITIES

Mr. Bonilla: Please provide a summary of the major Codex Alimentarius actions related to food safety activities that have occurred, or will occur, in the current year.

Response: The U.S. Codex Office is located in the Food Safety and Inspection Service, under the Office of the Under Secretary for Food Safety at the USDA. The Under Secretary for Food Safety is the head of the Codex office, as the highest ranking food safety official in the United States. As the key U.S. agency responsible for food safety, FSIS actively participates in developing international food safety standards through the Codex Alimentarius Commission. FSIS remains committed to working through Codex and its U.S. government partners to stress the role of science in the setting of international standards.

The U.S. Codex Office has designated FY 2003 funding for three types of activities:

- Outreach: Technical seminars are being held to explain the science behind U.S. positions. Seminars were held in Costa Rica in November 2002, and in India in January 2003 and one is planned for South Africa in August 2003.
- U.S. Hosted Meetings: The Codex Committee for Food Hygiene met in Orlando, Fla., in January 2003 and the Codex Committee on Residues of Veterinary Drugs in Foods met in Arlington, Va., in March 2003.
- Delegate Training: Training sessions for U.S. delegates to enable them to more effectively represent the United States.

Currently, FSIS participates on the following Codex Committees: Food Hygiene, Residues of Veterinary Drugs in Food, Food Import and Export Inspection Certification Systems, Meat and Poultry Hygiene, Food Labeling, Food Additives and Contaminants, General Principles, Pesticide Residues, the *Ad Hoc* Intergovernmental Task Force on Biotechnology, and the *Ad Hoc* Intergovernmental Task Force on Animal Feeding.

Work being carried out in these committees includes the development of risk management strategies for microorganisms and a risk profile for *E. coli* O157:H7 in sprouts, ground beef, and pork. Draft guidelines for the control of *Listeria monocytogenes* in foods are being developed and the Code of Practice for Eggs and Egg Products is being revised. Mandatory requirements for labeling of food allergens have been set. In addition, Codex is developing maximum residue levels (MRLs) for drug residues and pesticides, and is working on a Code of Practice to contain antimicrobial resistance. Codex is also developing

a draft code of hygienic practice for meat and will work on including processed meat in the code.

Mr. Bonilla: What Codex Alimentarius activities are expected during fiscal year 2004?

Response: During FY 2004, the U.S. Codex Office will host three Codex Committee Sessions. The three sessions are the Codex Committee on Food Hygiene; the Codex Committee on Residue of Veterinary Drugs in Foods; and the Codex Committee on Processed Fruits and Vegetables. The U.S. Codex Office, along with other U.S. government offices, will participate at Codex Alimentarius Commission sessions and at approximately 16 Codex Committee Sessions. As is standard practice, public meetings to review and discuss agenda items scheduled for consideration, will be held before each of the sessions. In addition, the U.S. Codex Office will hold three overseas outreach events explaining U.S. positions on issues of concern coming before Codex Committees. The Office will also hold a training seminar for U.S. Codex delegates.

USER FEES

Mr. Bonilla: Your explanatory notes indicated that legislation will be submitted providing USDA with the authority to collect fees for the cost of all Federal inspection services beyond one eight-hour shift per day. Please explain to the Committee how FSIS proposes to submit such legislation bases on General Provision, Section 725 that prohibits the use of funds to pay the salaries and expenses of personnel who prepare or submit appropriations language to Congress regarding user fee proposals that have not been enacted into law.

Response: The budget submitted to the Congress does not include appropriations language that assumes revenues or reflects a reduction from the previous year due to user fees proposals. The budget indicates that authorizing legislation will be proposed to recover costs of providing inspection services beyond an approved primary shift. The appropriations language for the budget indicates an appropriated level of \$797 million, which is the total amount needed under current law.

HOMELAND SECURITY

Mr. Bonilla: FSIS received Homeland Security supplemental funding of \$15.0 million plus \$1.5 million additional funding from the Office of the Secretary to be expended during FY 2002 and FY 2003. How much of this funding has been obligated to date?

Response: At the end of March 2003, FSIS had obligated \$6.45 million of the Homeland Security Supplemental funds. We expect to obligate the remaining funding very shortly.

Mr. Bonilla: What specifically has been purchased with this funding?

Response: The information is provided for the record.

[The information follows:]

Physical Security & Critical Laboratory Cybersecurity (\$ 0.88 million)

- Purchased and installed video cameras, security locks, decontamination shower, and diesel generator
- Assessed laboratory hardware/software needs
- Computer security training
- Cell phones
- Encrypted communication network

Surveillance & Monitoring (\$ 0.38 million)

- Hired consumer complaint nurse and a medical doctor to monitor the consumer complaint monitoring system
- Hired and assigned one Association of Teachers of Preventive Medicine (ATPM) Fellow to headquarters

Education & Training (\$ 1.10 million)

- Biosecurity training workshops
- Food & water security training symposium
- Import surveillance training
- Developed training for Compliance Officers, Veterinarians, and District Veterinary Medical Officers
- Purchased detection and protective equipment
- Purchased biosecurity training package
- Developed training scenarios for response to workplace terrorism exposure

Technical Assistance (\$ 2.77 million)

- Biological and chemical agents training
- Developed a public awareness campaign that is on-going and designed to educate the public and the regulated industry about the biosecurity threats to the food supply and the assurance mechanisms built into the nation's food production and inspection systems
- Issued "FSIS Security Guidelines for Food Processors" and distributed copies to all Federal and State inspected establishments
- Developed consumer brochure in English and Spanish
- Hired a supervisory epidemiologist to provide supervision and management for bioterrorism, outbreak investigation, and other field activities.

Expanded Laboratory Capabilities (\$0.97 million)

- Hired two microbiologists to handle the current workload and to increase capacity to analyze samples and decrease turnaround time in the case of a bioterrorist event
- Issued a construction contract to construct a BL-3 facility within the Microbiological Outbreaks and Special Projects Laboratory

Import Surveillance Liaisons (\$.35 million)

- FSIS is augmenting its existing port-of-entry inspection force. As of March 2003, the Agency hired and deployed 20 additional import surveillance liaisons to recognize evidence of possible terrorist tampering.

Mr. Bonilla: Is any portion of the base or increase requested for FY 2004 to fund the continuation of homeland security activity begun in FY 2002 and FY 2003?

Response: Yes. A portion of what FSIS does supports Homeland Security. This includes increased sampling for pathogens and improved laboratory capability to respond to chemical terrorism, an Office of Food Security and Emergency Preparedness to coordinate its efforts in this area, and sample analysis programs for bioterrorism agents.

ANTI-TERRORISM ACTIVITIES

Mr. Bonilla: Do you have additional funding requirements for anti-terrorism activities in 2004 that are not included in the budget request?

Response: No, there are no additional funding requests for anti-terrorism activities in 2004.

Mr. Bonilla: Please describe what additional actions FSIS needs to undertake in this area.

Response: While FSIS already hired 20 new import surveillance inspectors to augment the readiness of the agency's existing port-of-entry inspection force, additional steps are being developed to improve information system linkages among FSIS, the Animal and Plant Health Inspection Service (APHIS), and U.S. Customs. To further ensure the safety of imported meat and poultry products, FSIS has requested \$1.8 million in FY 2004 to increase FSIS equivalence reviews in foreign countries. In addition, FSIS needs recurring funding to conduct training and simulations and to exercise response plans on an ongoing basis.

STATE INSPECTION PROGRAMS

Mr. Bonilla: The FY 2004 budget request assumes an increase of \$1.35 million (and 40 staff years) for FSIS assuming inspection responsibility for the state of Virginia inspection program, and \$0.6 million for the addition of the state of Maine to the cooperative program. Do you anticipate any additional states giving up their programs during FY 2004?

Response: Some States are still working on approving funding for their fiscal years beginning in July 2004. Consequently, it is impossible to predict with any certainty what States will terminate their State inspection programs. At least four State programs risk the

possibility of being terminated. These are Virginia, Kansas, North Carolina and South Carolina. In addition, Texas has indicated that it may no longer staff 23 positions in the Talmadge-Aiken program.

Mr. Bonilla: If a state were to give up its inspection program, how would FSIS fund the increased cost?

Response: Existing FSIS programs would have to be reduced to cover the increased cost of inspection through a reprogramming.

IMPORT FIRM IN VIOLATION

Mr. Bonilla: The Inspector General's testimony reports that an importing corporation has been caught at least six times in violation of food import regulations and notes that the court sentence requires the company to adhere to strict USDA standards for future imports. How can a company violate U.S. food import laws six times and still be allowed to continue in that business?

Response: Over the past twelve years, the import corporation in question has illegally entered meat and poultry products into the United States on at least five occasions where the Food Safety and Inspection Service (FSIS), the Animal Plant Health Inspection Service (APHIS), and/or the Food and Drug Administration (FDA) were involved. With exceptions as noted below, on each occasion, product was located, controlled, and a report documented. Appropriate enforcement actions were taken that included detention and destruction of product and issuance of Letters of Warning for each violation. In one of these instances, allegations were made that were not substantiated, because no product was found.

Two violations resulted in criminal charges. The first criminal case was filed in March 1999, when FDA investigated the firm for attempting to re-import adulterated FDA-regulated product into the United States through Canada after the shipment was previously rejected in the United States. The company was criminally charged in the U.S. District Court in the Western District of New York and plead guilty to a variety of charges and was fined. The company pled guilty to smuggling food into the United States; false statements; fraud by wire, radio or television; misbranded food item; and imports-adulteration or misbranding of imports.

Also in 1999, FSIS assisted the OIG in an investigation. The firm was found guilty of smuggling misbranded meat products into the United States. The products involved were labeled as vegetable dumplings from Korea that were found to contain meat. The firm pled guilty and a fine was assessed. The company was also placed on probation for one year.

LISTERIA REGULATION

Mr. Bonilla: Please update the Committee on the status of the Listeria Rule and what additional steps are required in the rulemaking process.

Response: We are in the process of finalizing the rule.

Mr. Bonilla: What has been the effect of the *Listeria* Directive to the field force? What percent of industry has been doing additional testing and sharing results with FSIS?

Response: Of the plants producing 1.3 million pounds or more of high or medium risk product (deli meat or franks) when FSIS conducted the survey this past fall, 175 plants were not sharing data. At this time, over 100 of those 175 plants are now sharing data. It should be noted that this number may change as establishments change their practices and realize the benefits of sharing their data with the agency.

The Directive will provide the Agency with additional information to determine on a case-by-case basis which products and operations should be subject to more intense sampling.

Mr. Bonilla: Under the *Listeria* Directive, does FSIS retain the right to test for *Listeria* in any plant at any time, for product or environmental samples?

Response: Yes. In Directive 10,240.3, FSIS specifically added language in the Intensified Verification Testing Program (Part 3, section I. A.) stating "This program includes, but is not limited to high, medium, and low risk products..." This language was intended to provide the agency with the discretion to determine, on a case-by-case basis, which products and operations should be sampled differently than the routine scheduling.

PATHOGEN TESTING IN 2004

Mr. Bonilla: The fiscal year 2004 budget request includes over \$6 million in increases for pathogen testing and surveillance sampling. Why have you separated these two functions?

Response: The ongoing nationwide microbiological baseline studies, or surveillance sampling, would be outsourced. The other pathogen testing refers to increases for ongoing regulatory sampling programs where all the laboratory analyses would be completed at FSIS' laboratories. The outsourced testing will allow FSIS laboratories to conduct more compliance and HACCP verification assays. It will contribute to improvements in data quality by permitting FSIS to collect more appropriate scientific data with which to conduct risk assessments and to more accurately track prevalence and levels of foodborne disease-causing bacteria. It also will address FSIS biosecurity concerns by strengthening the risk assessment process that will indicate the most vulnerable points in the food chain for FSIS-regulated products.

Mr. Bonilla: How will the increased surveillance sampling help FSIS to analyze risks?

Response: The baseline studies, or surveillance sampling, provide nationwide estimates of both the prevalence and levels of pathogens in specific products. Regulatory sampling does not provide these

statistical estimates which are needed for risk assessments. Data from baseline studies will be used in risk assessments to assess the risk that those food commodities pose to public health and to examine various intervention strategies for reducing these risks.

Mr. Bonilla: How much is the agency currently spending on pathogen testing?

Response: The agency spends approximately \$10.6 million for pathogen testing. Most of this is for ongoing regulatory programs. The \$10.6 million includes laboratory salary costs, operating costs, salary costs for field personnel to collect samples, and laboratory and agency overhead.

Mr. Bonilla: How much on surveillance testing?

Response: The agency currently has funds to complete at most one baseline study per year. The cost of one baseline study ranges from \$0.2 to \$0.5 million depending on how many different pathogens are included.

Mr. Bonilla: Is this a significant increase?

Response: Yes, the increase would be significant for both baseline studies and for existing regulatory sampling of pathogens. By increasing our ability to conduct baseline studies, FSIS will be better able to gather information to help develop risk- and science-based policies. In addition, last year Secretary Veneman announced two new directives to increase testing for *E. coli* O157:H7 in raw ground beef and for *Listeria* in ready-to-eat meat and poultry products, in an effort to better protect the public health.

PUBLIC INFORMATION CAMPAIGN FOR 2004

Mr. Bonilla: The budget request proposed a \$1.5 million increase for a media campaign to improve the food handling procedures of consumers at home. For the record, please provide a brief description of the media campaign plan.

Response: One of FSIS' key public health missions is to educate the public about the hazards of foodborne illness, as well as to teach safe food handling techniques to ensure the safety of meat, poultry, and egg products. Since we are trying to share our food safety message with all segments of the population, such as consumers, food preparers, educators, children, physicians, public health officials, and industry, this is a formidable task.

Because we are tasked with spreading our food safety message to so many people with a limited amount of resources, FSIS has requested \$1.5 million in the FY 2004 budget to evaluate and develop effective strategies for a comprehensive and sustainable mass media food safety education campaign. Some of the funds will be used to consult expert assistance on the design of a mass media food safety campaign. The

agency intends to combine the expertise of the consultant with that of its traditional food safety education partners, as well as others with expertise in the delivery of public health and food safety messages.

Mr. Bonilla: How do you identify under-served groups?

Response: Under-served groups are often identified based on data from the Centers for Disease Control and Prevention (CDC) on the incidence of foodborne illnesses among certain segments of the population. Current data show a higher incidence of foodborne illnesses among Hispanics than non-Hispanic Whites for certain pathogens and also among African-Americans and Asians. The marked variation of illnesses among ethnic and racial groups suggests that further work is needed to identify high-risk food consumption practices and to target educational messages to these populations.

In addition, CDC data shows that one-third of foodborne illnesses occur in all children under 10 years of age, so food safety education is being targeted to this segment of the population, as well as their food preparers. Demographic studies and research of the general population are also used to identify other markets. The under-served may also be part of the at-risk populations which have already been identified as the very young, older adults, pregnant women and newborns, and people with weakened immune systems caused by cancer treatments, AIDS, diabetes, kidney disease, organ transplants, etc. Based on social marketing principles, messages will be developed, tested and evaluated for effectiveness with each specific targeted audience.

Mr. Bonilla: How are you leveraging Federal dollars in this effort?

Response: FSIS continues to work in conjunction with numerous Federal and State government agencies including the USDA's Cooperative State Research, Education, and Extension Service and Food and Nutrition Service, the Department of Health and Human Services' Centers for Disease Control and Prevention and Food and Drug Administration (FDA), the National Association of State Departments of Agriculture, and the Department of Education, to better utilize resources, prevent duplication of efforts, build on existing programs as well as create new ones, and expand educational outreach.

In addition, FSIS supports the USDA/FDA Foodborne Illness Education Information Center at the National Agricultural Library, which provides a comprehensive database of food safety education materials; the HACCP Training Programs and Resources database; and houses and maintains the Food Safety Training and Education Alliance for Retail, Food Service, Vending, Institutions, and Regulators web site.

Mr. Bonilla: Do you have any partners from industry or nonprofit groups?

Response: The evaluation will identify ways to capitalize on existing partnerships and create new partnerships to maximize the use of the funding and the numbers of people reached with food safety information. FSIS works with individual States to create an effective consumer food safety partnership among government officials, educators, and the food industry. These types of partnerships have been shown to lead consumers to recognize the importance of safe food handling by actively disseminating and exchanging consistent information regarding food safety risks, prevention strategies, and decisionmaking.

The successful public/private sector national partnership demonstrated by The Partnership for Food Safety Education (PFSE) can be used as a model for the States to replicate. The State partnerships may be linked to the national group to significantly enhance the effectiveness of the existing food safety messages, activities, and materials.

Government and non-profit organizations that we have partnered with include the American Dietetic Association, American Egg Board, Food Marketing Institute, American Meat Institute, Association of Food and Drug Officials, Canadian Partnership for Consumer Food Safety Education, The Centers for Disease Control and Prevention (CDC), Consumer Federation of America, the Food and Drug Administration, Food Marketing Institute, National Association of State Departments of Agriculture, National Food Processors Association, National Restaurant Association Educational Foundation, the Food Temperature Indicators Association, National Turkey Federation, Department of Education, and the Department of Health and Human Services. In addition to supporting the PFSE, FSIS partners with the Food Temperature Indicators Association and the Food Marketing Institute in promoting the FSIS national thermometer education campaign.

Mr. Bonilla: How will you measure what effect the campaign has?

Response: Performance measures will be developed to evaluate the effectiveness of the campaign at raising the level of awareness of safe food handling practices, the ability of the campaign to change attitudes about safe food handling, and the expected changes in food preparer behavior. CDC data on the incidence of foodborne illness will also be used to gauge the effect of the campaign and the positive impact on consumer food handling behaviors.

EFFECT OF MICROBIOLOGICAL PERFORMANCE STANDARDS ON ENFORCEMENT ACTIONS

Mr. Bonilla: What effect, if any, have microbiological performance standards had on enforcement actions?

Response: USDA inspectors continue to test for *Salmonella* in plants. These tests are used as an indicator of possible food safety problems and trigger more intensive scrutiny and in-depth reviews of plants. Plants that do not meet food safety requirements will be subject to enforcement actions. All meat and poultry plants are responsible for producing safe products. FSIS can and will enforce both statutory and regulatory provisions in plants that don't meet that requirement.

Mr. Bonilla: What percentage of actions are you taking based on standards versus based on other noncompliance?

Response: Since January 1, 1998, FSIS has taken action nine times in establishments that failed to meet the *Salmonella* performance standard. In that same time period, FSIS has taken a total of 1,697 enforcement actions.

Mr. Bonilla: What is the trend in the number of enforcement actions - have the numbers been steady, decreasing, or increasing?

Response: Despite variations from year to year, the number of enforcement actions has remained rather steady.

ADVANCED MEAT RECOVERY TESTS

Mr. Bonilla: How many Advanced Meat Recovery tests for spinal cord remnants does FSIS plan to conduct in fiscal year 2003? In 2004?

Response: In FY 2003, FSIS plans to analyze 1,800 samples and in FY 2004, 3,600 samples.

Mr. Bonilla: What is the total cost of these tests, and has funding been requested or will it be taken from the agency's base resources?

Response: The total cost of these tests is \$252,000 for FY 2003 and \$504,000 for FY 2004. This includes salary costs, supplies, inspector time, shipping, and laboratory overhead costs. Additional funding was not requested and will be taken from the agency's base resources.

INSPECTION WORKFORCE TRAINING FOR 2004

Mr. Bonilla: The fiscal year 2004 request includes a significant investment - a \$5.65 million increase - for improved scientific training for inspection personnel. What is the fiscal year 2003 base for training?

Response: FSIS Administrator Dr. Garry McKee has made it clear that training is one of the agency's top priorities. FSIS can only achieve its public health, food safety, and food security mission with adequate preparation of its workforce through training and education. FSIS has budgeted approximately \$5.7 million for training initiatives in FY 2003. This includes \$3.7 million in funding for a training and education contract with Texas A & M University, \$1.15 million in funding for the Field Automation and Information Management (FAIM) help desk to provide computer support and training to FSIS field personnel, \$500,000 for FAIM training, and an additional \$350,000 in funding for Compliance Officer training and Consumer Safety Officer training in order to reinforce their basic training and increase their scientific and public health knowledge.

Mr. Bonilla: The training as proposed would focus on scientific principles, including HACCP and control verification. What percent of current inspection personnel have received similar training?

Response: FSIS has provided initial training and education covering HACCP verification through a variety of methods to approximately eighty percent of its current workforce. It has also provided some training on scientific principles to a smaller audience. The significant increase requested for FY 2004 includes plans to provide further training to a greater percentage of the field workforce on HACCP verification and scientific principles, among other strategies to re-tool the training and education function. The HACCP verification and scientific training that is proposed would address current policies and present information that has not been covered in previous training programs.

Mr. Bonilla: What is the average FSIS tenure, in number of years, of inspection personnel?

Response: The average tenure for FSIS in-plant personnel is 13.49 years.

Mr. Bonilla: How many entry-level personnel are hired each year?

Response: The number of entry level inspection personnel hired in FY 2002 was 324. In FY 2003, it is estimated that the agency will hire 415 entry-level inspection personnel.

Mr. Bonilla: What percentages of them receive similar training to that described in the budget explanatory notes within one year? Within two years?

Response: Despite the agency's efforts, it is estimated that no more than 20 percent of entry level field employees receive technical training within one year of being hired. Within two years of being hired, estimates show that no more than 50 percent of this group has completed entry level training.

The increased funding request in FY 2004 will help to enhance training by taking opportunities to the field with employees having a variety of training options, possibly including the ability to take courses closer to their work sites. FSIS has also initiated a comprehensive training and education effort designed to ensure that every FSIS employee fully understands their role in preventing or responding to an attack on the food supply.

Mr. Bonilla: How will you measure the effectiveness of the training?

Response: The training will be evaluated by our Program Evaluation, Enforcement, and Review staff. This staff possesses the agency's internal program evaluation expertise. They will evaluate the training material, the instructor presentations, student feedback, and feedback from employees and supervisors in the work environment after training has been completed to determine the extent to which the training has had an impact on job performance.

Mr. Bonilla: What role will distance learning play in the training?

Response: Initially all training will be delivered in a classroom setting to allow for maximum student-instructor interaction. The material will be converted to a computer based training format, thereby providing an additional distance learning option. Also, procurement of two-way audio and video equipment has been authorized, and plans have been made for its installation. The FSIS Center for Learning in College Station, Texas, will use the equipment to expand delivery of all appropriate training to remote sites.

Mr. Bonilla: How effective is it for initial scientific training versus update courses?

Response: In general, assuming instructors are equally skilled in using the technology, initial scientific training may be more difficult to effectively deliver through distance learning methods. Initial scientific training includes more lecture, laboratory work, and "hands-on" training. As distance learning technology improves, we believe that scientific training will be able to be delivered much more effectively.

FOREIGN REVIEW FOR 2004

Mr. Bonilla: The budget includes an increase request for \$1.77 million to increase the number of Equivalency Review audit trips. What is done on the audits?

Response: All foreign food regulatory system equivalence audits are conducted at least annually in four phases: planning, execution, evaluation, and feedback. For example, an annual system equivalence verification audit would consist of the following activities.

PLAN. FSIS prepares a consolidated annual plan to audit each country that exports meat, poultry or egg products to the United States. Individual country audit plans are based, in large part, upon prior experience with the exporting country. For example, all previous FSIS audit reports are reviewed to identify issues for inclusion in the current audit. Port-of-entry reinspection data are also reviewed at this time to determine trends and identify areas of special interest for audit. These documents and data are used by FSIS to develop an audit plan that is customized for each country. The plan includes a list of foreign establishments selected for centralized records review. A subset of these establishments is further selected for on-site audit. FSIS uses a statistical method for establishment selection. Additional establishments may be added for cause. The audit plan is transmitted to the exporting country for comment before implementation. The audit protocol is sufficiently detailed to inform the exporting country of the audit objectives, scope and criteria, who will be visiting, what they wish to see, where they wish to go, and when they wish to do so. Special emphasis is given to adoption of new sanitary measures or food regulatory system changes that have occurred since the last audit either through initiative of the exporting country or in response to new U.S. import requirements.

EXECUTE. An auditor (or in some cases an audit team) is dispatched to the exporting country's inspection headquarters and/or to sub-offices as agreed in the audit protocol. Opening discussions are held with exporting country officials to determine if the national system of inspection, verification and enforcement is being implemented as documented, and to identify significant trends or changes in operations. The FSIS auditor examines a sample of program records that evidence exporting country regulatory activities, and accompanies country officials on field visits to a representative sample of establishments that are eligible for export to the United States. Exporting country officials conduct a review to verify that each selected establishment continues to achieve the U.S. level of sanitary protection. Particular attention is paid to how eligible establishments address food safety hazards, some of which may be different from those encountered in the United States. FSIS auditors observe establishment activities and correlate review findings made by exporting country officials. Selected microbiological and chemical laboratories are also reviewed, and a farm or feedlot is visited to verify animal drug controls. In a closing meeting, the FSIS auditor provides exporting country officials an overview of conditions observed and ensures that audit observations are clearly understood.

EVALUATE. FSIS conducts a post-audit evaluation of all data collected on-site. When evaluating audit data, FSIS considers how sanitary measures of the foreign food regulatory system compare or contrast to those used in the U.S., and determines whether the foreign system cumulatively provides the same level of protection.

FEEDBACK. FSIS thereafter sends the exporting country a draft audit report and provides them an opportunity to comment on its findings. After consideration of country comments, a final report is prepared. An action plan is mutually developed to address any issues raised by the audit. These issues are tracked by FSIS until resolution and are automatically included as items of special interest in the next audit.

All reports of equivalence verification audits are posted on the FSIS web site when they are "final," which is immediately after the final version is delivered to the audited country.

In some instances, when a more in-depth audit of a country is deemed necessary, FSIS will dispatch an interdisciplinary team of experts to conduct an equivalence verification. And occasionally, a country may be identified for more than one audit per year. These decisions are made on a case-by-case basis. Initial equivalence audits are always conducted by a team of experts.

Mr. Bonilla: What is the current year amount spent on Equivalency Review audits?

Response: FSIS intends to spend \$4.4 million on equivalency review audits in FY 2003.

Mr. Bonilla: What level of performance would a \$1.77 million increase allow?

Response: Due to an increase in applications to export meat and poultry products to the U.S., FSIS has requested an increase of \$1.77 million to increase the number of foreign equivalency review trips. This funding would allow FSIS to hire seven new foreign program auditors who would be utilized to intensify FSIS' review of the equivalency of foreign meat, poultry, and egg products inspection systems. In FY 2004, FSIS expects the number of foreign equivalency review missions to increase from 33 to 40. This funding will help FSIS thoroughly carry out these reviews and ensure equivalent inspection systems in foreign countries exporting to the U.S.

Mr. Bonilla: How many plants require audit, and how often are they visited?

Response: FSIS policy is to conduct annual audits in every eligible country that has certified one or more establishments for export of meat, poultry, or egg products to the United States. Annual audits are not, however, statutory or regulatory requirements for maintaining equivalence.

FSIS has recently applied a systems approach to its annual audit process in order to provide a more accurate picture of an exporting country's food safety regimen. The new approach focuses on a foreign country's inspection system as a whole, rather than on individual plants. In FY 2002, 33 countries were eligible to export to the U.S. In 18 of these countries, FSIS audited every establishment that was certified to export to the U.S. In the remaining 15 countries, FSIS audited a random selection of plants based on a statistical equation that identifies how many plants need to be sampled in order to identify any deficiencies in the country's inspection system. In FY 2004, FSIS expects to audit over 400 foreign establishments.

Mr. Bonilla: Who does the audits? You propose a "cadre of foreign program officers." What are their qualifications?

Response: Initial equivalence determinations are conducted by a multidisciplinary team of experts. Composition of the audit team may include a veterinarian, food technologist, microbiologist, chemist, residue technician, compliance officer, document analysis case officer, and others as needed. In addition to their scientific expertise, knowledge of U.S. inspection requirements is essential so that they can apply the same standards to any foreign inspection program as is required in the U.S.

Mr. Bonilla: Do "intensified audits" mean increased frequency, or a greater level of oversight?

Response: The agency may audit a country more often than annually, send an increased number of auditors to a country, or increase the sampling level during an audit to include more plants. Intensified audits give the agency a greater confidence level in its review of a foreign country's inspection system.

NEBRASKA BEEF AND ENFORCEMENT

Mr. Bonilla: In the Nebraska Beef case, after inspection was withheld, the company received a temporary restraining order from court. Did the TRO have any relation to USDA's inspection authority?

Response: The TRO had no relation to FSIS' inspection authorities. The TRO held in abeyance the agency's enforcement of its authorities within the Federal Meat Inspection Act until the Courts had an opportunity to hear the arguments from both sides.

Mr. Bonilla: In what ways can USDA withhold inspection?

Response: USDA has the authority to initiate a withholding, suspension, or withdrawal action based on sanitation or HACCP violations, including: failure to collect and analyze samples for the presence of generic *E. coli*; failure to develop or implement sanitation standard operating procedures (SSOP); or failure to develop or implement a required HACCP plan. USDA may also initiate a withholding,

suspension, or withdrawal action for other violations, such as inhumane slaughter or unsanitary conditions.

At any time that a plant produces or ships adulterated products without taking corrective actions, FSIS takes immediate action to withhold the USDA mark of inspection. A withholding action may affect all product in the establishment or only product from a particular process. For example, FSIS may have concerns about the safety of an ingredient added to the formulation for hot dogs. The plant could cook the hot dogs, but FSIS would not apply the mark of inspection to the product until the safety of the ingredient was verified. Similarly, if SSOP or HACCP noncompliance trends continue without corrective action by the plant, FSIS will withhold inspection.

A suspension may be carried out when the plant's systems fail to produce safe products, or for other reasons such as assault or intimidation of FSIS inspection personnel and inhumane treatment or inhumane slaughter of animals. When a plant is suspended, FSIS removes inspectors from the plant, effectively shutting down all or part of the plant's operations.

FSIS may also decide that it is necessary to withdraw inspection from a plant. In these cases, FSIS files a complaint with the USDA Hearing Clerk. The plant may request a hearing before an Administrative Law Judge. If the action is based on insanitary conditions, the plant will remain closed while proceedings go forward. In other cases that do not involve a threat to public health, operations may continue. These actions may be resolved by FSIS and the plant entering into a consent decision, which allows the plant to operate under certain specified conditions. Once inspection is withdrawn, a closed plant must reapply to receive Federal inspection.

Mr. Bonilla: Does a hearing need to take place, or is notification and withdrawal of inspectors also an option?

Response: FSIS' Rules of Practice define the types of enforcement action that the agency may take, the conditions under which it is likely to take each of these actions, and the procedures it will follow in doing so. FSIS may withhold the USDA mark of inspection from a product or suspend plant operations by removing FSIS inspection personnel, without prior consent from a court. In most instances, when operations are suspended at a plant, the establishment provides to FSIS a plan of corrective action to prevent future noncompliance, and the matter is quickly resolved. When this occurs, the suspension is held in abeyance and operations are allowed to resume under conditions agreed to by FSIS and the establishment.

If the agency decides that it is necessary to withdraw inspection from a plant, FSIS must file a complaint with the USDA Hearing Clerk. The plant may request a hearing before an Administrative Law Judge. If the action is based on insanitary conditions, the plant will remain closed while proceedings go forward. In other cases that do not involve a threat to public health, operations may continue. These actions may be resolved by FSIS and the plant entering into a consent decision, which allows the plant to operate under certain specified conditions.

Once inspection is withdrawn, a closed plant must reapply to receive Federal inspection.

For any type of enforcement action taken, an establishment has the right to appeal the action through supervisory channels, including the right to appeal determinations made by field supervisors to senior management officials at agency headquarters.

Mr.. Bonilla: What happened in the Nebraska Beef case? Provide a brief summary.

Response: In January 2003, FSIS moved to suspend inspection and withdraw the Federal grant of inspection from Nebraska Beef Ltd., in Omaha, Nebraska, after several repeated citations for insanitary conditions and failure to validate its Hazard Analysis and Critical Control Points (HACCP) plan. The company secured a temporary restraining order against FSIS and sought a permanent injunction asserting that FSIS did not have authority under the Federal Meat Inspection Act (FMIA) to require plants to maintain HACCP and Sanitation Standard Operating Procedures (SSOP) plans. On January 24, 2003, Nebraska Beef and FSIS officials reached a settlement and the case was withdrawn from Federal District Court.

FSIS can and will continue to take action against those facilities producing product in establishments that do not meet HACCP and SSOP regulatory standards.

QUESTIONS SUBMITTED BY CONGRESSMAN KINGSTON
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

RECALLS

Mr. Kingston: We saw some pretty big headlines last year about meat and poultry recalls, and I understand that the total number of recalls has increased significantly. Should we be worried that these recalls are on the rise?

Response: The number of recalls is in part related to increases in microbiological monitoring samples collected by FSIS, increased sensitivity of microbiological testing methods, and improved epidemiological collaboration (e.g., PulseNet) with other Federal agencies. In addition, in response to FSIS' increased emphasis on foodborne pathogens, plants are increasing their microbiological testing programs. Enhanced agency surveillance, through initiatives such as the consumer complaint monitoring system, have also contributed to increases in recalls.

FSIS believes that our ongoing efforts to improve the quality and design of industry HACCP plans and initiatives to increase the education and training of the workforce, will lessen the need for recalls.

ORGANIC EGGS

Mr. Kingston: As part of the USDA Organic Standards in order for eggs to be certified "Organic" the hens are required to have access to the outdoors. Access outdoors for chickens means access indoors for rodents. Rodents, as shown by the research conducted in Pennsylvania and in Maine are leading contributors to the spread of *Salmonella Enteritidis* (SE). The FSIS Egg Safety Action Plan includes a strict quality assurance program to prevent rodents entering the facilities. Yet, the organic regulation for egg-producing chickens make access for rodents easy by opening the door for chickens. How does your office feel about this organic requirement and its risk to food safety?

Response: The regulations that define the organic system of agricultural production are in Title 7 of the Code of Federal Regulations (7 CFR), Part 205. This is a marketing, rather than a food safety, program that is overseen by the Agricultural Marketing Service (AMS). These regulations require that producers of organic livestock establish and maintain preventative livestock health care practices, including appropriate housing and the use of sound management practices to prevent pest infestation. The issue of the merits of such controls in relation to the introduction of pests in poultry growing facilities and any decision as to whether enough evidence exists that there is an animal health issue, rests with the Animal and Plant Health Inspection Service (APHIS), which is under the jurisdiction of the Under Secretary for Marketing and Regulatory Programs. The Food Safety and Inspection Service's (FSIS) authority begins when the birds are presented at an establishment for slaughter and, therefore, the animal health issue is not one that can be addressed by FSIS.

CODEX AND GENETICALLY MODIFIED ORGANISMS

Mr. Kingston: In your written statement it is mentioned that you lead U.S. office of the Codex Alimentarius Commission, an international standard-setting body for food safety. Part of your interest in that organization is to ensure food safety regulations around the world are reasonable, equitable, and achievable. Does your involvement with this organization allow you to address the problems that Europe has with GMOs that are grown by our farmers?

Response: The Codex Alimentarius Commission (CAC) provides a forum to address some of the problems that the European Union has with genetically modified organisms (GMOs) that are grown by U.S. farmers. GMO foods are currently being discussed in a number of subsidiary bodies of the CAC. The Codex ad hoc Intergovernmental Task Force on Foods Derived from Biotechnology has been successful in developing general principles for the risk analysis of foods derived from modern biotechnology, and guidelines for the conduct of food safety assessments of recombinant-DNA plants and microorganisms. The Codex Committee on Food Labeling has been discussing labeling of foods derived from modern biotechnology, focusing particularly on the question of when labeling should be applied. The Codex Committee on Methods of Analysis and Sampling has recently begun to examine issues associated with the testing for novel DNA. FSIS is committed to continued participation in the CAC in order to ensure that the issue of food safety continues to be a top priority throughout the world.

NEW TECHNOLOGY

Mr. Kingston: I believe USDA should be more a part of finding solutions instead of just identifying problems. For example, FSIS should play a lead role in identifying solutions, conducting research, and implementing new technology to provide for safer food. Is there room for USDA to be more than a regulator and also be a catalyst for the implementation of new technology and a partner with processors and the industry to improve food safety?

Response: FSIS believes that new technology provides a great opportunity to enhance the safety of meat, poultry and egg products. Thus, the agency continues to take steps to encourage and provide opportunities for technological advances and innovation under the PR/HACCP rules. FSIS recently announced new procedures for new technology intended for use in establishments. These procedures were designed to encourage innovation by eliminating undue delays in the development, testing, and use of new technology.

FSIS is working to identify major food safety and public health problems and to make information on new technologies, particularly those that show promise in resolving the highest priority food safety and public health problems, widely available through its web site, public meetings, and conferences. For example, FSIS is developing plans for a conference on new technologies that will explore how the agency can best work with industry, academia, and other government agencies to identify needs for new technologies and implement efforts to address the needs identified. FSIS is also considering holding a public meeting to focus on pre-harvest food safety issues. In addition, USDA has

initiated efforts to identify potential problems in biotechnology that might have an effect on food safety and public health. USDA, the Food and Drug Administration (FDA), and the Environmental Protection Agency (EPA), have jointly sponsored a study by the National Academy of Sciences to investigate the unintended health effects of technology involving the genetic engineering of agricultural food products.

FSIS continues to work cooperatively with the Agricultural Research Service (ARS) and other organizations to identify and resolve food safety problems through scientific research. For example, FSIS has worked with ARS for a number of years to develop technology for automated detection of diseases and other defects on broiler chicken carcasses. The inspection expertise provided by FSIS veterinarians is a critical component of the project, which is now in the final stages of research before transfer of the technology to industry for commercial production.

QUESTIONS SUBMITTED BY CONGRESSMAN LATHAM
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

INSPECTION WORKFORCE TRAINING

Mr. Latham: In your plans to overhaul the so-called scientific and surveillance skills of your workforce with the \$5.6 million increase for training, what will regulatory and scientific integration net you versus what you now have, or had in the past?

Response: The \$5.7 million proposed for training and education will allow FSIS to "re-tool" its approach to delivering training and education. An employee trained in the scientific and technical aspects of the Hazard Analysis and Critical Control Point (HACCP) system and Sanitation Standard Operating Procedures (SSOPs) will lead to improvements in food safety and public health.

PLANTS IN VIOLATION

Mr. Latham: Can you give the subcommittee an example of a meat processing plant having FSIS inspectors suspend operations, but then turning around and putting that suspension in abeyance while the plant corrects violations?

Response: In October 2001, FSIS suspended inspection at a meat slaughter plant located in Sharon, Pennsylvania, based on the production and shipment in commerce of ground beef which tested positive for *E. coli* 0157:H7. The firm initiated a voluntary recall of the affected product. Based on corrective actions and preventive measures implemented by the firm, FSIS held the suspension in abeyance. Verification activities performed by FSIS inspection personnel indicated the plant's measures were effectively implemented.

Mr. Latham: Do you often find that in plant locations where one violation is found, more are likely present, and do you find that offenders continue to commit violations?

Response: Each establishment is its own unique entity, as a result, when food safety violations are detected, it is difficult to make generalizations or comparisons between facilities. However, each violation is corrected at the time it is found by the inspector. When a regulatory action is taken by FSIS, it is actively working to protect public health. FSIS is committed to protecting public health and using its authority to ensure that establishments are adhering to FSIS regulations. FSIS takes action against each and every violation by a facility in those cases where they fail to meet HACCP and SSOP regulatory standards.

COORDINATION IN RESPONSE TO SUSPECTED CONTAMINATION EVENTS

Mr. Latham: How is your system of special coordination groups working with other agencies in exchanging information in response to suspected contamination events, and how many such instances have you had in the year?

Response: The Office of Public Health and Science's (OPHS) Human Health Sciences Division (HHSD) within FSIS, has established liaison with the Food and Nutrition Service (FNS) of USDA to enhance coordination of recognition and response to foodborne illnesses in schools. FNS participates in weekly conference calls with the HHSD to discuss ongoing outbreaks and investigations. Also, the Consumer Complaint Monitoring System, operated by HHSD, has begun to enter complaints related to school lunch products. In addition, FNS, as well as the Agricultural Marketing Service (AMS), receive all FSIS recall press releases and Recall Notification Reports and are invited to participate in recall committee meetings.

Finally, the HHSD is responsible for convening a Health Hazard Evaluation Board (HHEB) to determine whether an event in a plant may pose a human health risk. When an event is first identified, the agency may not be able to determine immediately whether the event is accidental or intentional. If the evidence suggests an intentional event, the investigation is referred to the Office of the Inspector General (OIG).

EXPORTING COUNTRIES

Mr. Latham: Do you think that there is any particular reason for an increase in the number of applications to export meat to the United States, beyond broadened trade opportunities?

Response: Other than broadened trade opportunities, FSIS is unaware of any particular reason for an increase in the number of applications to export meat to the United States.

Mr. Latham: What is the biggest challenge in broadening your risk management framework for evaluating potential exporters?

Response: The biggest challenge for FSIS is our ability to dedicate sufficient resources for the evaluation of foreign country initial equivalence applications and the subsequent onsite verification audits. That is why the FY 2004 Budget includes an increase of \$1.8 million and 7 FTEs to increase the number of equivalency review trips.

Mr. Latham: In doing overseas evaluations of potential exporters, what country or countries pose the biggest challenges and why?

Response: Each country has unique challenges. The most challenging countries are those with which FSIS has had no prior experience. For example, FSIS makes separate equivalence determinations for meat and poultry exports. Consequently, many countries are authorized to export one commodity to the U.S. but not the other. If a

country is already an eligible meat exporter and wants to begin exporting poultry as well, it is somewhat easier for them to demonstrate the equivalence of their poultry inspection program because much of their system infrastructure is common to both. Conversely, if a country is not eligible to export either commodity it must submit documentation for its entire system and the FSIS evaluation and audit is more difficult and resource-intensive.

'SURGE RESPONSE' CAPACITY IN FSIS LABORATORIES

Mr. Latham: Your request includes funding to enhance your food security mission as regards building in a 'surge response' capacity in your labs to better address bio-terrorism threats. What do you see today as your biggest challenge in the lab enhancement initiative?

Response: In order to further enhance surge capacity, the FSIS laboratories need additional biosecurity level-three laboratory facilities. These facilities will increase laboratory capacity to handle suspect, mixed (biological, chemical, radiological), and unknown samples. FSIS also needs additional personnel as requested in the budget to handle the increased numbers of samples that will be submitted to the laboratories. Additional staffing will allow FSIS to identify and validate additional analytical methods for the extensive list of biological and chemical threat agents that may be intentionally added to meat, poultry, and egg products. Additional staffing will also allow the necessary cross-training and continued proficiency of analysts to handle a wide variety of agents using multiple technologies. Finally, FSIS will need to purchase additional equipment as these new analytical methods and technologies become available.

QUESTIONS SUBMITTED BY CONGRESSWOMAN KAPTUR
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

NONAMBULATORY ANIMALS

Ms. Kaptur: In the 2002 farm bill, language was included requiring that the USDA conduct a study on the problem of nonambulatory or "downed" livestock at auction markets and slaughter facilities. What have you learned so far?

Response: USDA's Animal and Plant Health Inspection Service (APHIS) is the lead agency carrying out the study on nonambulatory livestock. FSIS will assist APHIS in thoroughly studying and addressing the issues outlined in the 2002 Farm Bill.

Ms. Kaptur: When do you expect the study to be completed?

Response: There is additional planning to be carried out by APHIS and other agencies as to the overall depth of this study, a completion date has not been determined at this time.

Ms. Kaptur: How many downed animals were processed last year and what percentage of them passed inspection?

Response: FSIS tracks the number of animals condemned at antemortem inspection but the condemnations include animals which were condemned because they were dead, dying, or diseased. FSIS data does not separate those that are classified as "downers."

HUMANE SLAUGHTER VIOLATIONS

Ms. Kaptur: According to information available on your web site, USDA penalized slaughter facilities for humane slaughter violations only 16 times in the last 4 years. There are more media stories of inhumane slaughter practices than there are USDA reports. Do you suggest that there really are only 4 violations of the Humane Slaughter Act each year nation-wide?

Response: FSIS takes seriously any violation of the Humane Methods of Slaughter Act (HMSA) and FSIS personnel have the authority to stop the production line and withdraw inspection for violations of the HMSA and are expected to do so. FSIS personnel who fail to enforce the HMSA are considered negligent in their duties and are subject to agency disciplinary action.

The report to which you refer includes only those situations in which violations have resulted in suspension of plant operations. There are instances of noncompliance that have been documented by inspection personnel and corrected by the establishment, but did not warrant suspension of plant operations.

In FY 2002, the agency documented 379 noncompliance incidents out of 70,403 compliance procedures performed. However, the majority of these infractions were related to facilities (e.g., slippery flooring, large gaps between pen bars). The majority of infractions related to animals were for failure to provide water or feed. With each non-compliance report, a plant is required to correct the problem and take action to prevent reoccurrence. These compliance procedures are performed on an on-going basis during each shift a federally inspected establishment is in operation to ensure that the facility is in fact in compliance with the HMSA and obeying the statutes and regulations for the humane handling and slaughter or livestock.

Ms. Kaptur: Please clarify for us what your authority and requirements are regarding downed animals that are found at various times before actual slaughter. If an animal is down at any point before slaughter are you required to remove that animal from the slaughter line, or do you simply have the discretion to do so?

Response: FSIS trains all in-plant Veterinary Medical Officers (VMOs) and slaughter line inspectors about humane handling responsibilities, and they are expected to ensure that plants take corrective actions if there are problems with the treatment of animals. FSIS personnel verify that disabled livestock handling procedures are carried out by establishment employees to ensure that livestock that show signs of physical impairment or that are nonambulatory are set apart and humanely slaughtered. They also ensure that the establishment has adopted humane handling and slaughter practices for all livestock in accordance with the Humane Methods of Slaughter Act (HMSA) of 1978.

In accordance with the Federal Meat Inspection Act and the Poultry Products Inspection Act, FSIS inspectors conduct antemortem inspection of livestock. Unconscious disabled livestock cannot receive antemortem inspection. They must be condemned and disposed of in accordance with FSIS regulations and the HMSA.

Conscious disabled livestock may be kept inside the transport vehicle in which they were transported to the establishment, or humanely moved to a designated covered area or pen by sufficient personnel and suitable equipment for antemortem inspection. Once a vehicle has entered an official slaughter establishment premises, it is considered to be part of that establishment premises. Inspection personnel may go onto a transport vehicle to perform antemortem inspection of disabled livestock if, in his or her professional opinion, he or she can safely and adequately conduct the antemortem inspection. They may also conduct antemortem inspection outside the transport vehicle, if they choose. This action is voluntary and is performed at inspection program personnel discretion. No retaliatory action may or will be taken against inspection program personnel, by FSIS or an establishment, who choose not to perform an antemortem inspection on disabled livestock that cannot be humanely removed from a vehicle.

Non-ambulatory disabled livestock that have not received antemortem inspection and cannot be humanely moved must be humanely condemned before they may be transported in the slaughter

establishment's premises. This includes non-ambulatory disabled livestock that cannot be inspected while on the transport vehicle.

SALMONELLA ENTERITIDIS (SE) IN FLOCKS

Ms. Kaptur: Last year, in response to questions from members of congress, the Center for Disease Control wrote "There is epidemiological evidence which associates molting with higher prevalence of *Salmonella Enteritidis* (SE) in flocks. Molted SE-positive flocks also seem to produce SE-positive eggs more frequently than their counterpart...the increased rate of infection is twice that of eggs produced before the flock is forced-molted." The CDC also reported to us that children are far more susceptible to SE than adults. Unfortunately, 75% of egg-laying flocks in the US are forced molted and USDA currently offers no specifications about avoiding such SE-contaminated eggs. Given this clear relationship between forced molting and SE contamination of eggs, should the Department take further action or issue advisories to reduce the risk from eggs from forced molted hens to children?

Response: FDA has responsibility for shell eggs. FSIS verifies that shell eggs are maintained under proper refrigeration while in distribution. In February 2003, FSIS issued a news release to remind consumers of safe handling and cooking practices to enhance the safety of desserts made with eggs.

FOOD SAFETY LABELING

Ms. Kaptur: Please provide for the record a complete copy of the report entitled "Consumer Research on Food Safety Labeling Features for the Development of Responsive Labeling Policy" prepared for Robert Post, Labeling and Additives Division of FSIS by RTI (Research Triangle Institute).

[Clerk's Note: The information provided was deemed too lengthy for printing, and is retained in committee files.]

ENFORCEMENT ACTIONS

Ms. Kaptur: In response to a question for the record last year, FSIS provided a table listing its enforcement activities through 2001, which showed a 35% drop in enforcement activity in 2001 compared to 2000. Please update this table and explain why the drop in enforcement activity in 2001 occurred.

Response: Despite variations from year to year, the number of enforcement actions has remained constant. Beginning in January 2000, very small plants were required to implement HACCP for the first time. Very small plants make up the vast majority of plants we inspect. This change to a new inspection system led to more than the usual number of enforcement actions. A change in some of the numbers between fiscal year (FY) 2000 and FY 2001 is attributed to the success of HACCP outreach initiatives to establishments and/or industry and plant awareness of the HACCP requirements.

[The information follows:]

FSIS Enforcement Activities										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Suspensions of inspection	n/a	n/a	n/a	n/a	64	77	118	184	119	126
Cases received	1,348	1,381	1,039	776	797	1,409	2,370	2,386	1,540	977
Cases filed with hearing clerk	4	8	6	17	6	6	9	6	6	8
Prosecutions	22	24	27	41	22	24	23	12	9	11
Civil injunctions	0	4	7	7	1	3	0	2	4	4
Seizures	1	1	1	1	1	0	2	1	0	1
Warning letters	1,721	1,662	1,361	1,063	1,097	1,626	2,778	2,283	1,837	1,331
Withdrawal of custom exempt privilege						2	1	0	1	0
Administrative Orders	4	7	5	8	12	7	8	4	6	8
Detentions	796	672	586	466	327	631	941	769	627	536
Pounds detained (millions)	13.1	22.0	10.1	31.3	44	16	20.6	34.0	13.4	36.8
Recalls monitored	36	45	48	23	25	40	55	76	66	119
Planned reviews	12,114	11,198	10,170	8,716	7,648	10,746	10,198	18,030	11,921	13,749
Random reviews	36,179	35,013	27,732	22,383	18,494	5,430	33,778	31,362	20,303	15,450
Total Reviews	48,293	46,211	37,902	31,099	26,142	16,176	43,976	49,392	32,224	29,199

Ms. Kaptur: GAO reported last August that its review of FSIS's own records showed that 55% of all plants had no documented HACCP-related violations in 2001, and that this was a surprise to FSIS officials. GAO-02-902, at 15. It said that "FSIS had not analyzed the data for an entire year and were not aware of the extent to which no violations had been documented." Id. at 16. In fact, at 10 of 43 plants that were subject to in-depth verification reviews because FSIS believed they had serious food safety risks, there were no documented HACCP violations for the preceding 12-month period. Id. Please explain why FSIS had no idea of the number of plants without HACCP violations and why FSIS had not analyzed this data.

Response: The GAO's audit focused on data and records from 2000 and 2001. Since that time, the FSIS Office of Field Operations (OFO) has put in place many measures that address the problems GAO identified. OFO has put in place systems to provide the tools frontline supervisors and District Managers need to oversee plants' compliance with HACCP and other regulatory requirements and to quickly identify trends or problems requiring further investigation and attention.

The new Performance-Based Inspection System (PBIS) 5.0 was introduced in FY 2002. PBIS gives field managers and supervisors direct access to real time data on inspection procedures scheduled and the results of the inspection procedures. It also gives access to electronic copies of noncompliance records. PBIS allows field managers to easily access and extract needed information, in formats that can be quickly and easily analyzed for identifying trends or problem areas by individual plant or multi-plant patrol circuits. This allows managers to more easily identify trends that may indicate a potential food safety problem.

The District Early Warning System (DEWS) pulls data from various FSIS databases relating to inspection, sampling, and enforcement and generates an "early warning" for district managers when the combination of certain events or findings reach pre-determined thresholds. DEWS enables the district managers to increase their focus on potential problem establishments.

The Administrative Enforcement Data System was developed and implemented in FY 2002 to assist district managers' ability to ensure timely and effective regulatory compliance, by monitoring the status of outstanding enforcement actions and the corrective actions proffered by the regulated plants in response to enforcement notices.

The implementation of the In-Plant Performance System (IPPS) ensures accountability by putting in place a formal system by which field supervisors can review the effectiveness of inspector verification of HACCP and SSOP requirements.

INSPECTION STAFFING

Ms. Kaptur: At last year's hearing before this subcommittee, the Acting Administrator said that with respect to processing plants "we might have one inspector covering 4, 5, or 6 plants in a several-block area." This raises the possibility that some plants may not receive daily inspections. Please indicate whether there have been any missed daily inspections of processing plants in the last two years and if so, how often this has occurred.

Response: Public health and food safety principles drive the staffing of processing assignments, including patrol assignments on which an inspector is assigned multiple plants. These patrol assignments often include plants that do not operate every day. Processing inspectors are to visit and perform inspection procedures at their assigned plants every day that the plants operate.

WHISTLEBLOWER COMPLAINTS

Ms. Kaptur: In testimony before the Senate Agriculture Committee on March 22, 2001, USDA Inspector General Roger Viadero discussed the procedures at FSIS with regard to whistleblowers. He said that "Most of the other agencies [at USDA] have a process in place where they receive the complaint through their own offices, and they report back to my office with the disposition of it. This [FSIS] is the only office that we've found so far where the complaint is responded by the person who's been complained about." S. Hrg. 107-120, at 17. Mr. Billy disputed this on behalf of FSIS and said "I will look into this further to see if there's any validity to what the Inspector general just stated." Id. Please describe how FSIS handles whistleblower complaints and indicate whether complaints are ever handled by the person being complained about.

Response: FSIS receives whistleblower complaints from the Office of Inspector General (OIG) through the Internal Control Staff (ICS) of the Office of Performance Evaluation, Enforcement and Review (PEER). Each complaint is time-stamped, logged into the correspondence book, assigned a distinct file number and placed in the ICS database to assist in tracking the 90-day processing period. Depending upon the nature of the complaint(s), they are then forwarded to the appropriate agency investigative unit for action. These complaints are handled by one of four agency offices, the ICS, the Labor and Employee Relations Division (LERD) within the Office of Management, the Office of Field Operations, and the Compliance and Investigations Division.

If there is a conflict of interest or an appearance of a conflict of interest, other USDA agencies or the OIG will be asked by FSIS to investigate the complaint. An example would be a whistleblower complaint regarding the conduct of the Assistant Administrator for PEER. This complaint would not be forwarded to that office or any branch under it for inquiry since their supervisor is the subject of the investigation. Such complaints would be handled in their entirety by OIG or another USDA agency.

Completed investigations are returned to ICS by the investigating unit and analyzed to determine if each allegation has been properly addressed. If so, the results of the investigation are placed into the ICS database and the report is sent back to OIG with a disposition. If the allegations have not been adequately addressed, the complaint is returned to the appropriate unit for additional inquiry. Reports of Investigations/Inquiries that are substantiated must indicate the corrective or disciplinary action taken to prevent similar conduct in the future.

The ICS has no knowledge of any complaints being handled by the person being complained about. Adherence to the following statutes and guidelines when conducting investigations prevents this practice from occurring. FSIS investigations are guided by the USDA Employee Misconduct Investigative Handbook; LERD's Conducting Inquiries and Investigations; Inspector General Act of 1978 (5 U.S.C. § App.3) and the Inspector General Act Amendments of 1988 (5 U.S.C. § App.3); the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (31 U.S.C. §1105, 1113, 3512); FSIS Notice, No. 14-99, *Prevention of Reprisal Policy Statement*, dated April 28, 1999; Department Personnel Bulletin No. 752-1, *Policy on Reprisal*, dated July 31, 1997; FSIS Directive 4753.3, *Employee Responsibilities and Conduct*, dated August 20, 1984, including Amendment 1, March 6, 1985 and Amendment 2, November 27, 1987; and Standards of Ethical Conduct for Employees of the Executive Branch, dated August 1992.

E. COLI POLICY

Ms. Kaptur: Did FSIS issue a policy in the summer of 2002 that its inspectors were to perform source origination documentation when they took samples for *E. coli* O157:H7? Did FSIS issue a policy in the fall of 2002 that its inspectors were not to ask a company for the source of its product until a preliminary positive test result is obtained several days later? Which policy is the current policy? If it is the latter, please explain why you are following a policy that is much less likely to lead to accurate scientific tracebacks than the summer 2002 policy, and describe any policy considerations that led the agency to this decision.

Response: In the summer of 2002, in response to a need to begin gathering source material information, FSIS did instruct its inspectors to begin collecting source material information immediately. Instructions on how to collect the information were not formally issued until FSIS could determine the best method for collecting the information. FSIS considered several points in the process, including collecting the source material information at the time of sample collection. However, it was ultimately decided that informing the company to begin collecting the information at the time of a presumptive positive was more appropriate and provided FSIS with the most appropriate means to collect the information. To reflect its policy decision, the agency issued an official FSIS Notice in the fall of 2002 instructing inspection personnel to inform company personnel that source material information would be collected if a presumptive positive test result was found to be positive. If the result is positive, FSIS notifies all of the supplying establishments of the positive finding and provides

information to the supplier to help identify the *E. coli* O157:H7 positive lot. This policy is still carried out by the FSIS workforce. FSIS continues to evaluate its options to ensure that recalls can be effectively and efficiently carried out.

WORKFORCE TRAINING

Ms. Kaptur: What would it cost to train all field personnel to be able to evaluate compliance by food-processing facilities with USDA's current voluntary security guidelines, as recommended by GAO in its February, 2003, report entitled "Food-Processing Security" (GAP-03-342)?

Response: In order for FSIS to fully train all field personnel to be able to effectively evaluate compliance by food-processing facilities with USDA's current voluntary security guidelines, as recommended by GAO's February 2003 report, the agency would need \$4.0 million for a one to two day training session. This level of funding would cover travel, materials, as well as the costs associated with pulling all inspectors out of plants and training them on non-duty time, which is the only way this type of training could be conducted. The agency is currently making efforts to train inspectors in regard to bioterrorism issues and this estimate is consistent with current costs associated with that on-going effort.

Ms. Kaptur: What would it cost to provide the enhanced HACCP training that is proposed in the 2004 budget for all eligible employees in fiscal year 2004, instead of only on the phased-in schedule that appears to be the proposal in the 2004 budget?

Response: FSIS estimates that it would cost \$25 million in order to provide this enhanced training to all eligible FSIS employees in FY 2004.

INSPECTION STAFFING

Ms. Kaptur: On March 14, 2002, at the FSIS budget hearing before this subcommittee, when a number of Members asked about the need to increase the number of inspectors to cover increased production, the response from one of the FSIS witnesses at the hearing was:

We believe that we have a large enough inspection workforce to cover projected growth. We do work very closely with ERS on what their projections are so that we can pay attention to that. We believe that we have a sufficiently large workforce to cover projected growth.

A similar response was given to a question for the record. But the 2004 budget request specifically requests funding for additional inspectors to accommodate industry growth. Why does this need exist now, when you indicated that it did not exist less than a year before the 2004 budget was submitted?

Response: The number of inspectors requested is based on a variety of factors that include present needs, current and projected industry demands for inspection service, and potential changes in demand for various commodities. For FY 2004, FSIS is requesting additional positions to meet projected demand.

WORKFORCE TRAINING

Ms. Kaptur: Please explain the statement in the 2004 budget justification that "FSIS would also increase from 1,000 to 1,350 the number of entry-level field inspectors and supervisors that receive basic training within the first year of employment in the new positions." 2004 Budget Explanatory Notes, at 13-12. Do field inspectors and supervisors currently begin work without receiving basic training within the first year? If so, what percentage of the workforce does not receive this training and how can this be justified?

Response: After a thorough assessment and review of the FSIS training and education programs, we learned that only 20 percent of our entry level employees had received basic training outside of the plant. We recognized the need for a basic training requirement for all new and existing employees. With FSIS emphasis on science and technology in its regulatory decisions, this requirement is critical to FSIS' public health mission. FSIS will implement in the very near future an interim basic training course for new hires.

IMPORT REINSPECTION PROCESS

Ms. Kaptur: In a February, 2003, report (Audit report No. 24099-04-Hy), the USDA Inspector General said that "FSIS has made minimal progress towards establishing an effective import reinspection process, even though the agency agreed to do so in response to our June 2000 audit report." In addition, the report said that in 11 of 22 specific recommendations in the 2000 report, FSIS had not taken adequate action and that in two others, no agreement had been reached on FSIS's response to the earlier recommendations. Please explain to the subcommittee why FSIS's response to the report has been so poor and what actions are being taken to remedy this.

Response: Corrective actions have been taken for each of the 22 recommendations referenced in the June 2000, audit report with the exception of one recommendation, where a management decision has yet to be reached. Final action has been accepted by the Office of the Chief Financial Officer (OCFO) on 12 of the 21 recommendations. FSIS has submitted documentation to the OCFO to close the remaining recommendations where management decisions have been reached. In the case of the one recommendation where a management decision has not yet been reached, the agency disagrees with the OIG's supposition that the agency should acknowledge a management weakness in its import reinspection program. FSIS does not believe the issues raised in the audit are consistent with the requirements for reporting a management weakness as called for in the Federal Managers Financial Integrity Act (FMFIA). FSIS expects closure by

the OCFO for all other recommendations by the end of fiscal year 2003.

HACCP IMPLEMENTATION

Ms. Kaptur: In an August, 2002, report (GAO-02-902), GAO found numerous, serious problems in FSIS's implementation of HACCP. Where does FSIS stand in terms of correcting each of the problems identified in the report?

Response: FSIS has developed and implemented procedures and systems that address the GAO concerns outlined in the subject report. To ensure that all HACCP plans fully meet regulatory requirements, FSIS has implemented initiatives to retrain inspection personnel on Hazard Analysis Critical Control Points (HACCP), Sanitation Performance Standards (SPS), and Standard Sanitation Operating Procedures (SSOPs). In addition, FSIS has addressed issues of staffing, funding, and training to enhance program operations and increase oversight. FSIS has implemented systems to increase accountability for supervisors and District Managers who oversee plants' compliance with HACCP and related requirements.

An example of these systems is the new Performance Based Inspection System (PBIS) version 5.0, which provides field managers and supervisors direct access to data on inspection procedures scheduled, completed, etc. FSIS has also implemented the District Early Warning System (DEWS). This system extracts information from various FSIS databases relating to inspection, sampling, and enforcement and generates an "early warning" report once a combination of certain events or findings reach a pre-determined threshold. District Managers use the information generated to ensure that appropriate and timely action is taken.

To ensure that FSIS inspectors and District officials use consistent criteria for identifying repetitive violations of HACCP regulatory requirements, FSIS has developed and revised policies and systems to establish a uniform approach in the identification of repetitive violations. This included the revision of Directive 5000.1 "Enforcement of Regulatory Requirements in Establishments Subject to HACCP Systems Regulations," which provides guidance for identifying repetitive violations. FSIS has also created an organizational component to focus on data analysis. The new Program Analysis and Information Technology (PAIT) staff is responsible for analyzing data from FSIS information systems to determine trends and effectiveness of the safety operations in plants. In addition, the Technical Service Center (TSC) is responsible for conducting audits by sampling Noncompliance Reports (NRS) for trend analysis to determine the level at which repetitive deficiencies are being identified.

To ensure that plants take prompt action to correct violations, FSIS is in the process of revising current policies, as well as developing new policies that will provide more detailed guidance relating to the monitoring and follow up of corrective actions. FSIS has established the Office of Program Evaluation, Enforcement and Review (PEER) whose mission is to ensure that FSIS

programs and policies are implemented and monitored correctly. PEER assists District Managers in monitoring the status of outstanding Notices of Intended Enforcement (NOIEs), suspensions, suspensions in abeyance and deferred suspensions by generating reports from the FSIS Administrative Enforcement Data System, which allows District Managers or designees to follow up on enforcement and corrective actions.

In addition, following an October 2002 Federal Register Notice requiring plants to reassess their HACCP plans, FSIS Consumer Safety Officers are completing extensive scientific reviews of plant HACCP plans to ensure the reassessments are successfully addressing all aspects of HACCP regulations.

STATUS OF GAO/OIG AUDITS

Ms. Kaptur: Please advise the subcommittee of any recommendations related to FSIS that have been included in either GAO or USDA Inspector General reports or audits in the last two years on which FSIS has not reached complete agreement with GAO or the USDA Inspector General or where FSIS has not fully complied with those recommendations, as of the date of the response provided to the subcommittee.

Response: To date, there are 13 audit recommendations that FSIS has outstanding because it has not reached a management decision with the auditors. FSIS is continuing to work to resolve these complex outstanding issues, although several of the recommendations pertain to issues outside the agency's regulatory authority.

The Office of Inspector General (OIG) Audit, "Implementation of the Hazard Analysis and Critical Control Point" (Audit No. 24001-3-At), has five recommendations without resolution. The primary focus of these recommendations involves having FSIS alter its statutory authority, such as the agency using the Grants of Inspection as an enforcement element.

OIG Audit, "FSIS Overtime Controls" (Audit No. 24099-4-At), has four recommendations in which a management decision has not been reached. A management decision was reached on the other six recommendations and corrective actions are being implemented. FSIS is continuing to work to resolve the outstanding issues addressed in the audit report, completed in September 2002. However, because many of the issues addressed by the recommendations are complex, such as having the agency change its billing for overtime services, quick resolution to the outstanding recommendations has not been obtained. The agency expects to reach a management decision on these recommendations before the end of 2003.

OIG Audit, "Oversight and Security of Biological Agents at Laboratories Operated by the U.S. Department of Agriculture" (Audit No. 50099-13-At), has three recommendations in which a management decision had not been reached. However, FSIS is in the process of submitting documentation to OIG to achieve a management decision. The three outstanding recommendations addressed a need for USDA to

develop security procedures for controlling access to high consequence biological agents. These three recommendations are the only ones in the report requiring FSIS corrective action. FSIS anticipates that these three recommendations will be resolved by Summer 2003.

OIG Audit, "Imported Meat and Poultry Inspection Process, Phase I" (Audit No. 24099-3-Hy), has one recommendation without resolution. In the case of the one recommendation where a management decision has not yet been reached, the agency disagrees with the OIG's supposition that the agency should acknowledge a management weakness in its import reinspection program. FSIS does not believe the issues raised in the audit are consistent with the requirements for reporting a management weakness as called for in the Federal Managers Financial Integrity Act (FMFIA). FSIS expects closure by the OCFD for all other recommendations by the end of fiscal year 2003.

CAMPYLOBACTER PREVALENCE

Ms. Kaptur: In January, 2003, *Consumer Reports* released a report on the condition of chicken in our supermarkets. *Consumer Reports* purchased 484 fresh whole broilers in stores in 25 cities nationwide in the spring of 2002. They found *campylobacter* in 42% of the chickens. When is USDA going to set standards for testing for *campylobacter*? Doesn't the presence of *campylobacter* in 42% of the chickens that are actually stored on store shelves suggest that you should take action immediately?

Response: FSIS has conducted baseline studies to determine the prevalence and level of contamination by *Campylobacter jejuni/coli* on young chickens. During one of the studies, one objective was to compare the existing FSIS laboratory method with a new method developed by the Agricultural Research Service (ARS). Results from this study raised questions concerning the reliability and accuracy of current methods used to measure the prevalence and levels of *Campylobacter jejuni/coli*. Thus, all data from this baseline study has been submitted for review to the National Advisory Committee for the Microbial Criteria for Foods (NACMCF).

Concerning the specific question about setting new standards, both the NACMCF and the National Academy of Sciences (NAS) reviewed the role of microbiological performance standards in food. FSIS is considering both reviews before deciding future directions for performance standards. Specific direction concerning *Campylobacter jejuni/coli* will also depend, in part, on the NACMCF review of the data from the baseline study. FSIS is awaiting the findings of the NACMCF on *Campylobacter jejuni/coli* baseline study and intends to review these before proceeding. The goal of the agency regarding performance standards is to ensure that any such standard is science-based and devised in a manner to effectuate a desired change.

REVIEW OF RECALL PROCESS

Ms. Kaptur: An AP news report on March 30, 2002, said that FSIS planned to hire an outside consultant by April, 2002, to evaluate meat recall procedures and that FSIS expected the report to be completed in 2002. Please advise the subcommittee as to: whether FSIS hired such a consultant; if so, who it was; how much the study cost; and whether it has been finished. If it is finished please provide a copy of the study for the record.

Response: While the agency believed at the time that hiring an outside consultant would provide insight into ways we could strengthen our recall process, further discussions resulted in the decision to hold a public meeting on recalls. A public meeting, we believed, would allow the agency to gather input from many different sources and many different points-of-view. On December 12, 2002, FSIS held a public meeting to discuss improving the process for recalls of meat, poultry and egg products, and to gather useful input on topics including mandatory recall authority and public notification. At this meeting, consumer groups, industry, academia, and congressional staff, provided input on a broad range of topics related to the recall process. The agency is currently reviewing the input received from this public meeting and will utilize these comments to shape future policy.

FSIS GUIDANCE DOCUMENTS

Ms. Kaptur: News reports last fall indicated that a memo had been sent by two FSIS officials to inspectors at a plant in Liberal, Kansas, in May, 2002, saying that inspectors could be held accountable for lost production if they slowed down a production line to check for possible contamination and no contamination was found, even if the slowdown was because of suspected fecal contamination. The New York Times on November 2, 2002, said USDA officials were unable to confirm whether this was an official document. How is it possible that FSIS officials in one state could put out such a memo in the first place if it was not an official document, and why is it that FSIS was unable to determine immediately whether this was an official document? Please also advise the subcommittee whether this was an official document and if not, what actions have been taken to make it absolutely clear to the FSIS workforce and the industry that it is not.

Response: The plant in question had experienced a great deal of turnover and in response to specific questions from new line inspectors, the Inspector in Charge attempted to answer those questions using selected passages from existing guidance documents. In that manner, the memo was not an official document. However, the information contained therein was accurate in that it reflected standing procedures and policies in use by the agency. It was intended to reinforce the importance of line inspectors paying attention to the carcass directly in front of them, properly differentiating organs slated for condemnation and not allowing their concentration to wander. The document stressed that if inspectors concentrate on the task directly in front of them, they would be effective in identifying noncompliance with food safety

regulations and would be supported in the actions they took in the interest of protecting public health.

To ensure as much consistency as possible across District lines, instructions on inspection policies and procedures for the inspection workforce are issued through the agency's formal issuances system, or by the Office of Field Operations at headquarters.

MODERNIZATION OF INSPECTION

Ms. Kaptur: On March 19th, Secretary Veneman said that USDA was considering "modernizing" the Department's meat and poultry inspection enforcement tools, including mandatory notification when a plant believes meat is misbranded or adulterated, civil penalties, cease-and-desist orders and earlier and more rapid suspensions for HACCP violations. What is the schedule and process for the Department's consideration of these proposals?

Response: The Secretary is reviewing the Department's authorities and will look at all options available to ensure that we have the strongest possible food safety system.

Ms. Kaptur: In the same speech, the Secretary said the Department was "accelerating in-depth HACCP reviews in plants that fail to meet salmonella standards." Please explain what you are doing to accelerate these reviews and what goals will be achieved by what specific date(s).

Response: Improvements in the timeliness of the in-depth verification reviews (IDV's) have been made in the past year. The Technical Service Center makes the IDV a priority over other work and schedules the IDV as soon as possible upon notification of a failure of a second consecutive set of *Salmonella* performance standard tests. In addition, the reporting of the findings has been expedited. The IDV team does not leave the IDV location without a draft report in hand. In addition, the District Managers are expected to ensure that follow-up on IDV findings occurs, including enforcement actions and follow up verification of the establishments' corrective action plans. FSIS Notice 28-02, issued in July 2002, outlines the specific actions required and specific roles and responsibilities of District personnel when a second set failure and IDV occurs.

PATHOGEN TESTING

Ms. Kaptur: In response to a question at the hearing, Under Secretary Murano said that it was not necessary to have legislation to force companies to turn over any positive pathogen test results because the Department could always seek a subpoena to obtain the information. Please describe the legal basis for seeking such a subpoena and approximately how long it would take to obtain one.

Response: FSIS has access to industry testing results under the Federal Meat Inspection Act (21 USC 642) and the Poultry Products Inspection Act (21 USC 460 (b)) and the HACCP regulation. If an establishment refused access to the records, the Administration can issue an administrative subpoena for the documents (see 21 USC 467 d and 677). This process can be done very quickly in a matter of hours if needed. If the establishment does not respond to the subpoena, FSIS can go to court to enforce it, which may take longer.

IMPORT SURVEILLANCE LIAISON INSPECTORS

Ms. Kaptur: The Department has recently discussed its hiring of "new Surveillance Liaison inspectors." This seems like a good idea. Please discuss how these positions were funded, the pay grade at which they serve and how they fit into the hierarchy of inspection positions at FSIS.

Response: These positions were funded through Homeland Security funds appropriated in the 2001 Emergency Supplemental Appropriations Act (P.L. 107-38). FSIS currently has 20 GS-10 Import Surveillance Liaisons trained and assigned to port cities across the U.S.

These Import Surveillance Liaisons serve at or near large ports of entry where diversified quantities of meat and poultry products are imported into the United States. The Import Surveillance Liaisons duties include surveillance of import facilities, surveillance of the movement of imported products into commerce; reviewing records associated with imported products and records pertaining to the movement of refused entry products. The Import Surveillance Liaison will coordinate with FSIS Compliance Officers and with other Federal agencies such as the Animal and Plant Health Inspection Service (APHIS)/Plant Protection and Quarantine (PPQ), the Food and Drug Administration (FDA), and U.S. Bureau of Customs and Border Protection regarding surveillance activities or potential biosecurity concerns relating to imported products offered for entry into the United States.

INSPECTOR STAFFING LEVELS

Ms. Kaptur: The Department has indicated that the number of inspectors on board as of Sept. 30th 1997-2002 was as follows:

1997	7594
1998	7529
1999	7440
2000	7643
2001	7645
2002	7560

Please confirm that these are the correct numbers. Please estimate the number of inspectors on board for September 30, 2003.

Response: The numbers reported above are a snapshot for that particular pay period in that particular fiscal year. FSIS' records for in-plant employment at the end of each year are taken from the last full pay period before the end of the fiscal year (FY), and the agency's records agree with the last full pay period figures cited for 1997-2001. The last pay period of September 2002, showed 7,548 in-plant inspection personnel, while the pay period just after October 1, 2002, showed the cited 7,560.

For FY 2002, FSIS upgraded some inspection personnel to Consumer Safety Officers (CSO), which was not reflected in this count. As of the end of FY 2002, FSIS had 90 CSOs.

FSIS anticipates ending FY 2003 with a minimum of 7,610 in-plant inspection personnel.

PATHOGEN ANALYSIS

Ms. Kaptur: Please discuss what progress has been made on the proposal in the 2003 budget to conduct targeted epidemiological surveys, involving "increased sampling of raw product for histopathological lesions and pathogen analysis to determine strategies to prevent animal disease outbreaks." 2003 Budget Explanatory Notes at 13-11.

Response: This proposal involved participation in the development and testing of an integrated surveillance system (Animal Net), starting with swine animal diseases. In addition, FSIS proposed improvements to the Animal Disease Reporting System (ADRS) in order to deliver comprehensive, real time data to other Federal agencies, industry, and academia. It is also part of the President's e-Gov initiative.

FSIS has held conference calls with an interagency collaborative steering group, which have resulted in the decision that FSIS, the Animal and Plant Health Inspection Service (APHIS), and the Agricultural Research Service (ARS) will work together on an integrated surveillance pilot project involving swine slaughter plants. As part of this project, FSIS will collect and analyze ADRS data from selected swine plants. Data collected will be shared with APHIS epidemiologists in a real-time system in order for disease

trends and syndromes to be analyzed. The goal is to be able to detect unusual patterns of disease that may indicate a problem that can be prevented or mitigated more efficiently than is currently possible.

Currently, ARS is leading efforts to establish the Center for Animal Health, Food Safety, and Epidemiology (CAHFSE), a USDA multi-agency Project. The objective is to implement and expand a surveillance system patterned after the APHIS National Animal Health Monitoring System (NAHMS) which focuses on animal health and food safety issues. Execution of CAHFSE will enhance and expand projects already directed at on-farm issues (APHIS), antimicrobial resistance (ARS), and HACCP compliance monitoring (FSIS), enabling USDA to reliably track both emerging animal diseases and zoonoses within the food animal population which may affect the food supply and impact public health. FSIS is an active partner in determining its appropriate role in this USDA project.

SMALL AND VERY SMALL PLANT OUTREACH

Ms. Kaptur: Please discuss what progress has been made on the proposal in the 2003 budget "to expand risk prevention and management efforts in small and very small plants." 2003 Budget Explanatory Notes at 13-12.

Response: In the 2003 budget, FSIS proposed a number of new initiatives to expand risk prevention and management efforts in small and very small plants. This effort has been quite successful to date. FSIS made significant achievements in its Small and Very Small Plant Outreach Program. This program, introduced in 1998, was designed to develop and provide technical guidance and assistance to meet the specific needs of small plants, with ten or more employees, but fewer than 500, and very small plants with fewer than 10 employees, or annual sales of less than \$2.5 million. FSIS held more than 30 courses targeting these segments of the industry across the country. The courses focused on HACCP food safety systems and were provided through cooperative agreements with nine universities.

Part of the agency's outreach effort also includes keeping small and very small plants informed of changes and innovations in food safety, as well as the standards and requirements they must meet to operate a safe food production facility. In fiscal year (FY) 2002, FSIS made improvements to the agency's labeling and standards policy web site, which was introduced in 2002 as a new, business-friendly web site providing essential information to small and very small plants. The site is geared towards helping small businesses understand the fundamentals of labeling and standards and to provide a key contact on our staff to answer related questions. FSIS also provides a staff liaison charged with facilitating resolution of small business issues on a one-on-one basis. The Labeling Policy Staff receives over 400 inquiries a month for labeling guidance.

The Small and Very Small Plant Outreach Program also extended to Native American populations. FSIS held five seminars that covered HACCP, identification of foodborne illnesses, the operations and production processes of lamb and beef jerky, an overview of Federal and State inspection, and safe food handling from farm-to-table.

In addition, FSIS intends to carry out a needs assessment to determine how to most effectively utilize future funding for small and very small plant initiatives. Future options being considered by the agency include advanced training with very small plants on record keeping, advanced educational classes with more universities, development of more simplified material for plant usage, promotion of Native American workshops, and promotion of contact with States that have "equal to" meat and poultry inspection systems.

CONAGRA RECALL

Ms. Kaptur: Please explain why FSIS took no action in response to a March 1, 2002, signed recommendation by two FSIS employees (Dr. Daryl Burden and Mr. Ronald Irvine) to investigate possible contamination at the ConAgra plant in Greeley, CO. That document indicated that their review strongly suggested that the source of *E. coli* O157:H7 in products at a plant in Montana was coarse ground beef in a single lot from the ConAgra plant in Greeley, CO.

Response: Our records show that FSIS did take action in response to the concerns raised by these employees in a March 1, 2002, memo. We implemented traceback sampling after it came to our attention that Montana Quality Meats product on which there were three consecutive positive *E. coli* O157:H7 sample results may have come from ConAgra, Est. 969. Although it was not conclusive, the information we received from Mr. Munsell, the plant owner, and from our inspectors was sufficient for us to attempt to locate an intact sample of the ConAgra product. We looked for the product at the Montana Quality Meats plant and at distributors to which product from that same ConAgra production lot had been sold. We were unable to locate any product as the product had been produced over six months earlier, in August 2001, and the last of the product had been sold by ConAgra's distribution center in January 2002. At that point in time, none of the distribution points had product on hand.

SALMONELLA TESTING

Ms. Kaptur: When will you release the results of 2002 Salmonella testing? What will you do to make Salmonella results available more quickly in the future?

Response: Results from USDA's 2002 Salmonella prevalence testing program will be released on April 16, 2003. The results will show that overall, the regulatory sampling prevalence of Salmonella in raw meat and poultry continues to decrease. In calendar year 2002, FSIS took 58,085 Salmonella samples compared to 45,941 in 2001, a 26.4 percent increase in the number of samples taken. The percentage of samples testing positive for Salmonella across all commodities dropped from 5.0 percent to 4.3 percent. For steer/heifer carcasses, FSIS found 14 positive samples out of 4,572, a positive rate of 0.3 percent.

Also, positive Salmonella samples from very small broiler plants showed the greatest decrease, from 37.2 percent in 2001 to 8.4 percent in 2002. The data indicates that FSIS is making steady and sustained progress in reducing the incidence of Salmonella in raw meat and poultry products.

FSIS currently conducts an ongoing testing program, performed in sets, to determine compliance with Salmonella performance standards for livestock and poultry carcasses and in raw ground meat and poultry products. FSIS makes the results of this testing available to individual establishments upon completion of each sampling set.

FOOD SAFETY COORDINATION

Ms. Kaptur: Has the President's Council on Food Safety, which was established by President Clinton, met during the current administration? If so, on what dates has it met and what has it discussed.

Response: No the President's Council on Food Safety established by President Clinton has not met during the current administration. However, on the important issue of biosecurity, the White House has taken the lead in coordinating various food safety and biosecurity efforts. Specifically, the Interagency Food Working Group (IFWG), of which FSIS is a partner, was created as a subgroup of the White House Homeland Security Council's Health and Bioterrorism Directorate in late February 2003. The IFWG is focused on surveillance, prevention, and response activities for the food supply.

In addition, the Under Secretary for Food Safety Dr. Elsa Murano has stressed that enhancing coordination of food safety activities within and outside of USDA is a high priority. Coordination with our partners at the Federal, State, and local levels is important as FSIS moves towards its food safety and public health goals.

FSIS partners with Centers for Disease Control and Prevention (CDC) and other State and Federal agencies to track and respond to foodborne illness and maintain a database of DNA fingerprinting of foodborne bacteria. FSIS continues to work in conjunction with CDC, FDA, and public health laboratories in several States, on the Foodborne Diseases Active Surveillance Network (FoodNet) to conduct active surveillance of foodborne diseases and outbreaks.

FSIS also works with its State and Federal partners on PulseNet, a national computer network of public health laboratories that helps to rapidly identify outbreaks of foodborne illness. PulseNet is an early warning system that links seemingly sporadic illnesses together and as a result, can more quickly recognize outbreaks, especially those that involve multiple States.

On April 17, 2003, FSIS will sign a Memorandum of Agreement (MOA) with the U.S. Department of Health and Human Services' Public Health Service (PHS) Commissioned Corps, to expand the role and number of PHS Officers detailed to FSIS. PHS Officers are highly-trained health experts who bring diverse backgrounds and experience in support of the FSIS public health mission.

In FY 2002, FSIS initiated eight cooperative agreements with States to raise awareness and understanding of the risks of handling meat, poultry, and egg products by retail stores and food service establishments. These agreements benefit those State and local agencies responsible for inspecting these establishments, as well as managers and owners. Additionally, FSIS field epidemiologists assisted local and State health departments with over 30 outbreak or emergency-related investigations due to such causes as *E. coli* O157:H7, *Listeria*, and *Salmonella*. Many of these investigations involved multiple States and localities. In regard to research,

FSIS works with other USDA agencies, including the Agricultural Research Service (ARS) and the Animal and Plant Health Inspection Service (APHIS) to develop valuable research on food safety issues.

QUESTIONS SUBMITTED BY CONGRESSWOMAN DeLAURO
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

NEBRASKA BEEF

Ms. DeLauro: We have exchanged letters on this subject, but I'd like to ask some further questions. In Supreme Beef, USDA lost its ability to shut down a plant for violating *Salmonella* standards. In Nebraska Beef, the company challenged your Agency's authority to withhold inspection even when you found it to be filthy. In my view, FSIS' authority to protect the public health is in a legal cloud. You don't have the authority to mandate pathogen testing, and the Nebraska Beef settlement essentially sends a signal to other firms that it can also challenge the Department's authority and take USDA to court. Do you think it's time to step back and look at USDA's ability to effectively enforce a strong food safety system?

Response: When plants do not comply with FSIS food safety standards, we to suspend inspection or withdraw the grant of inspection. We will continue to use those authorities to ensure the safety of meat and poultry products.

Ms. DeLauro: What exactly is the Secretary examining?

Response: During her speech at the Food Safety Summit and Expo, the Secretary stated that, in an effort to modernize food safety authorities, we want to work with Congress and our partners to consider ideas to enhance our food safety systems and provide incentives for compliance. Specifically, the Secretary mentioned consideration of mandatory notification to USDA when a federally-inspected establishment has reason to believe that meat or poultry has been adulterated or misbranded, authority to impose civil penalties after continued non-compliance but with due process requirements, and cease and desist orders leading to suspensions for HACCP violations more quickly.

Ms. DeLauro: What is the process for evaluating your authorities?:

Response: We have consulted with USDA's Office of the General Counsel about our existing authorities. We continue to consult with and take under consideration the views of all stakeholders with an interest in public health and food safety.

Ms. DeLauro: Will you be involved?

Response: As Under Secretary for Food Safety, I will be involved in any consideration of changes to further strengthen our food safety system to improve public health.

Ms. DeLauro: Will you work with the Congress on this process?

Response: We will work with members of Congress and all interested parties.

Ms. DeLauro: Would you present us with legislative proposals to improve our food safety system?

Response: At this time, we are not going to present legislative proposals to improve our food safety system. However, as Secretary Veneman has stated, we want to work with Congress and our partners to consider ways to improve our food safety system and strengthen compliance.

Ms. DeLauro: I understand that you still use the *Salmonella* standard to assess the safety of a plant, but you cannot shut down a plant based on a violation of this standard. Shouldn't the violation of a pathogen standard be enough?

Response: While the court ruling prohibited FSIS from suspending inspection based solely upon failure of the *Salmonella* performance standard, the court's ruling did not impact the ability of FSIS to use the *Salmonella* testing results to trigger an immediate review of an establishment's entire food safety system and take action based on these findings. We will not hesitate to use our authority to shut down plants. FSIS will continue to take action against establishments that do not meet HACCP and Sanitation Standard Operating Procedures (SSOP) regulatory standards.

Ms. DeLauro: In your testimony, you say that you have "observed the need for a proactive approach, one that does not simply react to food safety crises, but rather anticipates risk and prepares to mitigate their potential harm." Is it time for you to have a clear mandate and authority to protect the public health, including pathogen standards and a strong food safety system?

Response: FSIS' inspectors, Veterinary Medical Officers, Consumer Safety Officers, and scientists have a clear mandate and we work everyday to execute that mandate to protect public health. FSIS is committed to protecting the public health and using its authority to ensure that establishments are adhering to FSIS regulations.

SINGLE FOOD AGENCY

Ms DeLauro: As you know, I believe we need to create a single, consolidated Food Safety Administration. Over the years my bill has garnered bipartisan support including Members on this committee. The Administration argued that the Department of Homeland Security was necessary to bring together the diverse agencies responsible for defending homeland. I believe, the same arguments can be made in support of the creation of a single, independent food-safety agency. Do you believe we need to move towards a single food agency?

Response: FSIS is working to create a world class public health food safety organization to protect consumers from potentially dangerous pathogens. FSIS has excellent working relationships with its partner public health agencies. If, in the future, the Administration and Congress determine that it is in the best interests of the United States to create a single food agency, FSIS will be a strong and capable partner with its related food safety agencies.

Ms DeLauro: Do you have any reason to believe that establishing a single food-safety agency would be more difficult than establishing the DHS?

Response: The establishment of a single food agency could present unique challenges that would need to be addressed.

Ms. DeLauro: If so, what are those additional obstacles?

Response: Undoubtedly, it would be a tremendous undertaking to harmonize all regulations, laws, and practices related to food safety. We have been and will continue to work with other public health regulatory agencies to coordinate and integrate our efforts to improve public health.

Ms. DeLauro: Within the context of homeland security, have you worked with Secretary Ridge to move forward on this issue?

Response: FSIS works very closely with the new Department of Homeland Security (DHS). We will continue to work with DHS and public health regulatory agencies to forge strong working relationships on critical food safety and homeland security matters.

LISTERIA MONOCYTOGENES IN READY-TO-EAT MEAT AND POULTRY PRODUCTS

Ms. DeLauro: Last year you told us that you planned to issue a final rule on *Listeria* this year. Since that time, you have issued a new *Listeria* directive and a new risk assessment. Meanwhile, consumers faced a large *Listeria* outbreak from deli products that sickened at least 53 consumers, killing eight people and causing three miscarriages or stillbirths. Is the agency still on track for releasing the *Listeria* final rule this year?

Response: FSIS is committed to moving forward to address the public health risks associated with *Listeria*.

Ms. DeLauro: If so, when will the rule go into effect?

Response: FSIS is moving as swiftly as possible to finalize and implement the *Listeria* rule.

Ms. DeLauro: If not, what has caused the rule to be delayed?

Response: FSIS believes that, while it is important to finalize a *Listeria* rule as soon as possible, it is critical that the new rule be based on sound scientific evidence. It is only when policies are based on scientific information that they can have the intended effect of truly reducing the risks to public health posed by pathogens such as *Listeria monocytogenes*.

FSIS has held a series of public meetings to gather data to support the development of the final rule and the associated risk assessment. As a result of this process, as well as ongoing research by the Agricultural Research Service and others, FSIS believes that it has sufficient scientific support to move forward with the rulemaking process with the goal of issuing a final rule. The agency is now moving swiftly to finalize and implement the *Listeria* rule.

Ms. DeLauro: What does the new risk assessment show about role of testing in *Listeria* control?

Response: The risk assessment shows that increased frequency of food contact surface testing and sanitation leads to a proportionally lower risk of listeriosis. Testing alone does not provide reductions in risk; enhanced sanitation and interventions (e.g., killing or inhibiting the growth of the pathogen) are effective, particularly in combination, in reducing risk. Testing, as a verification tool, is important to demonstrate that process control is effective.

Ms. DeLauro: How will you incorporate those conclusions into the final rules?

Response: FSIS has evaluated the risk assessment and is using information gained through the risk assessment to design the final rule. FSIS is moving as swiftly as possible to finalize and implement the *Listeria* rule.

MICROTESTING

Ms. DeLauro: Last year the Secretary announced 2 new directives to increase testing for *E. coli* O157:H7 and *Listeria*. Secretary Veneman told us recently that she is requesting an additional \$6 million for testing in meat and poultry plants. Is that enough money to allow FSIS to fully implement these new directives?

Response: In 2002, Secretary Veneman announced expansion of both the *E. coli* O157:H7 testing program for raw ground beef and the *Listeria* testing program for ready-to-eat meat and poultry products. The \$6 million that the Secretary requested includes increases for both the regulatory testing for *Listeria monocytogenes* and *E. coli* O157:H7, and testing for the baseline studies (surveillance testing) required for development of microbial risk assessments.

Ms. DeLauro: Does FSIS have enough laboratory capacity to meet these demands?

Response: FSIS has the capacity to meet the demands of increased testing. The agency's three field service laboratories will conduct the analyses on regulatory samples collected by inspection personnel. In addition, part of the \$6 million requested is for ongoing nationwide microbiological baseline studies, or surveillance sampling, which would be outsourced.

Ms. DeLauro: Do you need to hire additional laboratory personnel?

Response: Yes, and we have requested an additional 26 staff years for this purpose in our FY 2004 budget request.

Ms. DeLauro: If the Committee gave you \$10 million, how many additional tests could you perform?

Response: It costs the agency approximately \$130 per test. However, the budget fully funds laboratory needs for FY 2004.

Ms. DeLauro: Where would you recommend the additional funds be directed within the testing program?

Response: The work conducted at the FSIS laboratories is vital to the agency's public health goal and laboratory funding is used to further this goal.

SALMONELLA TESTING

Ms DeLauro: Each year since the Pathogen Reduction/Hazard Analysis and Critical Control Point rule has been in effect, FSIS has released the results of its *Salmonella* testing in meat and poultry plants. The most recent report covers 1998-2001 and shows nearly universal *Salmonella* reductions since testing began. However, FSIS hasn't released the results of last year's tests. When will you release the results of 2002 *Salmonella* testing?

Response: Results from USDA's 2002 *Salmonella* testing program will be released on April 16, 2003.

Ms. DeLauro: Are *Salmonella* rates still dropping?

Response: Results from USDA's 2002 *Salmonella* testing program will show that overall, the regulatory sampling prevalence of *Salmonella* in raw meat and poultry continues to decrease. In calendar year 2002, FSIS took 58,085 *Salmonella* samples compared to 45,941 in 2001, a 26.4 percent increase in the number of samples taken. The percentage of samples testing positive for *Salmonella* across all commodities dropped from 5.0 percent to 4.3 percent. For steer/heifer carcasses, FSIS found 14 positive samples out of 4,572, a positive rate of 0.3 percent. Also, positive *Salmonella* samples from very small broiler plants showed the greatest decrease, from 37.2 percent in 2001 to 8.4 percent in 2002. The data indicates that FSIS is making steady and sustained progress in reducing the incidence of *Salmonella* in raw meat and poultry products.

Ms. DeLauro: If so, will FSIS make its *Salmonella* standard more stringent, to encourage further reductions?

Response: USDA sampling data for FY 2002 indicates that FSIS is making steady and sustained progress in reducing the incidence of *Salmonella* in raw meat and poultry products.

Ms. DeLauro: If not, why do you think that *Salmonella* is increasing?

Response: Data shows that the rate of *Salmonella* is decreasing.

Ms. DeLauro: What will you do to make *Salmonella* results available more quickly in the future?

Response: The agency will strive to release the information as soon as it is analyzed. FSIS currently conducts an ongoing testing program, performed in sets, to determine compliance with *Salmonella* performance standards for livestock and poultry carcasses and in raw ground meat and poultry products. FSIS makes the results of this testing available to individual establishments upon completion of each sampling set.

DATA QUALITY REQUIREMENTS

Ms. DeLauro: The Office of Management and Budget (OMB) has imposed new data quality requirements on agencies. While the goal of that effort is laudable - to improve the quality of information that agencies use - some criticized the way that OMB has used its data quality guidelines. How have those new data quality requirements affected your ability to issue new rules?

Response: OMB published "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility and Integrity of Information Disseminated by Federal Agencies; Notice; Republication" in 67 FR 8452 (February 22, 2002). USDA developed, and is now revising, its set of Departmental guidelines that became effective on October 1, 2002. The data quality requirements have not had an influence on our ability to issue new rules. Insufficient time has passed to adequately assess the effect that the OMB guidelines will have on the agency's ability to issue new rules.

Ms. DeLauro: Will data quality rules further delay the final rule on *Listeria* testing?

Response: FSIS believes that, while it is important to finalize a *Listeria* rule as soon as possible, it is critical that the new rule is based on science. It is only when policies are based on scientific information that they can have the intended effect of truly reducing the risks to public health posed by pathogens such as *Listeria monocytogenes*.

FSIS has held a series of public meetings to gather data to support the development of the final rule and the associated risk assessment. As a result of this process, as well as ongoing research by the Agricultural Research Service and others, FSIS believes that it has sufficient scientific support to move forward with the rulemaking process with the goal of issuing a final rule. FSIS is moving swiftly to finalize and implement the *Listeria* rule.

Ms DeLauro: What other new obligations, beyond the data quality guidelines, has OMB imposed on agency rulemaking?

Response: In recent years, the Office of Management and Budget (OMB) has announced through Federal Register notices or memoranda to heads of Federal Agencies both specific measures and general intentions to improve the quality of regulatory impact analysis under E.O. 12866. OMB stated that the principles and procedures in E.O. 12866 would be vigorously implemented until a revised or new Executive Order is issued (September 20, 2001). At that time, OMB also recommended that agencies submit the regulatory impact analysis and technical documents supporting an economically significant rulemaking to peer review. OMB issued a Memorandum of Understanding whereby it will help the Small Business Administration (SBA) Office of Advocacy ensure that rulemakings comply with the Regulatory Flexibility Act.

In a Federal Register notice that was published on February 3, 2003 (68 FR 5493), OMB requested public comment on draft guidelines for regulatory impact analyses. These guidelines are intended to become a new OMB Circular and would replace the "best practices" guidance issued in 1996 and the "Guidelines to Standardize Measures of Costs and Benefits and the Format of Accounting Statements" issued in 2000. The key changes (recommended or required) in the proposed guidelines are concerned with performing both cost effectiveness analysis and benefit-cost analysis of regulatory alternatives of major rules; the reporting of analytical results based on two discount rates, and the use of probabilistic analysis of the key scientific and economic uncertainties regarding costs and benefits with economic effects that exceed \$1 billion per year.

CONAGRA

In June and July of last year, at least 20 Americans across several states developed infections with *E. coli* 0157:H7 linked to contaminated meat produced by the ConAgra facility in Greeley, Colorado. Eventually ConAgra would recall 19 million pounds of beef, then the second largest recall ever.

Ms. DeLauro: Are you aware that the ConAgra Beef Company had conducted its own testing for deadly *E. coli* 0157:H7 bacteria and found results 33 times starting just before the outbreak of last summer?

Response: FSIS inspection personnel within the ConAgra plant were aware of some of the individual positive *E. coli* 0157:H7 results, however they did not have access to detailed written reports of company testing. Because they did not have access to complete information, the inspection personnel were unaware of the overall extent of the problems in the plant. The agency believes that training and education are the key to ensuring that all FSIS field personnel are able to effectively detect and respond to food safety and public health hazards.

Therefore, FSIS' FY 2004 budget request includes \$5.7 million to retool the Agency's training and education programs and provide more training on HACCP verification and scientific principles. This training will strengthen the ability of our field workforce to more quickly and effectively detect and respond to indicators of a food safety problem. FSIS has also implemented a number of mechanisms to strengthen the ability for our in-plant inspection personnel, as well as FSIS field managers and supervisors to recognize and better respond to potential food safety and related problems in meat, poultry, and egg products facilities.

An example of these new mechanisms is the new Performance-Based Inspection System (PBIS) 5.0, which was introduced in FY 2002. PBIS gives field managers and supervisors direct access to real time data on inspection procedures scheduled, whether performed or not, and the results of the inspection procedures. It also gives access to electronic copies of noncompliance records. PBIS allows field managers to easily access and extract needed information, in formats that can be quickly and easily analyzed, for identifying trends or problem areas by individual plant or multi-plant patrol circuit. This will allow

managers to more easily identify trends that may indicate a potential food safety problem.

The District Early Warning System (DEWS) pulls data from various FSIS databases relating to inspection, sampling, and enforcement and generates an "early warning" for district managers when the combination of certain events or findings reach pre-determined thresholds. DEWS enables the district managers to increase their focus on potential problem establishments.

The Administrative Enforcement Data System was developed and implemented in FY 2002 to assist district managers' ability to ensure timely and effective regulatory compliance, by monitoring the status of outstanding enforcement actions and the corrective actions proffered by the regulated plants in response to enforcement notices.

The implementation of the In-Plant Performance System (IPPS) ensures accountability by putting in place a formal system by which field supervisors can review the effectiveness of inspector verification of HACCP and SSOP requirements.

Ms DeLauro: Are you aware that instead of cleaning up the facility and taking all necessary safety precautions, ConAgra certified the problem was not likely to occur again - 33 times?

Response: FSIS inspection personnel within the ConAgra plant did not have access to complete information, therefore they were unaware of the overall extent of the problems in the plant. Following an in-depth verification by a team led by FSIS' Deputy Administrator for Field Operations and including FSIS epidemiologists, microbiologists, and food technologists, FSIS took immediate action to ensure that additional product was not released, and to notify the public of the potential public health danger with consuming such product.

The agency believes that training and education are the key to ensuring that all FSIS field personnel are able to effectively detect and respond to food safety and public health hazards. FSIS' FY 2004 budget request includes \$5.6 million to retool the Agency's training and education programs and provide more training on HACCP verification and scientific principles. This training would strengthen the ability of our field workforce to more quickly and effectively detect and respond to indicators of a food safety problem.

Ms. DeLauro: Was ConAgra under any legal obligation to immediately tell USDA the results of its 33 test results?

Response: No. However, FSIS has instituted major changes in its E. coli O157:H7 policy in the last year to further ensure that meat and poultry plants address and reduce the presence of E. coli O157:H7. FSIS issued a Federal Register notice requiring plants that produce raw beef products to reassess their HACCP plans for E. coli O157:H7 if they have not already done so. The establishments were given dates by which this had to be accomplished, beginning first with large plants, then small, and then very small plants. FSIS is sending Consumer Safety Officers into each of these plants to follow up on the E. coli O157:H7 reassessment requirements. They are conducting in-depth food safety

system assessments at these plants and in following up on the Federal Register notice reassessment requirements, they will be looking at the interventions and verification strategies, including testing, that these plants have put in place. These assessments will enable FSIS to get a complete picture of how plants are testing for *E. coli* O157:H7 and how they are tracking and acting on the results.

Ms. DeLauro: Are you aware that even while USDA investigators were trying to trace back positive *E. coli* O157:H7 results from other establishments...and even while USDA inspectors were finding all sorts of other sanitation problems at ConAgra, the company had its own evidence of a looming public health disaster?

Response: No, the agency was not aware of this.

Ms. DeLauro: Would immediate knowledge of all 33 of ConAgra's *E. coli* O157:H7 test results, including those completed weeks before anyone fell ill, have helped USDA prevent or mitigate this outbreak?

Response: Yes, this knowledge would have helped prevent or at least mitigate this outbreak.

Ms. DeLauro: How could it not have helped?

Response: It could only have helped the situation.

Ms. DeLauro: USDA has made some changes in the wake of the ConAgra recall. Isn't it true that none of these would require regular *E. coli* O157:H7 testing in meat-producing plants with the results available to USDA immediately?

Response: FSIS' testing program is critical in helping to keep contaminated products out of the marketplace. While our ultimate goal is to prevent outbreaks from happening in the first place, testing ground beef samples to remove contaminated products from the marketplace helps to minimize cases of foodborne illness.

FSIS has instituted major changes in its *E. coli* O157:H7 policy in the last year to further ensure that meat and poultry plants address and reduce the presence of *E. coli* O157:H7. FSIS is also modifying its current *E. coli* O157:H7 sampling and testing program to include all plants. In the past, FSIS did not typically collect raw ground beef samples at establishments that conduct their own *E. coli* O157:H7 testing. However, FSIS has recently found that, in spite of this private-sector testing, some of these establishments have had problems with *E. coli* O157:H7 contamination. In response, FSIS issued a notice on April 18, 2003, to revise its current directive to discontinue all exemptions from FSIS sampling and testing for *E. coli* O157:H7.

FSIS is also developing a risk-based verification program that takes into account factors such as volume of production and effectiveness of interventions in determining testing frequencies. In addition to continuing to test for *E. coli* O157:H7 in ground beef, FSIS

is considering testing for *E. coli* O157:H7 in trimmings and other intact materials used in non-intact product and beef carcasses and parts that will be processed into non-intact product.

Ms. DeLauro: Why haven't you supported closing this gaping hole in the food safety system that continues to leave Americans at risk?

Response: FSIS has initiated dialogue with consumer groups, food safety experts, academia, Congress, constituent groups, and the public about possible alternatives to further the agency's public health mission. As stated by Secretary Veneman during the Food Safety Summit and Expo on March 19, 2003, USDA is considering several options to modernize meat and poultry inspection authorities, such as mandatory notification to USDA when a Federal establishment has reason to believe that meat or poultry is adulterated or misbranded. FSIS will continue to explore various options and make science-based decisions that will best further our goal of protecting the public health.

QUESTIONS SUBMITTED BY CONGRESSMAN FARR
FOOD SAFETY AND INSPECTION SERVICE
FISCAL YEAR 2004 BUDGET

HUMANE SLAUGHTER

Mr. Farr: We will, I hope, make some real progress this year in ensuring that the Humane Methods of Slaughter Act of 1958 is finally enforced in a meaningful way. As you know, Congress has just directed USDA to spend \$5 million to hire at least 50 slaughter plant inspectors who are to focus exclusively on observing the animals while they are still alive and being killed, to ensure that they are treated humanely.

This simple law requires that the livestock be properly stunned so the are not conscious and suffering as they are hung on hooks, skinned, dismembered, disemboweled, and boiled. Also in the Consolidated Appropriations Resolution for FY 03, Congress has required that the 17 Veterinary Medical Specialists limit their activities to enforcement of the Humane Methods of Slaughter Act, rather than the variety of other duties they have been handling since 2001. We look forward to hearing back from the General Accounting Office this summer on how the Department is implementing these requirements.

Do you plan to move quickly in hiring these new humane slaughter inspectors and in redirecting the work of the 17 Veterinary Specialists?

Response: FSIS is working quickly to develop a plan to utilize the funding as directed by Congress. With regard to the 17 District Veterinary Medical Specialists (DVMS) positions FSIS employs, the 12 staff years that were funded by Congress for one year, are dedicated entirely to humane handling functions.

MOBILE SLAUGHTER

Mr. Farr: At the meeting George Work had with the USDA FSIS District Manager 2 weeks ago he was told it might not be possible to find an inspector for their proposed facility, Why would this be? I thought the USDA was obliged to provide inspection for any plant that asked for it.

Response: FSIS does not have any regulatory or statutory prohibition on mobile cattle slaughter facilities. The owners would need to apply for a grant of inspection through the District Office. The facility would be required to meet the same regulatory requirements as any other cattle slaughter and processing facility. Examples of these requirements are HACCP plans, SSOP plans, sanitation performance standards, potable water, and local waste discharge. USDA staffing of such a mobile facility is often difficult logistically when there is a shifting location in remote areas, for example, where the mobile slaughter unit moves over a 150-200 mile radius. If the mobile slaughter unit is used intermittently, that would entail shifting resources from other food safety responsibilities. In other words, it can be problematic to provide inspectors to these remote mobile locations unless there is an established operational schedule. Public health is FSIS' number one priority, and thus we must utilize our employee resources in a way to best achieve this goal. The agency has communicated the approval policy to our Alameda, California District Office.

Mr. Farr: From the volume of interest I have received in our very small Mobile Facility it is apparent that there is a strong need across the country for livestock producers to have access to reasonably priced USDA Inspected processing. To satisfy this demand many small and very small facilities will be needed. What is the USDA doing (or could be doing) to encourage very small facilities?

Response: FSIS made significant achievements in its Small and Very Small Plant Outreach Program. This program, introduced in 1998, was designed to develop and provide technical guidance and assistance to meet the specific needs of small plants, with ten or more employees, but fewer than 500, and very small plants with fewer than 10 employees, or annual sales of less than \$2.5 million. FSIS held more than 30 courses targeting these segments of the industry across the country. The courses focused on HACCP food safety systems and were provided through cooperative agreements with nine universities.

FSIS provides outreach and assistance to small and very small facilities through an extensive network aligned with Universities and USDA extension offices to develop, fund and disseminate technical guidance. Additionally, FSIS strives to make sure its Consumer Safety Officers (CSOs) are aware of the special needs of small and very small plants and the capabilities of the agency to assist these establishments meet the hazard based inspection requirements.

In addition, FSIS intends to carry out a needs assessment to determine how to most effectively utilize future funding for small and very small plant initiatives. Future options being considered by the Agency include advanced training with very small plants on record

keeping, advanced educational classes with more universities, development of more simplified material for plant usage, promotion of Native American workshops, and promotion of contact with states that have "equal to" meat and poultry inspection systems.

Mr. Farr: Should a significant number of new small facilities wish to operate how will the USDA fund the increased need for inspectors and is there a way to modify the inspection program for very small plants to make it more cost effective while retaining the food safety assurance we must have?

Response: FSIS continues to move toward hazard based inspection for all plants, which will assure that the most significant hazards to the public health are addressed equally in all plants, regardless of the size of the establishment. Modifications to the inspection system are made by FSIS on the basis of scientific risk based information and analysis. All establishments are treated the same and are held to the same food safety standards. In the case of small and very small plants, the agency continues to provide outreach and assistance through an extensive network aligned with Universities and USDA extension offices to develop, fund and disseminate technical guidance. In addition, FSIS strives to make sure its Consumer Safety Officers (CSOs) are aware of the special needs of small and very small plants and the capabilities of the agency to assist these establishments meet the hazard based inspection requirements.

VIDEO CAMERAS

Mr. Farr: As you know Congress mandated that the Food Safety and Inspection Service (FSIS) ensure that all slaughterhouses are compliant with the Humane Slaughter Act. However, the only inspections that occur at slaughterhouses are spot investigations, and it is common practice that slaughterhouse workers are alerted before inspectors arrive at the plant. With the goal of enforcing the Humane Slaughter Act's provision that each animal be properly stunned before slaughter, please discuss the feasibility of providing a USDA inspector, veterinarian, or humane officer to observe at all times the stun gun operator on the slaughterhouse floors. Furthermore, please address the following question in a letter from one of my constituents that I am including: What is the viability of providing video cameras on the floors of every slaughterhouse, to guarantee that each animal is slaughtered in a humane and legal manner, and so that plant slaughterers can perform their jobs properly and without intimidation by the plant management?

Response: As the law requires, FSIS inspection personnel, including veterinarians, are in all federally-inspected slaughter plants every day and every minute that they are in operation. An establishment may not slaughter without the presence of assigned inspection personnel. Inspection personnel conduct humane slaughter verification procedures at these establishments on a daily basis. These procedures include observation of the establishment's stunning methods. We do not believe that the addition of cameras would be an improvement in the observation of trained inspectors. The presence of FSIS inspectors in a plant is much more integral to enforcing the Humane Methods of Slaughter Act (HMSA). All in-plant FSIS personnel are expected to enforce this Act and are held accountable for taking corrective and/or enforcement actions if it is violated.

[Clerk's Note. — The President's budget request for fiscal year 2004 was submitted on February 3, 2003. This preceded final Congressional action of the fiscal year 2003 bill, which was completed in the House of Representatives on February 13, 2003. The President's fiscal year 2004 budget request (including the explanatory notes) compared the submission with the budget request for fiscal year 2003, NOT with the fiscal year 2003 enacted amounts. The following material covers portions of the fiscal year 2004 explanatory notes revised to reflect enactment of the fiscal year 2003 appropriations act.]

FOOD SAFETY AND INSPECTION SERVICE

Proposed Language Changes

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 necessary expenses to carry out services authorized by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, including not to exceed \$50,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [~~\$759,759,000~~] \$797,149,000, of which no less than [~~\$649,082,000~~] \$713,686,000 shall be available for Federal food safety and inspection; [and of which \$5,000,000 shall be for enhanced inspection activities, to remain available through September 30, 2004;] and in addition, \$1,000,000 may be credited to this account from fees collected for the cost of laboratory accreditation as authorized by section 1327 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 138f): *Provided*, That 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 \$75,000 shall be available for employment under 5 U.S.C. 3109: *Provided further*, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

The change is needed to delete language which is unnecessary for 2004.

SALARIES AND EXPENSES - CURRENT LAW

Appropriations Act, 2003 a/	\$759,759,000
Budget Estimate, 2004	797,149,000
Increase in Appropriation	<u>37,390,000</u>

Adjustments in 2003:

Appropriations Act, 2003	\$759,759,000
Rescission under P.L. 108-7 b/	<u>-4,938,000</u>

Adjusted base for 2003	754,821,000
Budget Estimate, Current Law, 2004	797,149,000
Increase over Adjusted 2003	<u>42,328,000</u>

a/ Does not include \$250,000 transferred to this account. The request for Congressional Relations activities for FY 2004 is included under the Office of the Assistant Secretary for Congressional Relations.

b/ The amount is rescinded pursuant to Section 601(a) of Division N, Title VI of P.L. 108-7.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 2004	\$797,149,000
Change due to proposed legislation	<u>-122,000,000</u>
Net Request, President's 2004 Budget Request	<u>675,149,000</u>

SUMMARY OF INCREASES AND DECREASES-CURRENT LAW

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2003</u> <u>Estimated</u>	<u>Pay Costs</u>	<u>Program</u> <u>Changes</u>	<u>2004</u> <u>Estimated</u>
Federal Food Safety and Inspection	\$675,086,000	+\$14,368,000	+\$24,232,000	\$713,686,000
State Food Safety and Inspection	49,379,000	+971,000	-118,000	50,232,000
International Food Safety and Inspection	16,005,000	+344,000	+2,333,000	18,682,000
Field Automation and Information Management Project	11,795,000	--	+77,000	11,872,000
Codex Alimentarius	2,556,000	+56,000	+65,000	2,677,000
Total Available	<u>754,821,000</u>	<u>+15,739,000</u>	<u>+26,589,000</u>	<u>797,149,000</u>

FOOD SAFETY AND INSPECTION SERVICE

STRATEGIC GOAL 1: Protect the public health by significantly reducing the prevalence of foodborne hazards from meat, poultry, and egg products.

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

	2002 Actual		2003 Estimated		Increase or Decrease		2004 Estimated	
	Amount	Staff Years	Amount	Staff Years			Amount	Staff Years
1. Federal Food Safety and Inspection	\$644,659,379	9,092	\$675,086,000	9,245	+38,600,000	-1	\$713,686,000	9,425
2. State Food Safety and Inspection	48,182,540	31	49,379,000	32	+853,000	-2	50,232,000	33
3. International Food Safety and Inspection	11,788,685	129	16,005,000	159	+2,677,000	-3	18,682,000	167
4. Field Automation and Information Management Project	11,872,000	--	11,795,000	--	+77,000		11,872,000	--
5. Codex Alimentarius	2,148,636	7	2,556,000	7	+121,000	-4	2,677,000	7
Unobligated balance lapsing	11,684,360	--	--	--	--		--	--
Total Available or Estimate	730,335,600	9,259	754,821,000	9,443	+42,328,000		797,149,000	9,632
Transfer from Departmental Administration for Congress- sional Relations activities	-250,000	--	a/	--				
Rescission	556,400		4,938,000					
Total Appropriation	730,642,000	9,259	759,759,000	9,443				

a/ Amount to be determined by Assistant Secretary for Congressional Relations activities.

PROJECT STATEMENT - CURRENT LAW
(On basis of availability)

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Federal Food Safety and Inspection	\$640,817,029	9,092	\$690,094,216	9,245	+\$23,591,784	-1	\$713,686,000 9,425
2. State Food Safety and Inspection	43,182,540	31	49,379,000	32	+853,000	-2	\$0,232,000 33
3. International Food Safety and Inspection	12,052,840	120	16,005,000	159	+2,677,000	-3	18,682,000 167
4. Field Automation and Information Management Project	6,138,899	--	18,567,662	--	-6,695,662		11,872,000 --
5. Codex Alimentarius	2,148,636	7	2,556,000	7	+121,000	-4	2,677,000 7
Total Obligations.....	704,339,944	9,259	776,601,878	9,443	+20,547,122		797,149,000 9,632
Unobligated balance lapsing	11,684,360	--	--	--	--		-- --
Unobligated balance forward from prior years	-7,469,582	--	-21,780,878	--	+21,780,878		-- --
Unobligated balance forward to next year	21,780,878	--	--	--	--		-- --
Total Available or Estimate	730,335,600	9,259	754,821,000	9,443	42,328,000		/97,149,000 9,632
Transfer from Departmental Administration for Congressional Relations activities	-250,000	--	a/	--			
Rescission	556,400		4,938,000				
Total Appropriation	730,642,000	9,259	759,759,000	9,443			

a/ Amount to be determined by Assistant Secretary for Congressional Relations activities

[Clerk's Note. – Following are the explanatory notes submitted as part of the President's fiscal year 2004 budget request prior to enactment of the fiscal year 2003 appropriations act.]

**2004 Explanatory Notes
Food Safety and Inspection Service**

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FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

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

1. The Meat and Poultry Inspection Program is authorized by the FMIA and the PPIA. The program is responsible for uniformly applying procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection. It is also responsible for assessing the effectiveness of State inspection programs to assure that standards at least equal to those under the Federal Acts are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported products at ports of entry to assure that standards equal to those under FMIA and PPIA are applied to meat and poultry exported to the United States. Laboratory Services supports meat and poultry inspection through the scientific examination of meat and poultry products for disease, pathogen contamination, or other forms of adulteration.
2. The Egg Products Inspection Program is authorized by the EPIA. This act requires continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products to ensure that products sold are wholesome, unadulterated, and truthfully labeled. This act also requires the control of imported egg products to ensure that U.S. requirements are met.

During 2002, the agency maintained central offices in the Washington metropolitan area, 15 district offices, the Technical Service Center in Omaha, Nebraska, Financial Processing Center in Des Moines, Iowa, Personnel Operations Branch in Minneapolis, Minnesota, the Training Center in College Station, Texas and a nationwide network of inspectors in over 6,300 establishments (including official import facilities and egg plants) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Included are 235 establishments operating under the Talmadge-Aiken Cooperative Agreement. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. As of September 30, 2002, the agency employment totaled 9,151 permanent full-time employees and 840 part-time or temporary employees. Of these, 669 permanent full-time employees and 71 part-time or temporary employees were located in the central offices, and 198 permanent full-time and 8 part-time or temporary employees were in district offices. The balance of 8,284 permanent full-time employees and 761 part-time or temporary employees were in field locations.

<u>GAO Report Number</u>	<u>Date Issued</u>	<u>Title/Description</u>
GAO-02-902	August 30, 2002	Meat and Poultry: Better USDA Oversight and Enforcement of Safety Rules Needed to Reduce Risk of Foodborne Illnesses.
GAO-02-808	July 26, 2002	Foot and Mouth Disease: To Protect U.S. Livestock, USDA Must Remain Vigilant and Resolve Outstanding Issues.
GAO-02-801T	June 4, 2002	Food Aid: Experience of U.S. Programs Suggests Opportunities for Improvement.
GAO-02-669T	April 30, 2002	Food Safety: Continued Vigilance Needed to Ensure Safety of School Meals.
GAO-02-183	January 25, 2002	Mad Cow Disease: Improvements in the Animal Feed Ban and Other Regulatory Areas Would Strengthen U.S. Prevention Efforts.
GAO-02-59	December 17, 2001	Food Safety: Weaknesses in Meat and Poultry Inspection Pilot Should Be Addressed Before Implementation.
GAO-02-47T	October 10, 2001	Food Safety and Security: Fundamental Changes Needed to Ensure Safe Food.

<u>OIG Report Number</u>	<u>Date Issued</u>	<u>Title/Description</u>
24099-4-A1	September 30, 2002	Food Safety and Inspection Service Overtime Controls

FOOD SAFETY AND INSPECTION SERVICE

Available Funds and Staff-Years
2002 Actual and Estimated 2003 and 2004

Item	2002		2003		2004	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Salaries and Expenses	\$715,642,000	9,259	\$755,793,000	9,428	\$797,149,000	9,582
Rescission	-556,400	-	-	-	-	-
Homeland Security						
Supplemental	15,000,000	-	-	-	-	-
Transfer from Departmental						
Administration for Congressional Relations Activities	250,000	-	-	-	-	-
	730,335,600	9,259	755,793,000	9,428	797,149,000	9,582
<u>Obligations under other</u>						
<u>USDA appropriations:</u>						
Allocation from:						
Hurricane Handling of						
Slaughter Animals	1,250,000	-	-	-	-	-
Hazardous Waste						
Management	150,000	-	100,000	-	100,000	-
APHIS for blood						
samples (MPI)	425,000	-	425,000	-	425,000	-
Total, Agriculture						
Appropriations	732,160,600	9,259	756,318,000	9,428	797,674,000	9,582
<u>Non-Federal Funds:</u>						
Reimbursements for:						
Meat, Poultry and						
Egg Inspection	99,540,655	283	97,859,000	213	97,859,000	213
Reimbursements for						
Accredited Labs	216,435	3	216,000	3	216,000	3
Trust Funds for						
Meat and Poultry						
Inspection	3,766,820	34	3,250,000	36	3,250,000	36
Total,						
Non-Federal Funds	103,523,910	320	101,325,000	252	101,325,000	252
Total, Food Safety and						
Inspection Service	835,684,510	9,579	857,643,000	9,680	898,999,000	9,834

FOOD SAFETY AND INSPECTION SERVICE

Permanent Positions by Grade and Staff Year Summary
2002 Actual and Estimated 2003 and 2004

Grade	2002			2003			2004		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-6	5	0	5	5	0	5	5	0	5
ES-5	5	0	5	5	0	5	5	0	5
ES-4	3	0	3	3	0	3	3	0	3
ES-3	2	0	2	2	0	2	2	0	2
ES-2	2	0	2	2	0	2	2	0	2
ES-1	2	2	4	2	2	4	2	2	4
GS-15	51	26	77	51	26	77	51	26	77
GS-14	103	58	161	103	58	161	103	58	161
GS-13	221	331	552	225	334	559	227	341	568
GS-12	93	889	982	95	897	992	96	922	1,018
GS-11	34	384	418	35	387	422	35	417	452
GS-10	1	516	517	1	520	521	1	521	522
GS-9	49	1,951	2,000	51	1,969	2,020	51	1,969	2,020
GS-8	11	1,068	1,079	11	1,077	1,088	11	1,081	1,092
GS-7	54	3,348	3,402	57	3,378	3,435	57	3,418	3,475
GS-6	17	43	60	17	43	60	17	83	100
GS-5	11	317	328	11	320	331	11	324	335
GS-4	1	32	33	1	32	33	1	32	33
GS-3	1	20	21	1	20	21	1	20	21
Ungraded Positions	0	0	0	0	0	0	0	0	0
Total Permanent Positions	666	8,985	9,651	678	9,063	9,741	681	9,214	9,895
Unfilled Positions end-of-year	32	428	460	31	425	456	43	487	530
Total Permanent Full-Time Employment, end-of-year	634	8,557	9,191	647	8,638	9,285	638	8,727	9,365
Staff Year Ceiling	677	8,905	9,579	691	8,989	9,680	695	9,139	9,834

FOOD SAFETY AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS

2002 Actual and Estimated 2003 and 2004

Personnel Compensation:	2002	2003	2004
Washington, D. C.	\$80,435,242	\$83,776,000	\$87,346,000
Field	352,519,439	371,330,000	387,184,000
11 Total personnel compensation	432,954,681	455,106,000	474,530,000
12 Personnel benefits	136,361,012	134,679,000	145,457,000
13 Benefits for former personnel	1,509,069	1,471,000	1,502,000
Total pers. comp. & benefits	570,824,762	591,256,000	621,489,000
Other Objects:			
21 Travel	26,470,349	26,275,000	29,704,000
22 Transportation of things	4,176,694	2,238,000	3,297,000
23.1 Rent payments to GSA	913,057	912,000	1,055,000
23.2 Rental payments to others	947,817	1,372,000	1,401,000
23.3 Communications, utilities and miscellaneous charges	9,332,242	10,330,000	10,508,000
24 Printing and reproduction	1,053,347	1,696,000	1,812,000
25.1 Advisory and assistance services	7,566,657	10,973,000	12,933,000
25.2 Other services	11,726,675	10,903,165	7,015,000
25.3 Purchases of goods and services from Government Accounts	13,050,867	25,693,000	25,147,000
25.4 Operation and maintenance of facilities	433,346	6,771,000	1,719,000
25.5 Research and Development Contracts	--	80,000	184,000
25.6 Medical care	86,207	127,000	130,000
25.7 Operation and maintenance of equipment	281,179	518,000	429,000
25.8 Subsistence and support of persons	432,614	623,000	637,000
26 Supplies and materials	8,661,500	16,284,382	11,051,000
31 Equipment	8,875,443	28,500,331	25,737,000
32 Land and Structures	--	38,000	38,000
41 Grants, subsidies and contributions	39,206,200	42,517,000	42,390,000
42 Insurance claims and indemnities	297,971	450,000	456,000
43 Interest and dividends	3,017	23,000	23,000
44.0 Refunds	--	-6,000	-6,000
Total other objects	133,515,182	186,317,878	175,660,000
Total direct obligations	704,339,944	777,573,878	797,149,000
Position Data:			
Average Salary, ES positions	\$134,813	\$138,992	\$141,772.05
Average Salary, GS positions	\$46,154	\$47,800	\$48,756
Average Grade, GS positions	8.80	8.85	8.90

FOOD SAFETY AND INSPECTION SERVICE

Proposed Language Changes

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

Salaries and Expenses

For necessary expenses to carry on services authorized by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, including not to exceed \$50,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), \$797,149,000 of which no less than \$713,686,000 shall be available for Federal food safety and inspection and in addition, \$1,000,000 may be credited to this account from fees collected for the cost of laboratory accreditation as authorized by section 1327 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1387): *Provided*, 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 \$75,000 shall be available for employment under 5 U.S.C. 3109: *Provided further*, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

SALARIES AND EXPENSES - CURRENT LAW

President's Budget, 2003 a/	\$755,793,000
Budget Estimate, 2004	797,149,000
Increase in Appropriation	<u>41,356,000</u>

a/ Does not include \$250,000 transferred to this account. The request for Congressional Relations activities for FY 2004 is included under the Office of the Assistant Secretary for Congressional Relations.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

President's Budget, Current Law	\$797,149,000
Change due to proposed legislation	<u>-122,000,000</u>
Net Request, President's 2004 Budget Request	<u>675,149,000</u>

SUMMARY OF INCREASES AND DECREASES-CURRENT LAW

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2003 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2004 Estimated</u>
Federal Food Safety and Inspection	\$675,519,000	+\$14,368,000	+\$23,799,000	\$713,686,000
State Food Safety and Inspection	49,702,000	+971,000	-441,000	50,232,000
International Food Safety and Inspection	16,127,000	+344,000	+2,211,000	18,682,000
Field Automation and Information Management Project	11,872,000	—	—	11,872,000
Codex Alimentarius	2,573,000	+56,000	+48,000	2,677,000
Total Available	<u>755,793,000</u>	<u>+15,739,000</u>	<u>+25,617,000</u>	<u>797,149,000</u>

FOOD SAFETY AND INSPECTION SERVICE

STRATEGIC GOAL 1: Protect the public health by significantly reducing the prevalence of foodborne hazards from meat, poultry, and egg products.

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

	2002 Actual		2003 Budget		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Federal Food Safety and Inspection	\$644,659,379	9,092	\$675,519,000	9,230	+\$38,167,000 (1)	\$713,686,000	9,375
2. State Food Safety and Inspection	48,182,540	31	49,702,000	32	+530,000 (2)	50,232,000	33
3. International Food Safety and Inspection	11,788,685	129	16,127,000	159	+2,555,000 (3)	18,682,000	167
4. Field Automation and Information Management Project ..	11,872,000	-	11,872,000	-	-	11,872,000	-
5. Codex Alimentarius	2,148,636	7	2,573,000	7	+104,000 (4)	2,677,000	7
Unobligated balance.....	11,684,360	-	-	-	-	-	-
Total Available or Estimate	730,335,660	9,259	755,793,000	9,428	+41,356,000	797,149,000	9,582
Transfer from Departmental Administration for Congressional Relations activities	-250,000	-	a/	-			
2002 Rescission	556,400						
Total Appropriation	730,642,000	9,259	755,793,000	9,428			

a/ Amount to be determined by Assistant Secretary for Congressional Relations activities.

PROJECT STATEMENT - CURRENT LAW
(On basis of availability)

	2002 Actual		2003 Estimated		Increase or Decrease	2004 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Federal Food Safety and Inspection	\$640,817,029	9,092	\$680,527,216	9,230	+\$38,167,000 (1)	\$713,686,000	9,375
2. State Food Safety and Inspection	43,182,540	31	49,702,000	32	+\$30,000 (2)	50,232,000	33
3. International Food Safety and Inspection	12,052,840	129	16,127,000	159	+\$2,555,000 (3)	18,682,000	167
4. Field Automation and Information Management Project	6,138,899	—	18,644,662	—	-\$6,772,662	11,872,000	—
5. Codex Alimentarius	2,148,636	7	2,573,000	7	+\$104,000 (4)	2,677,000	7
Total Obligations.....	704,239,944	9,259	777,573,878	9,428	+\$34,583,338	797,149,000	9,582
Unobligated balance lapsing	11,684,360	—	—	—	—	—	—
Unobligated balance forward from prior years	-7,469,582	—	-21,780,878	—	+\$6,772,662	—	—
Unobligated balance forward to next year	21,780,878	—	—	—	—	—	—
Total Available or Estimate	730,335,600	9,259	755,793,000	9,428	-\$41,356,000	797,149,000	9,582
Transfer from Departmental Administration for Congressional Relations activities	-250,000	—	a/	—			
2002 Rescission	556,400						
Total Appropriation	730,642,000	9,259	755,793,000	9,428			

a/ Amount to be determined by Assistant Secretary for Congressional Relations activities.

Performance Goals and Indicators

	2002 Actual	2003 Estimated	2004 Estimated
Performance goal 1: Create and use scientific risk assessment.			
Number of foodborne illnesses monitored through FoodNet . . .	9	9	9
Additional microbiological baselines started	—	—	3
Number of risk assessments used in policy development and management decision making (cumulative)	4	5	5
Performance goal 2: Create a risk management system.			
Percent of <i>Salmonella</i> on raw products:			
Broiler chickens	11.6	11.6	11.6
Market hogs	4.3	4.3	4.3
Ground beef	2.8	2.8	2.8
Percent of <i>Listeria</i> on ready-to-eat products	1.02	1.02	1.00
Number of exporting countries with HACCP equivalency	33	35	37
Foreign program reviews conducted	32	35	37
Percent of State programs reviewed	22	30	50
Performance goal 3: Open exchange of information and opinion about risk among risk managers, risk assessors, and the public.			
Millions of people reached through media stories, Home Page visits, and Hotline calls.	90	92	94
Stakeholder activities held to improve decision making and develop health policy (cumulative)	64	74	84
Performance goal 4: Infrastructure to support risk-management objectives.			
Management reviews held to ensure appropriate internal controls.	10	10	12

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$38,167,000 and 145 staff years for Federal Food Safety and Inspection (\$675,519,000 available in 2003) consisting of:

- (a) A total increase of \$15,739,000 for pay costs, of which \$14,368,000 is for Federal Food Safety and Inspection, which includes \$5,853,000 for annualization of the 2003 pay raise, and \$8,515,000 for the anticipated 2004 pay raise.

The increase for pay costs assumes an increase of 3.1 percent in 2003 and 2.0 percent in 2004. FSIS has a statutory obligation to provide inspection of meat, poultry and egg products which requires sufficient workforce thereby making its salary costs relatively inflexible.

- (b) A total increase of \$2,205,000 for inflationary increases in non-salary costs, of which \$2,132,000 is for Federal Food Safety and Inspection.

- (c) A total decrease of \$1,536,000 for savings associated with centralization and improvement of information technology, of which \$1,500,000 is for Federal Food Safety and Inspection.

Reduction for the savings associated with centralization and improvement of information technology. Savings are associated with consolidated buys for infrastructure and office automation, and consolidation of enterprise architecture projects within the Department. USDA continues to ensure that information technology investments utilize enterprise licenses for hardware and software where appropriate and reduce the information technology costs.

- (d) A total increase of \$3,711,000 to offset increases in employee retirement and health insurance costs, of which \$3,579,000 is for Federal Food Safety and Inspection.

This increase will cover escalating employee benefit costs. The migration of agency employees from the Civil Service Retirement System (CSRS) to Federal Employee Retirement System (FERS) occurs through attrition of the longer tenured employees who are part of the CSRS. This change increases the agency's retirement cost due to the higher percentage of salaries the agency pays for FERS retirement, FICA, and the required contribution to the Thrift Savings Plan for employees in FERS. The requested increase above the pay raise percentage is needed to provide for increases in Federal Employee Health Benefits costs projected by the Office of Personnel Management. Escalating benefit costs, like pay costs, cannot be deferred and require increased funding to avoid a reduction of inspection, laboratory and support personnel.

- (e) A total net increase of \$1,950,000 and 40 staff years for changes in State inspection programs of which \$2,950,000 and 40 staff years is for Federal Food Safety and Inspection.

The Commonwealth of Virginia will terminate its inspection program and FSIS will assume inspection responsibilities in July, 2003. This will cause an increase of \$2,950,000 (and 40 staff years) in Federal Food Safety and Inspection, made up of a transfer of \$1.6 million from State to Federal Food Safety and Inspection plus \$1.35 million for the portion of the program previously financed by Virginia. In addition, \$600,000 is provided for in State Food Safety and Inspection for the addition of Maine to the cooperative program. States are reimbursed up to fifty percent of the costs to administer their inspection programs.

- (f) A total increase of \$4,250,000 and 80 staff years for increased inspection staffing to accommodate industry growth.

USDA's "Interagency Agricultural Projections Committee," in its baseline projections for the agricultural sector through 2011, currently anticipates increases in the commercial production of pork (1.1 percent), young chickens (1.8 percent), and turkey (2.4 percent) in 2004. These increases follow several years of sustained production growth in the pork and poultry industries. The projected growth in the slaughter of birds and swine from 2003 to 2004 will create an estimated 80 new assignments for slaughter inspectors. This budget requests funding and additional staff years to meet the expected increase in industry demand for implant inspection services in accordance with FSIS's mandate to provide continuous, carcass-by-carcass and bird-by-bird inspection. FSIS inspects about 6,300 meat and poultry plants nationwide. Consistent with industry trends in the past half century, these plants are increasingly dispersed throughout the country and located in sparsely populated rural areas rather than concentrated in a few urban locales. Ensuring that these plants, many of which operate multiple shifts, are sufficiently staffed by inspectors, consumes a growing portion of frontline supervisors' time each year. Provision must be made on short notice to immediately replace inspectors who are ill or unable to report for duty at their assigned plant. This initiative ensures that increased production of pork, chicken and turkey will be properly inspected without any adverse impacts on industry productivity.

- (g) A total increase of \$5,650,000 to improve the scientific and surveillance skills of the workforce of which \$5,574,000 is for Federal Food Safety and Inspection.

FSIS' comprehensive food safety strategy focuses on validation of industry Hazard Analysis and Critical Control Point (HACCP) systems; verification of industry controls over foodborne hazards; enforcement actions when industry controls are lacking; and epidemiological investigations and other intervention steps, such as recalls, when other measures have failed. The orientation to public health, food safety and food security can be realized only with adequate preparation of the workforce through education and training programs. For 2004, FSIS plans to re-tool its existing training programs in two ways. First, all the training programs will be updated to incorporate a public health focus by integrating scientific and technical principles, including HACCP validation, with training on technical and regulatory approaches to inspection. Second, the delivery of training now offered at the national training center at Texas A&M University will be augmented through facilitated computer-based (or distance learning) interactive sessions near the employee's work site.

National Training Center Improvements. Course materials for the Food Safety Education Program, the Supervisory Education Program, and the Advanced Concepts in Risk Prevention Program will be updated to incorporate additional scientific information aimed at further enhancing the ability to work in a HACCP environment. These programs are currently offered to approximately 550 inspection personnel per year. These highly concentrated and demanding courses provide inspection personnel the scientific knowledge necessary to validate industry food safety systems. In addition, FSIS would also increase from 1,000 to 1,350 the number of entry-level field inspectors and supervisors that receive basic training within the first year of employment in the new positions.

Beginning in 2004, every FSIS in-plant Veterinary Medical Officer (VMO) and field Compliance Officer (CO) would be cross-trained in validating the scientific basis of industry food safety systems, including HACCP, and in regulatory enforcement. The

requested funding level would accommodate training for 520 employees each year: 330 VMO's, 90 CO's; and 100 newly hired or promoted Consumer Safety Officers. This plan equates to having one-third of in-plant VMO's and one-half of the CO's trained each year and will support continuation of training as attrition occurs in these occupations. This training will enable VMO's and CO's to perform the same HACCP validation, enforcement, and Small Business Regulatory Enforcement Fairness Act functions as specially trained Consumer Safety Officers. CO's will also receive additional training offered by the Federal Law Enforcement Training Centers. Specialized training will be provided in enforcement of administrative and civil infractions of the FMIA, FPIA, or EPIA.

Distance Learning Programs. Computer-based training or other distance learning programs that can effectively deliver training at an employee's work site will be developed or modified to cover various aspects of sanitation, HACCP validation, processing inspection, supervision, veterinarian duties, and import inspection. These training programs will also be updated to incorporate a public health focus by integrating scientific and technical principles with regulatory approaches to inspection. Approximately 1,500 to 2,000 inspectors participated in distant learning programs in FY 2003.

- (h) A total increase of \$1,650,000 to establish a continuous baseline program for risk assessments and performance measurement, of which \$1,304,000 is for Federal Food Safety and Inspection.

Resources are requested to conduct ongoing nationwide microbiological baseline studies for nine commodities (three per year): cattle carcasses, swine carcasses, chicken carcasses, turkey carcasses, lamb/sheep carcasses, ground beef, ground pork, ground turkey, and ground chicken. For each commodity, a statistically sufficient number of samples will be taken and analyzed to give a valid and reliable picture of their microbiological status. While the agency has previously conducted baseline studies using its internal laboratory resources, this initiative incorporates a new, three-pronged approach. First, the laboratory analyses would be conducted using outside laboratories so that the baseline studies would not be continually competing with the need to conduct the necessary regulatory analyses. Second, by design, each baseline will be repeated every third year to provide the longitudinal data necessary to track performance using statistically designed studies. Third, the new baseline studies will also be designed to provide scientific information needed for ongoing risk assessments.

The new approach will support the President's Management Agenda in that it outsources some testing, allowing FSIS laboratories to conduct more compliance and HACCP verification assays. It contributes to improvements in data quality by permitting FSIS to collect more appropriate scientific data with which to conduct risk assessments and to more accurately track prevalence and levels of foodborne disease-causing bacteria. It also addresses FSIS biosecurity concerns by strengthening the risk assessment process that will indicate the most vulnerable points in the food chain for FSIS-regulated products.

This initiative supports the FSIS Strategic Plan objective of increasing the agency's risk assessment capacity. It supports the agency's performance goal to facilitate the creation of risk assessment capacity (incorporating the latest scientific research) by increasing the number of baseline studies conducted and the number of risk assessments performed.

- (i) A total increase of \$1,500,000 and 1 staff year to design a mass media campaign aimed at improving the safe food handling habits of consumers at home, of which \$1,439,000 and 1 staff year is for Federal Food Safety and Inspection.

Information and education play a critical role in ensuring that everyone involved in food safety from the farm to the home have the latest science-based information about the risks associated with mishandling food. With this funding, FSIS will design a comprehensive public education campaign addressing all aspects safe food handling. Emphasis will be placed on designing a program that communicates with under-served groups. This initiative will provide for the development of a detailed strategy for a mass media campaign. The strategy will include methods for identifying target audiences, developing appropriate messages, evaluating the suitability of potential media outlets, and a timeline for the media campaign. Performance measures will be developed to evaluate the effectiveness of the campaign at raising the consumers' level of awareness of safe food handling practices, the ability of the campaign to change consumers' attitudes about safe food handling, and the expected changes in consumer behavior.

This initiative supports the USDA Strategic Objective to promote a stable, safe, and affordable food supply and improve nutritional status. It supports the agency's performance goal of conducting a comprehensive risk communication program by increasing the number of people receiving food safety information. Also, it will allow more Americans, especially those living in rural communities, to benefit from e-government.

- (j) A total increase of \$4,460,000 and 26 staff years to increase sampling for pathogens and to develop the laboratory capability to respond to chemical terrorism of which \$4,071,000 and 24 staff years are for Federal Food Safety and Inspection.

First, FSIS needs to increase its capacity to analyze samples for dangerous pathogens. With additional funding, the agency will intensify its sampling of ready-to eat products for the presence of pathogenic bacteria, especially *Listeria monocytogenes* and *Salmonella*. Samples of these products will rise from 10,000 to 15,000 annually. Beyond that, FSIS would add the capability to conduct 5,000 *Listeria monocytogenes* environmental samples every year. FSIS will also increase its sampling for raw ground beef and ground beef ingredients (e.g. beef trimmings) for the presence of *E. coli* O157:H7. FSIS will more than double its annual analyses for this pathogen, from 7,000 to 15,000. These steps would require five microbiologists and two laboratory technicians, plus the inspector's time needed for sample collection, preparation and shipment.

Second, this request includes funding to support the on-going costs associated with providing FSIS laboratories with an emergency surge response capacity. These costs arise from the additional methods evaluation and analysis of implicated food samples that will occur in FSIS laboratories as part of an expanded food security mission. To better prepare itself to adequately deal with bioterrorist actions against the food supply that involve meat and poultry products, FSIS has used funding provided through the FY 2002 Homeland Security Supplemental to initiate improvements in the overall security and capacity of its three laboratories. These improvements include the construction and equipping of a Biosafety Level 3 (BL-3) facility within the agency's Microbiological Outbreaks and Special Projects unit in Athens, Georgia. This facility is designed to ensure that the entire laboratory complex is not contaminated during the analysis of agents, such as anthrax or botulinum, that may be used by bioterrorists to contaminate the food supply. Among these on-going costs are those associated with the hiring of four microbiologists to manage this additional workload. FSIS also would add six additional chemists at FSIS' Eastern Laboratory in Athens, Georgia, to develop analytical methods and the capability,

including associated equipment, to test for and work with a variety of food samples that may be contaminated with chemical, biological, and radiological agents. This additional laboratory analytical capability in chemistry will allow FSIS to be able to respond to natural events and intentional acts of terrorism associated with chemicals and toxins that may be found in or added to meat, poultry and egg products. The request also includes funds to establish secure inter-laboratory network linkages that will allow FSIS laboratories to securely transmit sensitive laboratory testing data to one another without jeopardizing the integrity of the laboratory information database. FSIS is also proposing to develop a computer-based system with off-site backup servers in case one or more laboratories become unavailable. The telecommunications would include encryption, as well as firewalls, to protect information.

FSIS is participating with other key agencies such as CDC, FDA, and DOD in an effort to further develop the nation's ability to respond to national emergencies related to biological and chemical terrorism in food products. To effectively meet this need, FSIS laboratories must have the ability to handle chemicals that could be used as terrorism agents. Developing this ability in proximity to the planned BL-3 facility in Athens, Georgia will enhance FSIS' capability to handle "mixed" and unknown samples by the FSIS laboratories. FSIS laboratories and the laboratories of virtually all other Federal and State entities that conduct food testing are currently unable to handle "mixed" and unknown samples that may be contaminated with biological, chemical and/or radiological agents.

(2) A net increase of \$530,000 and one staff year for State Food Safety and Inspection (\$49,702,000 available in 2003) consisting of:

- (a) A total increase of \$15,739,000 for pay costs, of which \$971,000 is for State Food Safety and Inspection, which includes \$40,000 for annualization of the 2003 pay raise, \$58,000 for the anticipated 2004 Federal pay raise, and \$873,000 for salary increases for State employees in cooperating inspection programs.
- (b) A total increase of \$2,205,000 for inflationary increases in non-salary costs, of which \$15,000 is for State Food Safety and Inspection.
- (c) A total increase of \$3,711,000 to offset increases in employee retirement and health insurance costs, of which \$31,000 is for State Food Safety and Inspection.
- (d) A total net increase of \$1,950,000 and 40 staff years for changes in State inspection programs of which a net decrease of \$1,000,000 is for State Food Safety and Inspection.

The Commonwealth of Virginia will terminate its inspection program and FSIS will assume inspection operations in July, 2003. This will cause an increase of \$2,950,000 (and 40 staff years) in Federal Food Inspection, made up of a transfer of \$1.6 million from State to Federal Food Inspection plus \$1.35 million for the portion of the program previously financed by Virginia. In addition, \$600,000 is provided for in State Food Safety and Inspection for the addition of Maine to the cooperative program. States are reimbursed up to fifty percent of program costs to administer inspection programs.

- (e) A total increase of \$5,650,000 to improve the scientific and surveillance skills of the workforce of which \$12,000 is for State Food Safety and Inspection.
- (f) A total increase of \$1,650,000 to establish a continuous baseline program for risk assessments and performance measurement, of which \$198,000 is for State Food Safety and Inspection.

- (g) A total increase of \$1,500,000 and 1 staff year to design a mass media campaign aimed at improving the safe food handling habits of consumers at home, of which \$9,000 is for State Food Safety and Inspection.
 - (h) A total increase of \$4,460,000 and 26 staff years to increase sampling for pathogens and to develop the laboratory capability to respond to chemical terrorism of which \$294,000 and one staff year is for State Food Safety and Inspection.
- (3) An increase of \$2,555,000 and eight staff years for support of U.S. activities for International Food Safety and Inspection (\$16,127,000 available in 2003) consisting of:
- (a) A total increase of \$15,739,000 for pay costs, of which \$344,000 is for International Food Safety and Inspection, which includes \$140,000 for annualization of the 2003 pay raise, and \$204,000 for the anticipated 2004 pay raise.
 - (b) A total increase of \$2,205,000 for inflationary increases in non-salary costs, of which \$50,000 is for International Food Safety and Inspection.
 - (c) A total decrease of \$1,536,000 for savings associated with centralization and improvement of information technology, of which \$36,000 is for International Food Safety and Inspection.
 - (d) A total increase of \$3,711,000 to offset increases in employee retirement and health insurance costs, of which \$93,000 is for International Food Safety and Inspection.
 - (e) A total increase of \$5,650,000 to improve the scientific and surveillance skills of the workforce of which \$47,000 is for International Food Safety and Inspection.
 - (f) A total increase of \$1,650,000 to establish a continuous baseline program for risk assessments and performance measurement, of which \$148,000 is for International Food Safety and Inspection.
 - (g) A total increase of \$1,777,000 and 7 staff years to increase the number of Equivalency Review trips, and auditors to conduct these reviews.

In recent years FSIS has experienced an increase in applications to export meat and poultry products to the United States. To process these applications, FSIS must review a tremendous volume of documentation about the design and public health assurances provided by these countries' food safety programs. FSIS' program auditors must also make an onsite visit to determine the equivalency of these countries' programs to U.S. food safety inspection systems. These onsite reviews have assumed a heightened significance when adding food security risks to potential bioterrorism threats facing the nation. Onsite equivalency reviews are based on five risk areas; contamination, disease, processes, residues, compliance and economic fraud. Plant facilities, equipment, and training programs are also reviewed.

Funds are included in this request to hire and create a new cadre of foreign program auditors. These new auditors will intensify USDA's review of the equivalency process for foreign meat and poultry inspection systems. The Under Secretary's goals for food safety include the means to ensure that USDA protects meat, poultry and egg products against intentional harm. This will be achieved by increasing the number of reviews in foreign countries. On a temporary basis, auditors may be stationed overseas as necessary to provide more intensive reviews of foreign inspection systems. The FSIS Strategic Plan calls for a coordinated national and international risk management system for these

regulated products and intensified reviews will help meet this objective. In FY 2004, the number of equivalency review missions needed to ensure a program review of each country exporting meat and poultry to the United States will increase from 33 to 40 countries.

- (h) A total increase of \$1,500,000 and 1 staff year to design a mass media campaign aimed at improving the safe food handling habits of consumers at home, of which \$37,000 is for International Food Safety and Inspection.
 - (i) A total increase of \$4,460,000 and 26 staff years to increase sampling for pathogens and to develop the laboratory capability to respond to chemical terrorism of which \$95,000 and one staff year is for International Food Safety and Inspection.
- (4) An increase of \$104,000 for support of U.S. activities for Codex Alimentarius (\$2,573,000 available in 2003) consisting of:
- (a) A total increase of \$15,739,000 for pay costs, of which \$56,000 is for Codex Alimentarius, which includes \$23,000 for annualization of the 2003 pay raise, and \$33,000 for the anticipated 2004 pay raise.
 - (b) A total increase of \$2,205,000 for inflationary increases in non-salary costs, of which \$8,000 is for Codex Alimentarius.
 - (c) A total increase of \$3,711,000 to offset increases in employee retirement and health insurance costs, of which \$8,000 is for Codex Alimentarius.
 - (d) A total increase of \$5,650,000 to improve the scientific and surveillance skills of the workforce of which \$17,000 is for Codex Alimentarius.
 - (e) A total increase of \$1,500,000 and 1 staff year to design a mass media campaign aimed at improving the safe food handling habits of consumers at home, of which \$15,000 is for Codex Alimentarius.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	2004		
	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Federal Food Safety and Inspection	713,686,000	-119,560,000	\$594,126,000
State Food Safety and Inspection	50,232,000	--	50,232,000
International Food Safety and Inspection	18,682,000	-2,440,000	16,242,000
Field Automation and Information Management Project	11,872,000	--	11,872,000
Codex Alimentarius	2,677,000	--	2,677,000
Total Available	797,149,000	-122,000,000	675,149,000

Explanation of Proposed Legislation:

Legislation will be submitted providing USDA with authority to collect fees for the cost of all federal inspection services, beyond one eight-hour shift per day. This proposal's net appropriations savings are projected at \$122 million. Appropriations language to authorize expenditure of the fees will be submitted upon enactment of the legislation. The fees will be effective on October 1, 2003.

The meat, poultry, and egg products inspection services for all regularly scheduled and approved shifts are paid with federal funds. This proposed legislation would transfer the cost of current and proposed mandatory, federal inspection services beyond eight hours per day to the industries that directly benefit from them, and will make significant progress in reducing federal costs. The overall impact on costs as a result of these fees would be a small fraction of one cent per pound of production, but will allow the government to maintain its rigorous inspection effort to ensure a safe supply of meat, poultry, shell eggs, and egg products. The implementation of this user fee authority will be designed to be fair and equitable; to promote accountability and efficiency; and to minimize any impact on the competitive balance among affected industries.

FOOD SAFETY AND INSPECTION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2002 Actual and Estimated 2003 and 2004

	FY 2002		FY 2003		FY 2004	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	24,816,754	448	27,397,083	456	28,066,794	464
Alaska	472,757	7	521,912	7	535,051	7
Arizona	1,359,117	23	1,500,432	23	1,538,205	23
Arkansas	33,181,784	599	36,631,869	610	37,554,062	620
California	28,214,214	488	31,147,794	497	31,931,928	505
Colorado	8,575,382	162	9,467,230	165	9,705,564	167
Connecticut	1,249,296	19	1,401,271	19	1,436,548	19
Delaware	6,343,668	114	7,003,253	116	7,179,557	118
District of Columbia	233,882,351	711	258,200,331	724	264,700,425	736
Florida	8,020,732	131	8,854,690	133	9,077,604	135
Georgia	38,201,793	687	42,173,834	699	43,235,544	711
Hawaii	2,051,878	29	2,243,143	30	2,299,614	30
Idaho	3,273,267	53	3,613,605	54	3,704,576	55
Illinois	10,105,608	194	11,156,341	197	11,437,198	201
Indiana	6,981,371	117	7,707,261	119	7,901,288	121
Iowa	17,532,450	400	19,355,392	407	19,842,656	413
Kansas	12,268,453	244	13,544,069	249	13,885,036	253
Kentucky	8,755,232	156	9,465,560	159	9,908,887	162
Louisiana	5,312,189	94	5,864,525	95	6,012,162	97
Maine	1,051,802	16	1,161,163	16	1,190,395	16
Maryland	10,704,206	246	11,817,178	251	12,114,671	255
Massachusetts	1,930,573	29	2,131,305	30	2,184,960	30
Michigan	6,290,013	99	6,944,018	101	7,118,831	102
Minnesota	12,900,793	222	14,242,157	226	14,600,698	230
Mississippi	16,814,871	342	18,563,202	348	19,090,523	354
Missouri	20,518,810	320	22,652,259	326	23,222,521	331
Montana	1,329,472	18	1,467,704	18	1,504,653	18
Nebraska	19,330,297	404	21,340,170	412	21,877,401	418
Nevada	557,856	9	615,859	9	631,363	9
New Hampshire	410,561	6	453,249	7	464,660	7
New Jersey	5,954,272	89	6,573,369	90	6,738,851	92
New Mexico	649,852	10	717,421	10	735,482	10
New York	10,858,240	215	11,987,228	219	12,289,002	222
North Carolina	22,131,226	415	24,432,326	423	25,047,400	430
North Dakota	1,319,078	19	1,456,229	19	1,492,889	20
Ohio	6,750,535	117	7,452,424	119	7,640,035	121
Oklahoma	6,668,486	113	7,361,844	115	7,547,176	117
Oregon	3,093,341	72	3,415,635	73	3,501,622	74
Pennsylvania	19,250,775	345	21,252,380	351	21,787,400	357
Rhode Island	449,318	7	496,036	7	508,523	7
South Carolina	7,566,313	124	8,393,574	126	8,563,872	129
South Dakota	3,522,510	56	3,888,764	57	3,986,662	58
Tennessee	8,821,869	152	9,739,125	154	9,984,303	157
Texas	29,091,444	527	32,116,235	537	32,924,749	545
Utah	2,490,485	38	2,749,434	39	2,818,650	40
Vermont	603,667	6	666,434	6	683,211	6
Virginia	11,727,198	208	12,946,537	211	13,272,461	215
Washington	6,929,759	110	7,650,283	112	7,842,876	114
West Virginia	1,707,184	28	1,884,689	29	1,932,135	29
Wisconsin	8,662,199	169	9,562,853	172	9,803,594	175
Wyoming	24,279	-	26,803	-	27,478	-
Guam	75,720	1	83,593	1	85,697	1
Northern Mariana Islands	47,840	0	52,814	0	54,143	0
Puerto Rico	3,103,094	50	3,425,739	51	3,511,981	52
Samoa	84,300	2	93,065	2	95,408	2
Virgin Islands	92,898	1	102,557	1	105,139	1
Foreign Countries	225,213	-	248,630	-	254,889	-
Subtotal, Available or Estimate...	704,339,944	9,259	777,573,878	9,428	797,149,000	9,582
Unobligated balance	25,995,656	-	-21,780,878	-	-	-
Total, Available or Estimate	730,335,600	-	755,793,000	-	797,149,000	-

FOOD SAFETY AND INSPECTION SERVICE

STATUS OF PROGRAM

MEAT, POULTRY, AND EGG PRODUCTS INSPECTION

Current Activities: Program responsibilities include:

1. Ensuring that meat, poultry, and egg products are safe, wholesome, and properly labeled; and preventing the movement or sale in commerce of any meat, poultry or egg products which are unsafe, adulterated, unwholesome, or mislabeled.
2. Inspecting, before and after slaughter, those birds and animals intended for use as food for humans and verifying the further processing of meat and poultry products to assure food safety.
3. Inspecting, before and after breaking, those eggs intended for further processing and to be used as food for humans in order to assure food safety.
4. Providing pathological, microbiological, chemical and other scientific examination of meat, poultry and egg products for disease, infection, extraneous materials, drug and other chemical residues, or other types of adulteration.
5. Conducting emergency responses, including retention, detention, and/or voluntary recall of meat, poultry and egg products containing chemical, microbial, or other adulterants.
6. Conducting epidemiological investigations based on reports of foodborne health hazards and disease outbreaks.
7. Designing and implementing cooperative strategies to prevent food safety health hazards associated with animal production practices.
8. Evaluating agency programs to assess their effectiveness and efficiency in ensuring the safety of meat, poultry, and egg products for both internal clients, such as program managers and the Administrator, and external clients, such as Congress and the public.
9. Reviewing and assessing the effectiveness of State inspection programs to ensure that standards at least equal to those under the Federal Acts are applied to meat and poultry plants under State jurisdiction.
10. Auditing and evaluating foreign inspection systems and facilities that export meat, poultry, and egg products to the United States to ensure that standards are maintained that are equivalent to those in the United States. Reinspecting imported meat and poultry products at port of entry and egg products at destination or other locations to ensure that product meets Federal standards.
11. Monitoring allied industries to prevent uninspected, unwholesome, or mislabeled meat, poultry, and egg products from illegally entering channels of commerce.
12. Providing public information to ensure the safe handling of meat, poultry and egg products by food handlers and consumers.
13. Coordinating U.S. participation in the Codex Alimentarius Commission and other international food safety fora, and informing the public of the sanitary and phyto-sanitary standard setting activities of the Codex Alimentarius Commission.

14. Certifying meat, poultry and egg products for export by assuring that all U.S. and foreign country requirements are met. Resolving technical inspection issues with foreign inspection officials to prevent disruptions.

Selected Examples of Recent Progress

1. Inspection Activities

During FY 2002, FSIS had over 7,600 full-time inspectors operating in over 6,300 federally inspected plants. There were 6,147,160 inspection procedures performed by in-plant inspection personnel at meat and poultry plants nationwide.

Slaughter Volume. Since fiscal year (FY) 1987, the amount of poultry slaughtered in federally inspected establishments has almost doubled, from 25.7 billion pounds to 50.4 billion pounds in FY 2002. Meat slaughter has risen from 36.3 billion pounds to 42.2 billion pounds during the same period.

Meat, Poultry, and Egg Products Imports. During FY 2002, the U.S. imported 3.9 billion pounds of meat and poultry products from 30 eligible foreign countries. Import inspections occur in over 110 import inspection stations located throughout the United States.

Meat and Poultry Exports. During FY 2002, the U.S. exported approximately 11.3 billion pounds of red meat and poultry products, whose value is estimated at \$7.5 billion, to over 100 countries. FSIS continues to cooperate with Canada, New Zealand, and Australia to work toward a harmonized export certification system. FSIS and Mexico are currently engaged in a pilot program that will facilitate bilateral electronic issuance of health certificates.

Egg Products. During FY 2002, FSIS had over 107 full-time inspectors (including 14 State inspectors performing work under the Federal inspection program) in 82 federally inspected egg product plants. During FY 2002, USDA inspected and certified as wholesome 3,727 million pounds (including approximately 95.8 million pounds of added non-egg ingredients) of liquid egg products. USDA also re-inspected 1,390 million pounds of liquid egg products shipped from origin plants to other plants for further processing, resulting in a total inspected volume of 5,116 million pounds. An additional 232 million pounds of liquid eggs were found unfit for use as human food.

2. Ensuring that Policy Decisions are Based on Science

- a. *Listeria monocytogenes*. In the wake of a voluntary recall of 27.4 million pounds of ready-to-eat meat products due to the finding of *L. monocytogenes* on a product-contact-surface at a processing facility in Pennsylvania, FSIS announced in October 2002 expanded testing for the pathogen in subject plants. This testing will include product as well as environmental samples. FSIS will also require that establishments producing ready-to-eat products reassess their HACCP plans to account for the likelihood of contamination with *L. monocytogenes* if they have not already done so. Most plants have already reassessed for *Listeria*.
- b. *E. coli* O157:H7. This pathogen is more prevalent than previously believed. A 2001 study published in the Journal of Food Protection, on the rate of infection in cattle herds sampled, found that 63 percent had at least one animal testing positive for *E. coli* O157:H7. The researchers considered the entire herd positive even if only one animal tested positive; but the meat from one of these animals can easily be commingled with that of others, especially in meat grinding.

Another recent study from the Agricultural Research Service (ARS) found that *E. coli* O157:H7 was present on 43 percent of the pre-evisceration carcasses sampled. While this finding is at the

beginning of production, and the contamination rate should decrease as carcasses move down the line, it does present the magnitude of the challenge. At other stages of processing, combo bins surveyed by ARS that contained meat from steers and heifers were found to have an *E. coli* O157:H7 prevalence rate average of about 40 percent, ranging from 20 percent to 60 percent. There have been preliminary risk assessment estimates suggesting that nearly 90 percent of grinder loads had at least one *E. coli* O157:H7 organism present. It is important to consider the frequent seasonality of *E. coli* O157:H7: its prevalence may be highest from April to September. During these months, companies may need to implement additional interventions or conduct more frequent verification activities.

On October 7, 2002, FSIS published a notice informing manufacturers of beef products of the agency's views about the application of HACCP regulations to contamination with *E. coli* O157:H7. If manufacturers had not already reassessed their HACCP plans for raw beef products in light of this data, they were to do so. This requirement applied to HACCP plans for all raw beef products, including ground beef, other non-intact beef products, and intact beef products.

- c. **Salmonella Evaluation.** FSIS released a progress report on *Salmonella* testing of raw meat and poultry products for CY 1998 through CY 2001, the first four years of HACCP implementation. The results were compared with the rates of contamination found in baseline studies conducted before the government instituted the HACCP rule in meat and poultry slaughter and processing plants. For all four years (1998-2001) and all sizes (large, small, very small) of establishments combined, the *Salmonella* prevalence decreased from 20.0 percent to 10.7 percent in broiler carcasses, from 8.7 percent to 5.4 percent in market hogs, from 2.7 percent to 2.2 percent in cows/bulls, from 1.0 percent to 0.4 percent in steers/heifers, from 7.5 percent to 3.4 percent in ground beef, from 44.6 percent to 15.7 percent in ground chicken, and from 49.9 percent to 29.2 percent in ground turkey. Although FSIS does not attribute these reductions solely to the implementation of HACCP, the results are encouraging.
- d. **Foodborne Illnesses.** Declines in the number of overall foodborne illnesses related to pathogens since 1996 were reported by The Centers for Disease Control and Prevention (CDC). In FY 2002, FSIS completed the seventh full year of an agreement with the CDC to conduct active surveillance for foodborne diseases in five States and parts of four more, with a total population of 38 million. The Food and Drug Administration (FDA) is a partner in this effort, called FoodNet. In 2002 the FoodNet sites for the first time reported a downward trend in the incidence of foodborne disease for the period 1996 - 2001:

<i>Yersinia</i>	49 percent decrease;
<i>Listeria</i>	35 percent decrease;
<i>Shigella</i>	35 percent decrease;
<i>Campylobacter</i>	27 percent decrease;
<i>Salmonella</i>	15 percent decrease.

CDC reported in April 2002 that "The declines in the incidence of these foodborne infections occurred in the context of several control measures, including implementation by the U.S. Department of Agriculture's Food Safety and Inspection Service of the Pathogen Reduction/Hazard Analysis Critical Control Point systems regulations in meat and poultry slaughter and processing plants. . . . The decline in the rate of *Salmonella* infections in humans coincided with a decline in the prevalence of *Salmonella* isolated from FSIS-regulated products to levels well below baseline levels before HACCP was implemented." Data reported in 2002 also revealed that *Salmonella* infections were those most frequently reported by the FoodNet sites. FoodNet initiated three case control studies to look at sporadic cases of *Salmonella* Enteritidis, *Salmonella* Newport, and infant salmonellosis.

- e. **Microbiological Baseline Data Collection.** Baseline sampling for *Campylobacter*, *Salmonella*, and generic *E. coli* in young chickens was completed in FY 2001. A study performed concurrently

with this baseline was used to evaluate the potential applicability of a USDA Agricultural Research Service laboratory method for *Campylobacter* enumeration. In FY 2002 these data were under review by the National Advisory Committee on Microbiological Criteria for Foods (NACMCF). A baseline study initiated in October 2001 will be used to evaluate the levels of *Salmonella* and *Listeria monocytogenes* in unpasteurized liquid egg products. The data from this study will be used to develop risk-based performance standards for processing these products. The unpasteurized egg products baseline study is scheduled for completion in FY 2003. FSIS has planned a baseline study to identify higher risk raw beef components, scheduled for implementation in FY 2003.

- f. **Microbiological Sampling.** In FY 2002, FSIS analyzed 8,359 product lots for *Listeria monocytogenes*, with 84 positive lots detected. *Salmonella* was detected in 15 of the 7,822 product lots analyzed. Inspectors tested a total 6,969 raw ground beef samples for *E. coli* O157:H7 in FY 2002, 23 of which were from imported products, 5,671 from federally inspected establishments, 1,274 from retail, and one from establishments inspected through State programs. Of these, 59 samples were confirmed positive for *E. coli* O157:H7, 46 samples from federally inspected establishments and 13 samples taken at retail, no positives from a State inspected establishment, and no positives from imports.

g. **Current Risk Assessment Projects:**

Salmonella Enteritidis in Shell Eggs and *Salmonella* spp. in Egg Products, completed in December 2002. A draft can be found on the Internet at <http://www.fsis.usda.gov/ophs/risk>.

Non-intact Beef Risk Assessment, completed in February 2002.

Risk Assessment for Salmonella in Beef. This risk assessment will be completed in September 2003.

Risk Assessment for C. perfringens in RTE Products. FSIS is evaluating the effectiveness of various performance standards to mitigate the risk of illness from *C. perfringens* in RTE meat and poultry products. The risk assessment report will be available in February 2003.

Risk Assessment for Nitrosamine in Bacon. In 2002, a risk assessment was developed that estimated the lifetime risk of cancer for two of the volatile nitrosamines found in bacon. FSIS used this risk assessment as support for establishing a performance standard limiting volatile nitrosamines in pumped bacon to ensure this low risk of cancer is maintained.

Listeria Risk Assessment. The risk assessment will be used to evaluate the effectiveness of environmental surfaces and product testing in mitigating the risk of listeriosis associated with deli meats and frankfurters, completed in January 2003.

Bovine Spongiform Encephalopathy (BSE) Risk Assessment. A draft quantitative risk assessment for BSE was completed in November 2001 and submitted to external experts for peer review. Evaluation risk management scenarios is scheduled to be completed by March 15, 2003.

- h. **Dioxin and Dioxin-like Chemicals.** These compounds occur as widespread, low-level environmental contaminants in the animal feed and human food supply. Consumption of animal fats is generally accepted to be the primary exposure pathway. There have been several recent re-evaluations of aspects of the dioxin toxicity database, including one now nearing final release by the Environmental Protection agency (EPA). The EPA re-evaluation concludes that lifetime cancer risks for average consumers may be greater than 5 in 1,000, putting dioxin among the most risky environmental hazards in society. The European Union has begun the process to set dietary intake

standards for human foods and animal feeds, and as of July 1, 2002, has implemented maximum and action levels for dioxins and furans in feeds and foods.

FSIS and several agencies of the U.S. Department of Health and Human Services have funded a committee of the National Academy of Sciences (NAS) to consider the issues raised by dioxin as a ubiquitous contaminant of the food supply. This study is projected to be completed by Spring of 2003.

In May 2002, FSIS began a survey of dioxins in domestically produced beef, pork, and poultry in order to extend and update the FSIS survey conducted in the mid-90s. The current survey encompasses the testing of 144 young chickens, 84 turkeys, and 136 each of steers/heifers and market hogs. The ARS laboratory at Fargo, ND, is conducting the analyses, and is supplementing the FSIS survey by also collecting and analyzing a number of meat and poultry samples obtained at retail groceries across the country. FDA is also testing human food and animal feeds with comparable sample sizes.

1. **Laboratory Improvements:**

New FSIS Laboratory Accreditations. During 2002, all four FSIS laboratories obtained accreditation under ISO (International Organization for Standardization) Standard 17025, internationally recognized as the "gold standard" for testing laboratories.

Incorporation of BAX screening technology into *Listeria* monitoring program has produced an increased sample through-put and reduction of sample result reporting time. Extending this technology into our HACCP *Salmonella* and *E. coli* programs will further improve the speed of our system without compromising quality.

FSIS' evaluation of Polymerase Chain Reaction (PCR) microbiological screen continues for *E. coli* O157:H7, *Listeria monocytogenes*, and *Salmonella*. The field trial to assess the PCR screen for *Listeria monocytogenes* in ready-to-eat products was completed and the PCR screening method was approved and implemented as an official FSIS method during FY 2002. Field trials were performed in FY 2002 using the PCR as a screen for *Salmonella* in RTE products.

Rapid Tests and Chemical Residues. In FY 2002, FSIS conducted 18,842 Swab Tests on Premises (STOP) to detect the presence of antibiotics in meat and poultry. In FY 2002, FSIS conducted testing of 217,485 samples using the Fast Antimicrobial Screen Test (FAST) procedure.

European Union (EU) Initiative. The effort to meet additional EU testing requirements in the National Residue Program includes 28 compounds in eight categories. In FY 2002, the laboratories received \$1 million to purchase needed equipment. Current efforts focused on four methods using three full-time employees. Methods for clenbuterol, diethylstilbestrol (DES), melengestrol acetate (MGA), and zeranol were validated, and samples are currently being analyzed. Two methods, chloramphenicol and ractopamine, are on-line as part of the 2002 National Residue Program.

To ensure uniformity in the application of FSIS' National Residue Program in cull cow plants, data analysis and on-site visits were conducted in 30 of the top 40 cull cow plants. The primary purpose of the on-site visits was to ensure inspection personnel were following agency regulations, policies and procedures and to see that in-plant inspection personnel had the tools needed for their residue sampling responsibilities. Areas for improvement included: staffing; training and correlation; HACCP/Enforcement; field information; in-plant procedures; and laboratory issues. One key effort to address many of these areas was the production of a comprehensive computer disk (CD) containing vital residue information concerning applicable regulations and policies; procedures for conducting in-plant testing; photographs demonstrating

animals at high risk for residues; and information concerning HACCP and residues. Teams took this CD to the top 100 cull cow plants and left as a tool for the in-plant supervisor in providing correlations for the in-plant inspection team. Any equipment needs were addressed immediately; for example, over 300 new in-plant incubators were ordered and placed in field locations.

Laboratory Renovations. At the Eastern Laboratory in Athens, GA, there were improvements in the microbiology and chemistry sections. At the Microbial Outbreaks and Special Projects laboratory, renovations began for a planned biosafe level 3 laboratory for sample analyses in a bioterrorism event. The Midwestern Laboratory in St. Louis, MO, improved security and reduced the chances of potential contamination. At the Western Laboratory in Alameda, CA, a new sample receiving and processing room is nearly completed. Procurement has begun for an emergency power generator and an enhanced physical security system.

Laboratory Information Management System (LIMS). The Field Service Laboratories are developing and implementing a LIMS. This system is expected to save time, improve quality assurance, and help integrate information within and outside the agency. The LIMS will be integrated into the agency data management systems from sample scheduling through the reporting of test results to the field. The LIMS will go first into production in July 2003. It is expected that 95 percent of lab analyses will be converted to the LIMS by September 2003.

3. Protecting the Meat, Poultry and Egg Products Supply from Contamination

- b. **Bioterrorism Risk Assessment for Domestic and Imported Product.** FSIS conducted a risk assessment to be used as a tool for determining the most vulnerable products, likely agents and potential sites for deliberate adulteration of domestically produced meat, poultry and egg products. The assessment was conducted using a farm-to-table approach based on current knowledge of the industrial processes used in the production of these products and potential biological and chemical terrorism agents that could be introduced. The assessment was completed in June 2002. The conclusions from this assessment provide useful information for the identification of potential agents and food production processes that could be the most vulnerable to intentional tampering. This information is being used to develop risk management strategies including ensuring that our laboratories are equipped with methods and personnel for detecting agents of concern.
- c. **A threat assessment in the import system** is also being developed to identify the vulnerable points from foreign production and/or processing facilities to the U.S. ports of entry. FSIS used the risk analysis framework to conduct a relative risk ranking which will be used to: 1) allocate resources (e.g., inspection personnel, microbiological/chemical sampling) to monitor U.S. ports of entry for those food commodities that post the greatest risk, 2) examine different intervention strategies for reducing or preventing risks, 3) identify high-risk agent/commodity pairs for which more detailed risks assessments will be conducted so that various intervention strategies can be examined, 4) develop biohazard identification protocols, and 5) target training of personnel and develop educational campaigns to increase awareness. This assessment will be completed in September 2003.
- d. **Homeland Security.** FSIS has selected and trained five persons as new import inspectors. The Department's supplemental funding for Homeland Security authorized FSIS to hire 20 new import inspectors. The first inspectors are at Detroit, Michigan; Houston, Texas; Miami, Florida; Elizabeth, New Jersey; and Los Angeles, California. The remaining 15 positions will be filled by the end of February, 2003. The import inspectors will conduct new surveillance tasks throughout the entire import facility, including areas such as the dock, loading areas, refrigeration and storage areas, and also regularly review records associated with imported products. These inspectors will correlate with FSIS Compliance Officers and other Federal agencies such as APHIS, Customs Service, and FDA regarding imported products under FSIS' jurisdiction and regarding potential

food security concerns. These positions will be located at or near large ports of entry where diversified quantities of meat and poultry products are imported into the United States.

- e. On August 22, 2002, FSIS published **voluntary security guidelines**, developed to assist Federal- and State-inspected plants that produce meat, poultry, and egg products in identifying ways to strengthen their security plans to protect against acts of bioterrorism. FSIS recognizes that Federal- and State-inspected plants may also be aware of, and be adopting, security guidelines from other government agencies, industry organizations, and private sector experts. However, plants that do not have access to specialized security planning advice should find these guidelines useful as they develop and improve their food security plans. These guidelines were designed and developed to meet the particular needs of meat, poultry, and egg processing plants and to be easily understood and readily adaptable by plant officials. While these guidelines are voluntary, and plants may choose to adopt measures suggested by many different sources, it is vital that all plants take steps to assure the security of their operations. The guidelines are available in both English and Spanish.
- f. **Meat and Poultry Recalls.** In FY 2002, there were 119 recalls totaling 26.8 million pounds: 54 beef, 26 poultry, 39 pork. The reason for about three-fifths of the recalls was microbiological contamination. Other causes were undeclared substances, misbranding, process defects, and extraneous material.

4. Improving Coordination of Food Safety Activities with Sister Agencies

- a. **Emergency Response Coordination with State and Local Governments.** During FY 2002, FSIS assisted many local and State health departments with investigations of foodborne illnesses. The agency provided specialized training, supplies, technology, equipment and associated travel for field epidemiologists to work with their State counterparts to strengthen partnerships for the investigation of foodborne outbreaks. Actions included assisting States with review of epidemiological findings, laboratory analysis, product trace back, identification of outbreak related cases, recall of suspect product, and public notification of recalls. Field epidemiologists were involved in more than thirty outbreak-related or emergency-related investigations in FY 2002. The most important of the outbreaks were:
 - Twenty three foodborne outbreaks/disease reports due to *E. coli* O157:H7 or hemolytic uremic syndrome. Investigations involved 22 States, more than 200 illnesses, more than 50 hospitalizations, and two deaths. Nineteen outbreaks/disease reports were confirmed or suspected to be attributed to ground beef. Two of these outbreaks were multi-State in nature, and combined, accounted for more than 100 illnesses, more than 25 hospitalizations, and one death.
 - Three foodborne outbreaks/disease reports due to *Listeria monocytogenes*. One was multi-State in nature (and continued into FY 2003) and accounted for nearly 50 illnesses and hospitalizations, three stillbirths/miscarriages, and seven deaths. Investigations resulted in two separate product recalls for chicken and turkey products
 - Five investigations of illnesses caused by *Salmonella* species. One of the investigations was a multi-State outbreak of multi-drug resistant *Salmonella* Newport. Other *Salmonella* investigations were associated with egg products, asymptomatic food handlers, or the outbreak source could not be determined.
 - Two investigations of illness caused by *Campylobacter* species in a Washington State prison. Illness was associated with possible contamination by food handlers.

FSIS is continuing a cooperative agreement with Hawaii that began in 2001. In FY 2002, the agreement funded a project that determined the prevalence of *Campylobacter* in Hawaii to be the highest rate of *Campylobacter* infection per capita in the U.S. In FY 2003 the additional proposed study will be conducted to determine reasons for the high rate of infections.

- b. **Training and Technical Assistance for State and Local Inspection Programs.** FSIS provides training and technical assistance to State and local regulatory agencies including State "equal to" inspection programs under the meat and poultry inspection acts. In keeping with its farm-to-table food safety strategy, and post 9-11 concerns with food security, FSIS recognizes the importance of working with all State and local government agencies which may have a role in reducing consumers' risks from products under FSIS' jurisdiction.

FSIS is updating its performance-based program criteria for meat and poultry regulatory programs. These criteria will be in a format consistent with model program criteria being developed for use by States in regulating other parts of the food supply, and will promote better communication, cooperation and cross utilization among all food safety agencies. The criteria are consistent with standards and policies evolving for FSIS' own inspection program, spelling out expectations for State programs' (1) regulatory foundation, (2) training, (3) conduct of inspections, (4) uniformity of inspections, (5) enforcement, (6) resources, (7) program self-assessment, and (8) laboratory support. These standards support a transparent Federal-State cooperative relationship on meat and poultry inspection. They will be particularly useful in the event Congress acts on FSIS-supported legislation to permit distribution of State-inspected product in interstate commerce which would mandate a new cooperative relationship between FSIS and the States on meat and poultry inspection.

FSIS' Intergovernmental Regulators Information Line (IRIL), affords State and local government agencies immediate access to agency experts who can give advice on any technical or regulatory issue related to meat, poultry, and processed egg products. The IRIL is located at FSIS' Technical Service Center.

Indiana Inspection-based Quality Assurance and Certification Program for Market Cattle and Hogs: FSIS entered into a cooperative agreement with the Indiana Board of Animal Health to design and test a State MPI-based program to include interventions to reduce food safety hazards associated with pre-slaughter animal production on farms and during transportation.

- c. **Association of Food and Drug Officials (AFDO) Partnerships.** FSIS' carried out three 2002 partnership actions with the AFDO. The recall work group recommendations are being reviewed. The Meat and Poultry Processing Train-the Trainer – 50 State program held its first training sessions. A team of presenters representing AFDO, FSIS and industry completed three courses during the fiscal year at New York City, Atlantic Beach, Florida, and St. Charles, Illinois for representatives from regional States' food protection program and meat and poultry inspection programs. FSIS programmed additional funding during FY 2002 for three more courses during FY 2003 for States not covered in 2002. The AFDO/USDA Exempt Slaughter Workgroup developed a set of AFDO guidelines for State regulation of exempt slaughter facilities, currently undergoing review. Training in the guidelines will be made available to State and local personnel and industry.
- d. **State Food Safety Task Forces.** FSIS initiated eight cooperative agreements with States to foster improved education and understanding of the risks in the handling of meat, poultry and egg products by retail stores and food service facilities. These efforts benefit the State and local sanitarians who inspect these establishments and the small retail store and food service facility owners or managers. Earlier agreements were with Arizona, California, Georgia, Illinois, Minnesota, Nebraska, New York, and Virginia. This year three new States joined the program:

- Pennsylvania's Food Safety Task Force will develop training programs, information web site, CD ROMs, incentive programs, workshops/seminars, and handout materials for meat and poultry retail food establishments. Food safety and sanitation and biosecurity information will be made available. A basic training program will be developed, along with instructional handout materials and all will be translated into multiple languages. Pictures will be used as a primary conveyor of information. Training will be available statewide to all retail establishment employees.
 - The South Carolina Food Safety Council is developing two-stage training for retail store food service managers. The plan will provide certification level "train-the-trainer" food safety educational programs for food distribution managers, food retail store managers, restaurant or foodservice managers, and regulatory inspection personnel. The Council will develop special food safety training to fit the educational needs of these partners and deliver food safety training in English or Spanish for employees of food distribution concerns, food retail stores and restaurants or foodservice establishments.
 - The Texas Food Safety Task Force held a symposium on September 11-12, 2002 to address the issues of food safety and food security with emphasis on retail food and local health departments. The symposium dealt with guidance on meat and poultry processing at retail and in-depth discussions on food security issues at retail. The task force is also working on a foodborne illness tracking system that will promote data collection information sharing among participating State and local health departments on foodborne illness complaints, including those involving retail meat and poultry products.
- e. **Animal and Egg Production Food Safety Program (AEPFS).** In FY 2002, FSIS took part in cooperative agreements with 11 States that applied for food safety education project funding for animal and egg producers. Funding was provided to Alabama, Indiana, Maryland, Michigan, Missouri, Nevada, New Jersey, Ohio, Oregon, Vermont and West Virginia. The FY 2002 cooperative agreements focus on preventive measures that can be taken on the farm and cover a variety of topics including *Salmonella enteritidis*, drug residues and biosecurity. The agreements provide guidance and funding to the many stakeholders, such as food animal producers, veterinarians and public health personnel, who all play a role in ensuring food safety at the production level. FSIS currently has AEPFS educational partnership relationships with 26 States.
- In FY 2002, FSIS entered into Animal Production Food Safety Cooperative Agreements with Tribal (1994 Institutions), Hispanic Serving Institutions (HSI), and 1890 universities. The awarded projects were to develop outreach efforts in animal production food safety to small producers in the underserved and/or underrepresented communities. The schools are: Lincoln University, The Regents of New Mexico State University, Florida A&M University, and Alabama Agricultural and Mechanical University.
- f. **International Training and Outreach on Official FSIS Laboratory Analytical Methods.** In FY 2002, the Microbial Outbreaks and Special Projects Branch (MOSPB) participated in several opportunities to train foreign laboratorians and/or government officials on the official analytical methods used by FSIS laboratories. Official microbiological methods and quality control procedures were presented to the Chinese Ministry of Health, Peoples Republic of China, in April, 2002. An overview of FSIS quality control procedures and methods for *Listeria monocytogenes*, *Salmonella* sp., and *E. coli* O157:H7 analysis was provided to Central and Latin American food safety laboratory analysts at the University of Puerto Rico in Mayaguez, Puerto Rico. During September and October 2002, MOSPB personnel trained Italian government regulatory scientists on the official FSIS method for *Listeria monocytogenes* analysis.

g. Laboratory Networking

FSIS is leading development of a national integrated system of food-testing laboratories. FSIS has entered into a 3-year cooperative agreement with the Association of Analytical Communities, a non-profit third party organization, to develop an internationally recognized system for validating and tracking analytical methods. This system, known as e-CAM (Electronic Compilation of Analytical Methods), will assist in the development of standardized performance criteria that will be used for validating analytical methods. E-CAM, an internet-based system, will allow the international scientific community to have rapid, on-line access to significant numbers of analytical methods along with scientific expertise from around the world. Other parties interested in developing e-CAM include FDA, EPA, APHIS, AMS, GIPSA, DOD, and many State laboratories.

FDA and FSIS work closely on developing eLEXNET, a mechanism for the electronic sharing among jurisdictions of food safety data. The system is now in place and permits the sharing of laboratory data on a limited number of analyses in various food matrices. As of September 2002, over 70 Federal, State, and local laboratories in 40 States were participating in eLEXNET.

FSIS is taking part in a pilot program to develop and foster a national move toward laboratory accreditation under ISO Standard 17025 to exchange standardized laboratory data and to develop a national system of validating laboratory analytical methods. The FSIS laboratories have been awarded ISO accreditation. The extensive ISO-required documentation developed as part of the FSIS Laboratory Quality System has been converted into guidance available to any other food testing laboratories seeking accreditation.

- h.** In FY 2002, FSIS and APHIS coordinated efforts to establish an APHIS Veterinary Services veterinarian as the FSIS surveillance liaison, co-located at the FSIS Center for Learning, College Station, TX. This important new position helps ensure that our veterinary cadre within APHIS and FSIS continue to build trust and cooperation in an integrated surveillance program that not only protects animal health but also improves food safety and security.

5. Improving the Management of FSIS Programs

a. Special Inspection Teams:

The FSIS Technical Advisory Group (TAG) conducted 8 Technical Assessment Reviews of establishment HACCP/Pathogen Reduction Plans and corrective actions in FY 2002. The TAG is a technical committee with personnel from the agency's offices for inspection, regulations, compliance, and laboratories. The TAG is convened for situations involving complex public health and food safety issues outside of the usual range of expertise of field personnel. The TAG also assesses industry's HACCP innovations.

In-Depth Verification (IDV) Reviews. An IDV review is a comprehensive assessment conducted by multi-disciplinary teams or individuals to determine whether a specific establishment is carrying out activities that meet the requirements of the PR/HACCP regulations. Multi-disciplinary agency scientific and regulatory teams performed 21 IDV reviews in 2002. Typically, such reviews are conducted by representatives from FSIS offices of field operations, policy, and public health, including epidemiologists. During the IDV, the team reviews records, policies, and procedures that the plant follows to ensure that the HACCP plan is scientifically valid, complies with FSIS regulations, and is being fully implemented. The IDV review process supplements existing tools used by inspection personnel to verify that an establishment's HACCP system is effective in controlling food safety hazards. As part of its refinement efforts, FSIS developed IDV review protocols, which include various checklists that IDV team members utilize to target specific aspects of an establishment's activities. In FY 2002, a workgroup was established to

develop tools for documenting establishment practices and data pertaining to pathogen control. Beginning in FY 2003, the information will be gathered during on-site reviews and entered into a FSIS database; FSIS will use the database to identify "best practices" to inform future guidance and rulemaking. Also, in the past, IDV's were usually conducted if a company's products were repeatedly implicated in recalls or illness, or when agency testing found repeated positive sample results for ready-to eat products. FSIS has enhanced its inspection methods by also conducting an IDV review whenever an establishment fails two consecutive *Salmonella* performance standard sets.

Health Hazard Evaluation Boards convened eight times during FY 2002 to consider cases of a new or emerging situation involving human foodborne illness, a pathogen, a chemical, or other physical exposures. The board determines the degree of hazard and appropriate remedy: for example, no action needed; washing and inspection; retention; condemnation; or recall.

Food Safety System Correlation (FSSC) Team Reviews. FSSC reviews, instituted in 2001, will have been completed in all districts by the end of FY 2003. In an FSSC review, teams consisting of representatives of the Technical Service Center, circuit supervisors, the inspectors-in-charge, and a district office representative determine the range and consistency of actions taken by plants and by inspectors within a district. In FY 2002, correlation reviews were conducted in six districts: Alameda, CA, Atlanta, GA, Beltsville, MD, Chicago, IL, Madison, WI, and Minneapolis, MN.

In-Plant Performance System (IPPS). FSIS is improving its systems for ensuring accountability by putting in place a formal process so that frontline supervisors can be sure that inspection personnel carry out their assigned job responsibilities. Approximately 1,200 field supervisors received training on the IPPS system in the last quarter of FY 2002. The IPPS went into effect on October 1, 2002. An audit of the implementation of the system is planned for FY 2003.

- b. **Consumer Safety Officers (CSO).** FSIS has introduced the CSO into its workforce in FY 2002. Studies by the National Academy of Sciences, the General Accounting Office, and FSIS established the need for fundamental change in the inspection program under PR/HACCP to improve its public health effectiveness. Among the changes identified in the studies was the need to redeploy agency resources in a manner that better protects the public from foodborne disease. Therefore, to further ensure the safety of public health in the PR/HACCP environment, FSIS needs frontline employees with a scientific background, able to assess and verify the design of food safety systems.

The agency identified the CSO occupational series as the position to fill this need. CSOs must have at least 30 semester hours of related science course work, and those without a bachelor's degree must have one year of specialized experience. The educational background and job experience requirements provide a basis for making scientific assessments of processes and systems.

The CSO reflects the agency's increasing reliance on science and technology in the inspection environment. By the end of August 2002, FSIS had trained 104 employees as CSOs. Current plans are to train an 105 more in FY 2003. The agency is extending training in the CSO food safety assessment methodology not only to the persons hired into CSO positions but also to District Veterinary Medical Specialists and other Veterinary Medical Officer field employees.

CSO duties include the following major areas:

- Assist with activities associated with the Small Business Regulatory Enforcement Fairness Act (SBREFA), which supports in-plant safety inspection activities and helps small and very small establishments.

- Assess and verify the design of HACCP plans, SSOPs, and *E. coli* monitoring plans.
- Participate in in-depth verification reviews, investigations, and other agency reviews to assess the effectiveness of establishment food safety control systems.
- Define strategies to verify corrective actions implemented by establishments.
- Conduct analysis and trend assessment of agency information and regulatory data.

In FY 2002, FSIS CSOs conducted over 800 food safety assessments in meat and poultry establishments, focusing primarily on very small and small plants. The purpose of these assessments were to evaluate and verify the design of company HACCP plans, SSOPs, and *E. coli* monitoring plans.

c. Workforce Expertise:

HACCP Expert Training. The Inspection Coordinators in each District were trained in FY 2002 to increase their HACCP expertise, particularly with respect to HACCP plan design and scientific support for HACCP plans. The Inspection Coordinators often participate in or even lead IDV's and this training will increase their abilities to do a more effective job on the IDV's. This will also provide the Districts with an additional resource capable of conducting comprehensive food safety system assessments.

In FY 2002, the agency established a Chief Veterinarian to lead in promoting the education, training, and professional development of the agency's veterinary medical staff. The agency, with about 1,100, is the largest U.S. employer of veterinarians, who make up over 10 percent of the agency workforce. FSIS conducted a Veterinary Skills Survey to determine the many skills that veterinarians possess that may be used to help the agency meet its evolving goals. Approximately 800 veterinarians completed the skill survey and its results will be acted upon in FY 2003.

In FY 2002, the agency also carried out a Veterinary Medical Officer Demonstration Project to test scenarios under which in-plant veterinarians may be freed to pursue more science-based duties, and thereby make better use of their knowledge and skills. Thirteen veterinarians participated in various in-plant situations and team-based inspection was tested for multiple plants in close proximity.

To improve recruitment efforts for veterinary jobs with the agency, in FY 2002 FSIS launched a veterinary student employment program, and employed twelve students during the summer of 2002, giving them exposure to in-plant duties and to other parts of the agency in which veterinarians play a key role.

Food Safety Fellows Program. In FY 2001, the Food Safety Fellows Program was established to help FSIS attract and develop a diverse cadre of post-doctoral scientists with valuable expertise and knowledge in cutting-edge scientific and technical disciplines. In FY 2002, two FSIS risk assessment fellows were hired to work on risk assessments associated with *E. coli* O157:H7 in non-intact beef, *Salmonella enteritidis* in eggs and *Salmonella* spp. in egg products, and *C. perfringens* in ready-to-eat meat and poultry products.

Compliance Officers Training. In FY 2002, FSIS conducted a Compliance Officers Training program at the Federal Law Enforcement Training Center (FLETC), Artesia, New Mexico. Nineteen Federal and three State Compliance Officers completed a three week Basic Compliance Officers Training course at FLETC. The three-week course included basic safety training. FLETC also offered three one-week safety courses, especially developed for FSIS. Sixty-one Compliance Officers and three CSOs attended the safety courses. In addition, twelve Compliance Officers

attended a one-week Train the Trainer Verbal Judo Course, at the FSIS Training Center in College Station, Texas. The course was designed by the Verbal Judo Institute to meet FSIS Safety Training needs; it teaches participants how better to handle stressful situations they may encounter as part of their jobs. FSIS plans to train much of its workforce in Verbal Judo.

Integration of Inspection and Enforcement Conference. In late FY 2002, the agency held a week long session with key field enforcement managers and field managers for inspection activities to increase their understanding of improving compliance through the full integration of inspection and enforcement activities. The conference included a series of case studies and workshops which exposed the managers to a wide array of enforcement issues. This conference is expected to improve the field managers' responses to cases of repetitive noncompliance and their execution of enforcement roles.

- d. **Automated Information for Regulatory Oversight.** The agency has put in place a number of systems to provide the tools frontline supervisors and district managers can use to oversee plants' compliance with HACCP and other regulatory requirements.

- FSIS introduced the new **Automated Import Information System (AIIS)** nationwide. The system, which has been in use with Canada, will focus on a foreign country's inspection system as a whole rather than on individual plants. A new statistically-based sampling program based on the annual volume of shipments from the exporting country will be used to select import shipments for reinspection. Previously, for all countries except Canada, reinspection was assigned at random based on the compliance history of the establishment that exported the products.

FSIS has modernized the AIIS to reflect the systems approach to import reinspection. The upgraded AIIS-3 computer system links inspectors at all points-of-entry, allowing information on shipments and violations to be shared immediately. The computers assist in trend analysis and identifying problems in establishments that export to the United States. While all imported products are inspected in the country of origin and reinspected visually before being released by FSIS, the AIIS-3 selects shipments for additional reinspection verification. The additional reinspection tasks include testing for residues, microbiology or food chemistry.

The updated AIIS-3 can capture more information, such as markings and certification numbers, that will allow FSIS to better track shipments of meat and poultry products once they enter the country. In addition, inspectors will be allowed to conduct more examinations on all shipments randomly selected for reinspection, thus allowing for increased emphasis on food safety related tasks. The revised system is user-friendly for inspection personnel and allows managers to have easier access to inspection reports.

- **Performance-Based Inspection System (PBIS) 5.0.** A new version of the PBIS, introduced in FY 2002, gives field managers and supervisors direct access to real time data on inspection procedures scheduled, whether performed or not, and the results of the inspection procedures. It also gives access to electronic copies of noncompliance records. FSIS has tailored software for its field managers to tap into PBIS to extract needed information, in formats that can be quickly and easily analyzed, for identifying trends or problem areas by individual plant or multi-plant patrol circuit. The software will be available in the districts and to frontline supervisors in FY 2003.
- **District Early Warning System (DEWS)** pulls data from various FSIS databases relating to inspection, sampling, and enforcement and generates an "early warning" for district managers when the combination of certain events or findings reach pre-determined thresholds. The system was put in place in late April 2002, and began generating reports May 6, 2002.

DEWS enables the district managers to increase their focus on potential problem establishments.

- **Administrative Enforcement Data System** was developed and implemented in FY 2002 to assist district managers' ability to ensure timely and effective regulatory compliance, by monitoring the status of outstanding enforcement actions and the corrective actions proffered by the regulated plants in response to enforcement notices.
- **Website Information.** Two new features of the Technical Service Center (TSC) part of the FSIS website make the application of inspection regulations and practices available to FSIS field personnel or any other interested parties. The **Interactive Knowledge Exchange (IKE)** uses fictional scenarios for review of FSIS requirements and the suggested application of these requirements. Every two weeks, a scenario on an inspection-related subject is sent out electronically to all field inspection employees. IKE scenarios have been available on the FSIS website since June of 2002. Another service of the website is the posting of **Frequently Asked Questions (FAQ's)**; technical questions asked of and answered by the TSC and now available as a searchable reference to inspection personnel and industry. The FAQ's include questions from FSIS inspectors, FSIS supervisors, and industry. The FAQ's represent typical questions and the answers are meant to provide practical guidance on the application of the regulations in such areas as HACCP, sanitation, slaughter inspection, and other consumer protection.

c. Selected Regulatory Changes.

Notices:

- April 2, 2002: announced FSIS' actions to review promulgated rules within ten years of their promulgation dates to determine whether or not the rules should be modified, withdrawn, or left in tact based on the economical impact imposed on small businesses. In addition, the notice presented FSIS' time-schedule for reviewing the listed rules within the perimeters of the aforementioned statute.
- April 30, 2002: announced automatic adjustments in the dollar limitations on sales for meat and poultry to HRIs that do not disqualify a store for exemption from inspection requirements.
- October 2, 2002: announced that the State of Maine has developed an FSIS-accepted program for inspection of meat and poultry establishments that only sell products in-State and that want to be under State inspection, thus ending the role of FSIS as the mandatory inspection program for in-State plants in Maine.

Proposed Regulation:

- November 2, 2001: proposed to amend the Federal meat inspection regulations to remove the standards of identity for "pizza with meat" and "pizza with sausage."

Final Rules:

- October 16, 2001: allowed official establishments to rely on data from documented procedures, in lieu of official certifications, to demonstrate that their scales are accurate.
- October 31, 2001: permitted the use of pork collagen and transglutaminase enzyme, in limited amounts, as binders in certain standardized meat and poultry food products. It also required that, when the enzyme is used to fabricate or reform cuts of meat or poultry,

the resulting product bear labeling to indicate that it has been formed from pieces of whole muscle meat or that it has been reformed from a single cut.

- January 10, 2002: postponing enforcement of the regulation requiring manufacturers of raw meat and poultry products to minimize and to reflect on product labels the amount of retained water in the products.
- January 24, 2002: increased the fees that the agency charges for overtime and holiday inspection services and voluntary inspection services.
- March 22, 2002: affirmed the interim final rule that made ratites and squabs subject to the mandatory poultry products inspection regulations.
- April 24, 2002: permits FSIS to share with officials of State governments and of other Federal agencies, distribution lists obtained from a firm recalling products without being compelled to disclose the information to the public under the Freedom of Information Act (FOIA).

6. Enhancing Public Education

FSIS consumer education programs foster safe handling of meat, poultry, and egg products among the general public and groups who face increased risks from foodborne illness--the very young, the elderly, pregnant women, people who have chronic diseases, and people with compromised immune systems. FSIS reaches its diverse audience through the development and distribution of brochures, technical papers, and booklets via the media, educators, the FSIS website and hotline.

- a. **The USDA Meat and Poultry Hotline** handled about 85,600 incoming calls and 100 media or "information multiplier" calls addressing safe food handling practices in the home. The hotline expanded its service to include recorded messages and live assistance in Spanish as part of FSIS' effort to further educate under-served populations on safe food handling and preparation. More consumer publications were translated into Spanish.

The mphotline.fsis@usda.gov mailbox received 1,825 inquiries on a variety of topics during FY 2002. The fsis.outreach@usda.gov mailbox received over 3,400 requests or comments. Visitors to the FSIS webmaster mailbox submitted over 1,700 mail requests during FY 2002. The FSIS website recorded over 4,000,000 hits, 900,000 requests, and 700,000 visits a month. The website serves as an integral part of FSIS' publication distribution process.

- b. **Education Campaigns**

Thinking Globally - Working Locally: A Conference on Food Safety Education was held from September 18-20, 2002, in Orlando, FL. The conference focused on the food safety education implications of the global nature of the food supply. Included were breakout sessions, pre-conference workshops, and post-conference tours. Over 600 participants from 48 States and many foreign countries involved with food safety education attended.

Listeria monocytogenes outreach plan included presentations, brochures and a video news release (VNR) distribution of *Food Safety Tips and Listeriosis and Pregnancy: What is Your Risk? Safe Food Handling for a Healthy Pregnancy*.

Thermometer educational campaign continued during FY 2002 with the creation of posters and magnets, featuring the FDA *Food Code* 2001 time and temperature requirements. A Thermy™ for Food Service magnet/poster was developed and printed in Spanish as well as English. The campaign was highlighted at the national food safety education conference.

FSIS issued a video news release, *Food Safety for Holiday Buffets*, in both English and Spanish. First time a VNR has been produced completely in Spanish by FSIS and the USDA. Other highlights included: a press release, a food safety advertisement in *USA Today*, a flyer distributed to radio stations and internet sites.

c. Publications

In FY 2002, FSIS developed or revised numerous food safety publications and feature releases for distribution as part of an on-going food safety campaign. Publication topics included:

September is Time for Food Safety Lessons;
Research Shows Improvements in Safe Food Handling By Consumers;
Listeriosis and Pregnancy: What is Your Risk?;
Focus On: Rabbit;
USDA Teaches Turkey Basics for Safe Holiday Cooking. Food Safety Facts: Smoking Meat and Poultry;
Holiday Food Safety;
USDA's Meat and Poultry Hotline Gives Tips on Sending Food Gifts to U.S. Military;
USDA Celebrates National Nutrition Month with Food Safety Advice;
Molds on Food: Are They Dangerous?;
Keeping Food Safe During an Emergency;
Food Safety of Eggs and Egg Products;
Food borne illness (BAC! Chart);
Turkey Basics (4 in Spanish);
Keep Food and Fires Safe During Outdoor Cookouts;
Disaster Q and A's for Consumers; and
Research Shows Improvements in Safe Food Handling By Consumers.

FSIS participates in and co-authors the National Food Safety Educator's Network (EdNet), an electronic newsletter that includes useful resources for food safety educators. At year end the number of EdNet subscribers had quadrupled to over 4,400 from just 500 subscribers in 1998.

d. Labeling

Food Safety and Labeling. FSIS conducted consumer research projects during FY 2002 to determine if changes to the regulations are needed to add or modify labeling features to inform consumers about safely cooking and handling products, e.g., exploring means of identifying products as "ready to eat" or "ready to cook," and meaningful cooking instructions.

Labeling/Standards Policy Website to Help Small and Very Small Businesses. In 2002, FSIS made improvements to the agency's labeling and standards policy website which was introduced in February 2000 as a new, business-friendly website providing essential labeling, standards, and ingredients information to help small and very small meat and poultry processors and other customers understand the basic labeling rules and procedures. The site is geared toward helping the small businesses understand the rudiments of labeling and standards, and provides a key contact in the Labeling and Consumer Protection Staff for questions. The agency provides a staff liaison charged with facilitating resolution of small business issues on a one-on-one basis. Since its inception, hundreds of small and very small meat and poultry processors have contacted the agency liaison through the website. Over 400 inquiries, mostly from the industry and public, are sent to the Labeling Policy Staff monthly for guidance on issue resolution.

Labels Processed and Approved during FY 2002:

Activity	Number
<u>Meat and Poultry:</u>	<u>(FY 2001-2002)</u>
Temporary Approvals	2,944
Sketch labels approved	21,811
Labels not approved	11,406
<u>Egg Products Labels</u>	<u>2,607</u>
Total Labels Processed	38,768

More egg products are becoming certified as organic egg products. Therefore, they bear the organic claim and certification for eggs being produced from flocks that have been certified organic by an accredited certifier under the USDA, Agricultural Marketing Service (AMS), National Organic Program. More egg products have been imported into the United States from other countries, particularly Canada within the last year. New certifying programs are being introduced to egg producers by AMS that are specifically designed to enhance the marketing of egg products from U.S. Egg Laying Flocks.

Labeling evaluation activity has continued to decrease since FY 1996. The decrease is attributed to implementation of amended regulations that expanded the types of labels that can be generically approved, effective July 1996. Further, a decrease is due to increased effective agency outreach programs on labeling regulations and policies.

e. **Codex Alimentarius Commission.**

USDA is the lead agency for U.S. participation in the sanitary and phyto-sanitary standard setting activities of Codex. The U.S. Codex Office, located within FSIS, coordinates all U.S. government and non-government participation in these activities. For example,

The United States successfully served as host government to the October 8 – 13, 2001 session of the Codex Committee on Food Hygiene. To encourage the participation of developing countries, this session was held in Bangkok, Thailand. The United States also hosted the 13th session of the Codex Committee on Residues in Veterinary Drugs, held from December 3-7, 2001, in Charleston, South Carolina.

FSIS served as the head of the U.S. Delegations to the Executive Committee of the Codex Alimentarius Commission meeting and to the Codex Committee on General Principles. FSIS served as technical advisers on U.S. delegations to 12 Codex Committee sessions and three working groups. FSIS also served as head of U.S. observer delegations to Codex Regional Committee in Asia. FSIS program personnel served as members of U.S. Delegations to a number of Codex committee sessions. FSIS briefed numerous international visitors on U.S. Codex activities, as well as meeting with Cochran Fellows and with agricultural diplomats from around the world.

At domestic and international symposia sponsored by scientific, trade, and government groups, FSIS made numerous presentations on the work of Codex. FSIS also made several presentations in U.S. Government interagency sessions, including a special briefing for OMB.

FSIS represented U.S. Codex interests in a number of international fora including the Quadilateral Food Safety Discussions, the Trans-Atlantic Consumer Dialog, and the Institute for Inter-American Cooperation on Agriculture, as well as in the preparatory meetings for the Global Forum of Food Safety Regulators.

FSIS continued its training program for U.S. delegates and alternates to Codex Committees. The session focused on cooperative negotiation.

On May 30, FSIS published a notice in the Federal Register informing the public of the sanitary and phyto-sanitary standard setting activities of Codex.

Meetings. During 2002 FSIS announced 17 public meetings on Codex standard setting activities. The public meetings involved Codex groups for Pesticide Residues (four meetings); Nutrition and Foods for Special dietary Uses; Residues of Veterinary Drugs in Foods; Meat and Poultry Hygiene; Food Additives and Contaminants; Foods Derived from Biotechnology; Food Import and Export Inspection and Certification Systems (two meetings); Fruit and Vegetable Juices; Milk and Milk Products; General Principles; Fish and Fishery Products; Animal Feeding; and the Executive Committee of the Codex Alimentarius Commission.

Website. FSIS posted Codex Circular Letters on its website. The Circular Letters solicit governments' comments on current issues to allow broader and earlier participation in the U.S. Codex process. Information on public meetings and upcoming sessions of Codex Committees and reports of recent meetings are also posted on the web site.

Outreach. In November of 2001, the U.S. Codex Office sponsored three government officials who met with representatives of developing countries in Brussels to present U.S. positions on a number of important Codex issues.

- In January, 47 government officials from 14 Asian countries attended a 2½-day workshop in Hong Kong.
- In February, representatives from eight Latin American countries met with the U.S. Codex Office and other staff in Washington on a strategic plan for regional cooperation.
- In April, the U.S. Codex Office conducted sessions on labeling of foods derived through biotechnology in Paris, Geneva, Ottawa, and Washington (for agricultural officials in foreign embassies).
- In August, the U.S. Codex Office staff traveled to Brazil to discuss the issue of geographic indications.
- In September, the U.S. Codex Office sponsored a technical workshop in Beijing, China, attended by 75 Chinese officials and representatives from the U.S. Agricultural Trade offices in Beijing, Shanghai, and Hong Kong.

Before the Codex Committee on General Principles meeting, cables were sent to select countries explaining U.S. positions. During the session, the U.S. held a series of meetings with a variety of countries, including a hosted breakfast for Latin American countries and separate meetings with Asian countries.

- f. **Inspection Seminar for Foreign Government Officials.** FSIS has been offering meat and poultry seminars for international government inspection officials. The seminar outlines FSIS' inspection regulations and procedures, focussing on the Hazard Analysis and Critical Control Point and Pathogen Reduction initiatives. In FY 2002, FSIS conducted three sessions of the seminar. The first two, at the training center in College Station, Texas, were attended by 67 international government officials. The third session, at the University of Puerto Rico, Mayaguez, PR, hosted thirty-five government officials, and was a condensed, Spanish-language version of the College Station seminar. FSIS received 152 applications from around the world to attend one of the three seminars.

7. Enforcement

- a. **Detentions:** A total of 536 detentions of adulterated meat, poultry and egg products, with a weight of approximately 36.8 million pounds, occurred during FY 2002. Some of the more significant product detentions:
 - About one million pounds of pork products at a Chicago cold storage facility because of suspected production under insanitary conditions and possible rodent contamination. Product disposition pending.
 - About 13.8 million pounds of meat and poultry products at a Chicago cold storage facility due to rodent infestation and adulterated meat products. Product disposition pending.
 - Approximately 2.1 million pounds of meat and poultry products at a cold storage facility in Independence, Missouri, due to possible rodent infestation. All meat and poultry products were reinspected and 624 pounds of various meat and poultry products were voluntarily destroyed.
 - Approximately 637,954 pounds of meat products at a processor in Milton, PA for possible adulteration with *E. coli* 0157 H7. Product was subsequently destroyed.
- b. **FY 2002 Enforcement Actions.** FSIS inspects meat and poultry products and applies the marks of inspection when inspectors are able to determine that products are not adulterated. FSIS may temporarily withhold the marks of inspection from specific products, suspend inspection or withdraw inspection if a plant:
 - Produces or ships adulterated or misbranded product;
 - Fails to collect and analyze samples for generic *E. coli* and record results;
 - Fails to develop or implement Sanitation Standard Operating Procedures (SSOP);
 - Fails to develop or implement a required HACCP plan;
 - Allows insanitary conditions;
 - Practices inhumane slaughtering or handling of livestock;
 - Fails to destroy condemned product;
 - Interferes with, intimidates or assaults agency personnel.

FSIS also initiates enforcement actions, through Notices of Intended Enforcement and other processes, to promote and achieve regulatory compliance. In many cases, a notice that inspection services will be suspended or enforcement action taken brings about corrections by the plant and FSIS' holding the action in abeyance. Inspection personnel verify effectiveness of the plant's measures. Examples of cases with such successful corrections:

- October 2001: meat processing plant in Albany, New York; intimidation and interference of inspectors.
- October 2001: meat slaughter plant in Sharon, Pennsylvania; production and shipment of ground beef testing positive for *E. coli* 0157:H7.
- November 2001: meat and poultry plant in Oklahoma City, Oklahoma; serious insanitary conditions, including rodents.
- December 2001: meat and poultry plant in Watertown, New York; humane handling and slaughtering violations.

- February 2002: large slaughter plant in Plainview, Texas; multiple sanitation failures, including condensation dripping on beef carcasses; the case was closed with a letter of warning.
- February 2002: meat and poultry processing firm in Chicago, Illinois; sanitation failures. Case closed with a letter of warning.
- March 2002: meat plant in Pomona, California; repeated noncompliance of the firm's HACCP system.
- April 2002: an egg processing plant in Warsaw, Indiana; recurring rodent infestation and other serious insanitary conditions.
- June 2002: meat plant in Newark, New Jersey; pests within the establishment.
- July 2002: meat and poultry processing plant in Bucyrus, Ohio; undeclared poultry allergen in Italian Sausage. The firm voluntarily recalled the affected product.
- July 2002: meat plant in Greeley, Colorado; ground beef samples repeatedly tested positive for *E. coli* 0157:H7. The firm voluntarily initiated a nationwide recall in late June, expanded in July to total about 19 million pounds of product. An FSIS Technical Assessment Group team reviewed proposed corrections and found them scientifically sound. FSIS notified the firm of deferral for at least 90 calendar days.
- August 2002: meat plant in Miami, Florida; failure to maintain effective sanitation and HACCP systems, including fecal contamination on hogs and insanitary plant conditions.
- September 2002: meat plant in Poughkeepsie, New York; failure to implement and maintain a HACCP plan for not heat treated-shelf stable product (an earlier positive *L. monocytogenes* finding occurred in this product type) and failure to implement and maintain a SSOP system. The firm is now working with inspection staff to reassess its HACCP system to revise the HACCP and SSOP plans.

More severe cases:

- January 2002, to a meat and poultry processor located in Hayward, California, FSIS issued a Notice of Intended Enforcement (NOIE) for repeated findings of *Listeria monocytogenes* in pork spring rolls and the firm's failure to implement or document a corrective HACCP plan; but in August 2002, inspection was suspended for findings of *L. monocytogenes* in chicken egg roll product.
- March 2002, to a small meat and poultry processing plant in Rohnert Park, California, an NOIE for repeated positive *L. monocytogenes* findings and noncompliance involving HACCP and sanitation; as well as a Notice of Suspension for threat and intimidation. FSIS held suspension in abeyance upon corrective actions, but suspension was reinstated based on further findings of *L. monocytogenes*. FSIS began the process to withdraw inspection from the firm, who has now entered into a consent agreement.
- May 2002, a cold storage facility located in Chicago, Illinois; inspection suspended for poor sanitation including rodent infestation, backed up sewer drains, and egregious facility deterioration. About 14 million pounds of meat and poultry products were placed under detention. In August, FSIS recommended OGC begin the process to withdraw inspection.

- July 2002, at a meat slaughter and processing plant Monticello, Arkansas, all operations suspended for gross insanitary conditions, including rodent droppings, flies on carcasses, sewage problems, and deterioration of the facility and its equipment. In July, FSIS referred the enforcement action to OGC with a recommendation to withdraw inspection. FSIS later granted the firm's request for a voluntary withdrawal from inspection.
 - September 2002, to a meat and poultry firm in Houston, Texas; NOIE for insanitary conditions involving the firms SSOP and HACCP plans. The firm has not provided effective corrective and preventative measures to eliminate the insanitary conditions. Recommendation is being made to issue a formal complaint to withdraw inspection.
- c. **Consent Decisions.** Facing withdrawal or denial of inspection following a conviction, a firm may enter into a consent decision with FSIS. The consent decision normally requires that the firm and/or manager refrain from the activity that led to the conviction, as in these recent examples:
- November 2001, an import/export facility in Miami, Florida. The firm agreed to include pest control services in its Sanitation Standard Operating Procedures and maintain a program to train its employees on the proper handling and storage of meat, poultry, and egg products.
 - July 2002, a meat food processor in Liberty, Kentucky, and one of its co-owners. The firm or co-owner may not violate any section of the Federal Meat Inspection Act, State, or local statutes involving meat products, or commit any felony or fraudulent criminal act. The co-owner must participate in a training program on ethical business practices, and the firm and co-owner must develop a corporate code for compliance and ethics in business practices.
 - July 2002, a Santa Rosa, California, meat and poultry processor, its owner, and plant manager. The decision requires that the plant manager participate in a business ethics training program; that the firm maintain a corporate code for the company; that the firm not hire or add any new individual who has been convicted of any felony or more than one misdemeanor involving transactions in food.
 - August 2002, a meat and poultry processor located in Columbus, Ohio. The decision requires that the firm not violate any section of the Inspection Acts or any State or local meat or poultry statutes, and that the firm maintain a compliance program against misbranding of inspected meat or poultry products.
 - September 2002, a West Springfield, Massachusetts, poultry processor, the firm's president, and general manager. The decision requires, among other things, that the general manager be indefinitely divested operationally and financially from the firm.
- d. **Civil Enforcement.**
- In October 2001, a retail store in Souderton, Pennsylvania entered a consent decree permanently enjoining the firm and associates from violating the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA). If found in contempt of these terms, the defendant would pay, for the first violation, a civil penalty of \$100 per pound, and \$500 for any product in violation thereafter.
 - In March 2002, a retail store in Atlantic City, New Jersey was permanently enjoined from violating the FMIA. The action came as a result of the firm repeatedly selling and transporting non-federally inspected meat food products. If found in contempt, the defendant would pay a civil penalty of \$1,000 for each violating package or product, and pay court and USDA investigation expenses.

- In June 2002, a retail store in Camden, New Jersey was permanently enjoined from violating the FMIA. The court action came as a result of the firm repeatedly selling and transporting non-federally inspected meat food products.
- In July 2002, a retail store in Flushing, New York, entered a consent decree which permanently enjoined the firm and associated individuals from violating the FMIA and PPIA. The decree affords representatives of USDA full access to company records and inventory. The firm also paid the United States Treasurer \$20,000 for investigative costs. If found in contempt of the terms of decree, the defendant would pay, for the first violation, a civil penalty of \$100 per pound for any violative product, and \$200 for any product in violation thereafter.

e. **Pre-Trial Diversions.**

- On July 26, 2002, a Midwestern meat and poultry retailer entered into a Pretrial Diversion Agreement with the United States Attorney. The firm allegedly sold and transported non-federally inspected meat and poultry products in interstate commerce. Under the agreement, the owner was requested to attend a training course on food safety and pay \$4,882 for the cost of the investigation. The agreement would also allow the local county health department and the State inspection program access to the firm and its financial records.
- On September 20, 2002, a Western meat company entered into an eighteen-month Pretrial Diversion Agreement with the United States Attorney's Office. The firm allegedly violated the FMIA by offering for transportation by means of wire, at least on three occasions, adulterated meat products as human food and by transporting in interstate commerce adulterated meat products. Under the agreement, the firm pays a civil penalty of \$500,000, \$125,000 in food donation, and a reimbursement to USDA of \$18,000 for the cost of the investigation.
- On March 13, 2002, a Southeastern meat and poultry distributor entered into an eighteen month Pretrial Diversion Agreement with the U. S. Attorney. The firm was charged with causing meat and poultry products to become adulterated in violation of the FMIA and PPIA. The agreement provided that the firm or its employees not violate any law. The firm also agreed to donate 40,000 pounds of unadulterated meat and poultry products to non-profit organizations without taking a tax deduction for the donation.

f. **Criminal Enforcement.**

- In October 2001, a processor of meat food products in Los Olivos, California and its president pled guilty to two felony charges for transportation and sale of adulterated and misbranded meat. The president was ordered to pay \$552.27, was placed under five-year probation and ordered to serve 1,500 hours community service.
- In October 2001, a meat food products in Pawtucket, Rhode Island was convicted on one felony count for transporting and selling adulterated meat. The company paid a \$5,000 fine.
- In October 2001, two officials at a meat distributor in Lubbock, Texas were sentenced on one misdemeanor count and one felony count respectively for causing meat products to become adulterated by rodents. The firm officials received three-years' probation and were ordered to pay \$525 and \$2,100 respectively.
- In November 2001, a meat and poultry distributor in Portland, Tennessee was sentenced on one felony count of fraud for representing non-inspected meat products as inspected and

passed and knowingly selling and transporting these products. The firm paid \$3,400 and placed on probation for two years.

- In March 2002, a meat and poultry distributor in Lumberton, North Carolina after a misdemeanor conviction for selling adulterated and misbranded articles as food, was fined \$100,000 and placed on a five-year probation.
- In March 2002, a meat and poultry distributor in Chicago, Illinois was convicted on one felony count and two misdemeanors for causing meat and poultry products to become adulterated by rodents and knowingly selling adulterated meat and poultry products, and received a \$300,000 fine and four-years' probation.
- In April 2002, a meat and poultry distributor in Shamrock, Texas, was sentenced on one misdemeanor count for the sale and transportation of adulterated meat. The firm was ordered to pay a \$100,000 fine, and placed on a three-year probation.
- April 2002, the United States Court of Appeals for the Second Circuit, attorneys from USDA's Office of the General Counsel and a Greenville, New York packing company jointly filed a Stipulation Withdrawing Appeal. The appeal was withdrawn because the attorney for the packing company missed a filing deadline and the court ruled in favor of the Federal government. (In July 1998, FSIS filed a complaint to withdraw inspection services because of a 1998 felony conviction for bribing a FSIS food inspector. Because the parties were unable to agree to a negotiated Consent Decision, the matter went to a hearing in September 1999. In March 2000, an Administrative Law Judge (ALJ) decided to indefinitely withdraw inspection services from the firm. In June 2000, upon appeal by the firm, the USDA Judicial Officer concurred with the earlier ALJ decision. In July 2000, the firm's attorney appealed the case to the U.S. District Court, Northern District of New York. In September 2001 the U.S. District Court granted FSIS' Motion for Summary Judgment, thus upholding USDA's decision to withdraw inspection services.
- In May 2002, two officials at a meat and poultry distributor in Durham, North Carolina were convicted on three misdemeanor counts for causing meat and poultry products to become adulterated by storing them under unsanitary conditions. The firm officials were placed under a two-year probation period and were ordered to pay \$2,475 and \$1,775.
- In May 2002, a State of California Judge set a trial date of April 2003 for an indicted owner and operator of a Portuguese-type sausage plant for the shooting deaths of two Federal officials and a State government inspector, and the attempted murder of another State inspector. The deaths occurred when the government officials were conducting a joint review at the sausage plant. The officials had reason to believe that the plant and its San Leandro, California owner were in violation of both Federal and State meat laws. USDA's Office of the Inspector General, the Office of the General Counsel, and the Food Safety and Inspection Service, continue to assist a joint State of California, Federal Bureau of Investigation, Alcohol Tobacco and Firearms, and Department of Justice prosecution team. Since this is a death penalty case, USDA assistance is expected to be ongoing through 2003. Several USDA employees will likely testify during the trial, and the sausage plant owner could face trial in federal court after his State trial. If this occurs, USDA Agencies would again assist a prosecution team.

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