United States
Department of
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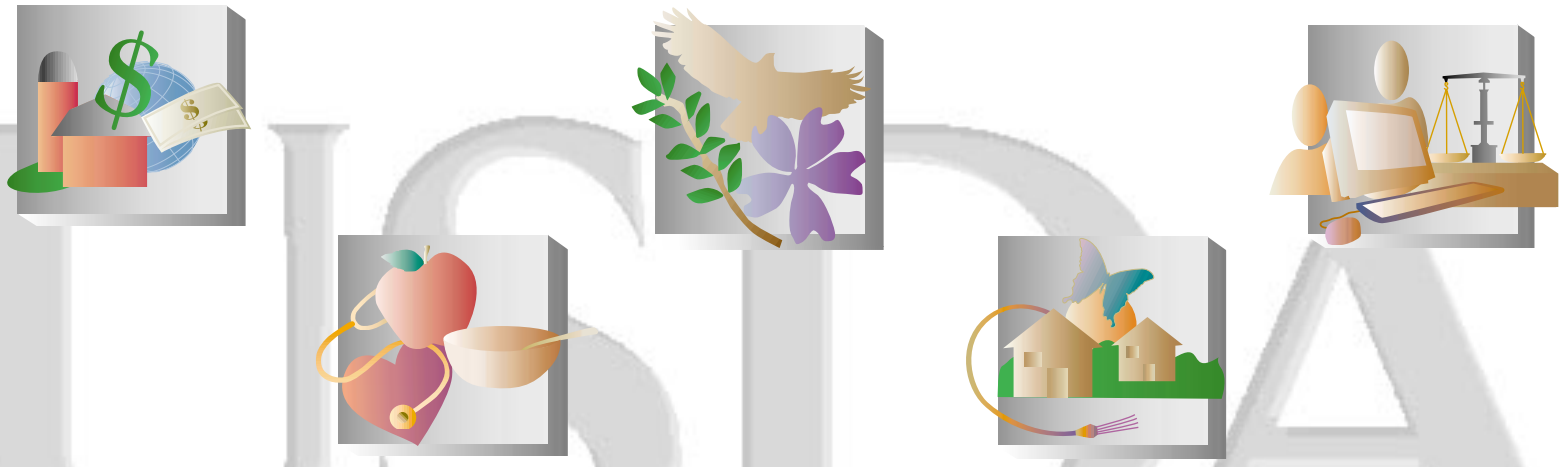
FY 2001 Annual Program Performance Report



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USDA FY 2001 Annual Program Performance Report

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Introduction

The United States Department of Agriculture (USDA) has made progress in accomplishing the goals and challenges described in its annual performance plan. Submitted in accordance with the Government Performance and Results Act, this report is aligned with both USDA's revised FY 2001 annual performance plan and strategic plan for FY 2000 - 2005. In summary, out of the Department's 55 performance goals, 42 were met or exceeded, 2 were reported as preliminary (incomplete data) or deferred (unable to report progress until date specified), leaving 11 unmet. These performance goal results are explained in more detail later in this report. Performance information supporting these performance goals is of sufficient quality and reliability except where otherwise noted in this document. Only federal employees were involved in the preparation of this report.

Performance management at USDA is comprised of three principle elements: (1) a strategic plan that depicts the long-term goals and strategies for the Department; (2) an annual performance plan that lays out year-to-year strategies and targets that make progress toward the Department's long-term goals; and (3) an annual performance report that relays to Congress and the American people how well the Department did in reaching the goals it set in the previous fiscal year.

This is USDA's first annual performance report depicting the Department as a single entity. In addition to comparing actual performance with the performance goals set for FY 2001, an explanation, strategies, and revised timelines are provided as appropriate. Actual performance data is presented for fiscal years 1999, 2000, and 2001 to show performance trends with an evaluation of current FY 2002 performance goals.

Most of the Department's programs and activities are represented in specific performance goals and targets. USDA's Research, Education, and Economics (REE) Mission Area conducts and supports a broad range of research, educational, and statistical activities that contribute to the achievement of our overall goals. The creation of scientific knowledge at the frontiers of biological, physical, and social science and the application of that knowledge to agriculture, consumers, and rural America are core processes for USDA. Accordingly, selected accomplishments in research are found throughout this report.

Overview

USDA's mission is to enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; caring for public lands and helping people care for private lands; supporting sound sustainable development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world.

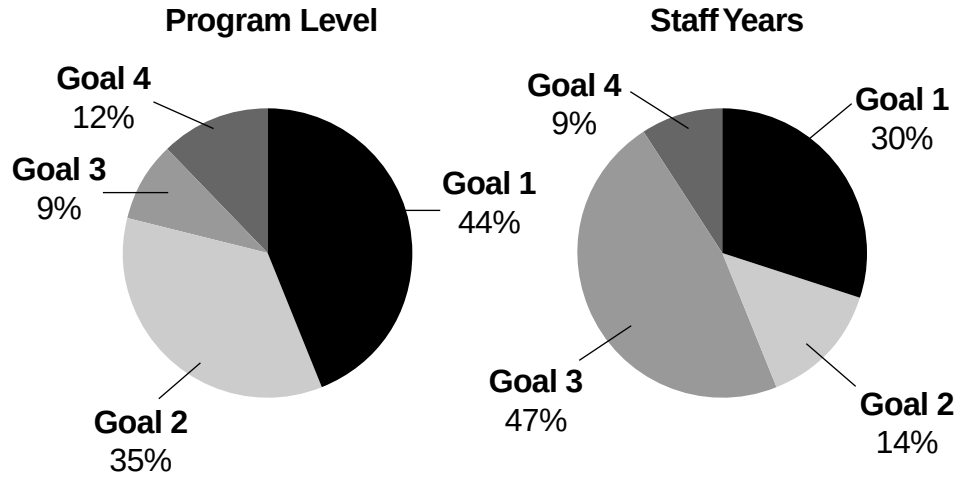
The information in this report is structured around the Department's five strategic goals. They are:

- Goal 1: Expand economic and trade opportunities for U.S. agricultural producers
- Goal 2: Promote health by providing access to safe, affordable and nutritious food
- Goal 3: Maintain and enhance the Nation's natural resources and environment
- Goal 4: Enhance the capacity of all rural residents, communities, and businesses to prosper
- Goal 5: Operate an efficient, effective, and discrimination-free organization (all resource allocations for Goal 5 have been reallocated equally to the four program goals).

The following table and pie charts illustrate the resources for USDA and their allocation to the program goals.

USDA Resources Dedicated to Program Goals	FY 2001 Actual
Program Level ($ Mil)	103,086.1
Staff Years	108,210

Percent of FY 2001 USDA Resources Dedicated to the Goals



The following table provides a summary of USDA's FY 2001 performance measures and specifies the results achieved. For example, performance goals may be determined to be exceeded, met, or unmet, preliminary (incomplete data), or deferred (unable to report progress until date specified).

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
1.1.1 Farmers' total cash receipts from the sale of farm products ($Bil) (calendar year).	202	202	Met
1.1.2 Gross cash farm income from cash receipts, government payments, and other farm income sources ($Bil) (calendar year).	234	237	Met
1.1.3 Percentage of gross cash farm income from the market (%) (calendar year).	86.2	85.2	Met
1.1.4 Producers have economically sound risk management tools available, and they use them to meet their needs:			Met
• Number of insurance plans available (crop year data).	147	147	
• Total crop insurance premium ($ Mil. crop year data).	3,021	2,885	
• Participation - Planted acres of principal crops as reported by NASS (other than hay) that are insured (% - crop year data).	80.8	78.0	
• Total insurance in force ($ Mil. - crop year data).	34,362	35,834	
1.1.5 Reduce the number and severity of pest and disease outbreaks in the U.S.:			Met
• International air travelers complying with restrictions to prevent entry of pests and diseases (%).	95.4	96.6	
• States and Territories meeting standards for state animal health emergency management systems (# Cumulative).	5	1	
1.1.6 Promote fair and competitive marketing for livestock, meat and poultry:			Met
• Investigations (#).	1,800	1,619	
• Violations corrected/issues resolved within 1 year of investigation's starting date (%).	96	97	
• Monetary recovery to livestock producers and poultry growers resulting from enforcement of the Packers and Stockyards Act ($Mil).	18.0	20.4	
1.1.7 Maintain the percentage of small farms in relation to total U.S. farms at the 1999 level (%).	93	93	Preliminary
1.1.8 Increase the amount of farm operating and ownership loans made or guaranteed to beginning and socially disadvantaged farmers ($Mil).	1,026.0	996	Unmet

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
1.1.9 Maintain a low loss rate on direct loans (%).	5.2	3.3	Met
1.2.1 Increase the U.S. market share of global agricultural trade:			Met
• Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through the WTO notification process ($Mil).	2,200	1,329	
• Gross trade value of markets created, expanded, or retained annually due to market access activities other than WTO notifications and/or standards ($Mil).	2,500	2,684	
• Annual sales reported by U.S. exporters from on-site sales at International trade shows ($Mil).	300	360	
• U.S. agricultural exports supported by USDA export credit guarantee programs ($Bil).	3.8	3.2	
1.2.2 Increase the efficiency of U.S. grain marketing:			Met
• Critical grain quality measurement methods evaluated for improvement (%).	100	97	
• Number of new or improved grain quality measurement methods implemented (#).	13	39	
1.2.3 Improve market efficiency by reporting timely and accurate market information:			Met
• Market News reports released on time (%).	93	93	
• National Agricultural Statistics Service reports released on time (%).	100	99.0	
1.2.4 Improve food marketing efficiency by providing research and technical assistance on new or upgraded wholesale, collection and farmers market facilities, food distribution, and marketing methods:			Met
• Number of projects completed (#).	10	10	
1.2.5 The number of categories for which lists of accepted biobased industrial products are available for Federal government purchase (# Cumulative).	3	3	Met
2.1.1 Expand program access and benefit delivery for USDA nutrition assistance programs (Mil):			Met
• Food Stamp Program participation.	17.6	17.3	
• Special Supplemental Nutrition Program for Women, Infants and Children participation.	7.25	7.30	
• National School Lunch Program participation.	27.6	27.4	
• School Breakfast Program participation.	8.1	7.8	
• Child and Adult Care Food Program meals served.	1,766	1,678	
• Summer Food Service Program participation.	2.21	2.09	

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
2.1.2 Carry out an integrated National nutrition education strategy to reach children and caregivers eligible for Federal nutrition assistance:			Met
• Long-term plan for nutrition education in nutrition assistance programs.	Plan drafted	Draft under internal review	
• USDA nutrition education materials disseminated to children and their caregivers (#).	150,000	2,737,638	
2.1.3 Improve access to fresh fruits and vegetables:			Met
• Fresh fruits and vegetables provided to schools ($Mil).	34.7	57.5	
• Sites on Indian reservations receiving fresh fruits and vegetables (#).	70	82	
• Participants in the WIC Farmer's Market Nutrition Program (Mil).	1.65	Available Mar. 2002	
2.1.4 Monitor and support State and local efforts to ensure that USDA food benefits meet national nutrition standards:			Exceeded
• School Meals Initiative monitoring reviews conducted by State agencies.	2,900	4,073	
2.1.5 Improve program design and delivery:			Met
• Food stamp benefits issued electronically (%).	81	82.8	
• Annual milestones met in the Food Distribution Reinvention Plan for School and Indian Programs (%).	100	90	
2.1.6 Maintain benefit accuracy in the food stamp and the school meals programs:			Deferred
• Food stamp benefit accuracy rate (%).	90.8	Available May 2002	
• School Food Authorities in compliance with school meals counting and claiming rules (%).	87	Available Sept. 2002	
2.1.7 Strengthen State and local management of the Child and Adult Care Food Program:			Unmet
• USDA management evaluations of State agencies administering the program (%).	100	94	
• State agencies offering sponsor training that uses new USDA-developed program management materials (%).	100	0	
2.2.1 U.S. food aid exports under P.L. 480 Title I and Food for Progress supporting world food security ($Mil).	213	247	Exceeded
2.2.2 Promote research, training and technical assistance activities that support sustainable food supplies worldwide:			Exceeded
• Projects underway (#).	967	1,005	
• Amount invested ($Mil).	53.8	56.0	

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
2.3.1 Provide worldwide leadership towards the creation and utilization of risk assessment capacity for meat, poultry, and egg products that is supported by the latest research and technology:			Met
• Risk assessments used to inform risk management decision-making and policy (# Cumulative).	2	2	
2.3.2 Create a coordinated national and international food safety risk management system to ensure the safety of U.S. meat and poultry products from farm to table:			Met
• Reduction in the prevalence of *Salmonella* on raw meat and poultry products as illustrated by:			
– Prevalence of *Salmonella* on broiler chickens (%).	10.0	11.9	
– Prevalence of *Salmonella* on market hogs (%).	6.0	4.5	
– Prevalence of *Salmonella* on ground beef (%).	3.5	2.6	
• Reduction in the prevalence of *Listeria monocytogenes* in ready-to-eat meat and poultry products:			
– Samples testing positive for *Listeria monocytogenes* (%).	1.43	1.32	
2.3.3 Conduct a comprehensive national and international communication program that is an open exchange of information and opinions about food safety risks:			Exceeded
• People reached with food safety information through media stories, circulation reports, USDA FSIS website visits, and USDA Meat & Poultry Hotline calls (# Mil).	87	150	
• Stakeholder activities held to improve food safety related decision-making and public policy (# Cumulative).	46	51	
2.4.1 Individuals using the *Interactive Healthy Eating Index* to assess and improve their diet (#).	110,000	200,000	Exceeded
2.4.2 Copies of the *2000 Dietary Guidelines* disseminated to help individuals improve their diet.	550,000	2,212,656	Exceeded
3.1.1 Maintain the productivity and health of the Nation's non-Federal cropland and grazing lands:			Met
• Acres of non-Federal cropland and grazing land protected against degradation by application of improved conservation systems (Mil) (Annually).	16.0	16.2	

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
3.1.2 Reduce erosion damage on cropland (Million acres):			Met
• Erosion reduced to non-damaging rates on working cropland (Annually).	1.5	1.5	
• Highly erodible land retired from farming and maintained in protective cover under long-term contract with USDA (Cumulative).	24.8	24.7	
3.1.3 Treat wildlands with high fire risks on National Forests and Grasslands to reduce the risk of loss of life, property, and natural resources from catastrophic wildfire:			Met
• Hazardous fuel treatments (acres).	1,800,000	1,361,697	
• Maximize firefighting production capability - Most Efficient Level (MEL) (%).	100	97	
• Assist communities and volunteer fire departments -Communities and volunteer fire departments assisted.	10,492	3,062	
3.2.1 Protect water and air quality:			Met
• Animal feeding operations with waste management systems planned or applied.	11,000 systems planned or applied	10,520 systems planned or applied	
• Acres with conservation measures applied to reduce potential for off-site pollution by nutrients (Mil) (Annually).	5	5.4	
• Acres with pest management improved (Mil) (Annually).	4	5.4	
• Acres in conservation buffers (Mil).	1.75	1.75	
• Acres retired from cropping and planted to protective cover through CRP (Mil) (Cumulative).	33.9	33.6	
3.2.2 Restore or improve rangeland and forestland watersheds in the National Forests and Grasslands:			Met
• Soil and watershed improvements (acres).	23,946	31,836	
• Terrestrial habitat restored or enhanced (acres).	246,550	241,123	
• Abandoned mine sites reclaimed.	34	154	
3.2.3 Enhance urban environments:			Met
• Forest cover maintained under USDA's Forest Legacy Program easements (acres).	200,000	84,709	
• Group and area plans developed to address farmland protection and the effects of non-agricultural activities on ground water and surface water quality.	Develop Baseline	365	

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
3.2.4 Maintain, restore or enhance wetland ecosystems and fish and wildlife habitat (Million acres):			Met
• Wetlands and associated upland protected or enhanced under multi-year contracts or easements with USDA (Cumulative).	2.775	2.674	
• Land retired from cropping and planted to vegetative cover best suited to wildlife (Cumulative).	18.8	18.6	
• Habitat for fish and wildlife improved on working cropland, grazing land, forest, and other land (Annually).	5.0	8.1	
3.2.5 Continue to cleanup CERCLA sites and all regulated underground storage tanks (UST) under USDA custody and control:			Exceeded
• CERCLA cleanups completed (#).	28	47	
• UST and other RCRA cleanups completed (#).	33	70	
3.3.1 Operate developed sites - PAOT days of seasonal recreation capacity (Mil).	80	230	Met
3.3.2 Provide benefits to property and safety through flood damage reduction:			Unmet
• Watershed protection structures completed (#).	81	51	
3.3.3 Produce benefits to communities through enhanced natural resources development and utilization:			Met
• Community improvement projects completed through RC&D (#).	2,513	3,043	
• Number of communities participating in the Urban and Community Forestry Program (#).	11,100	10,650	
4.1.1 Jobs created or saved through USDA financing of businesses in rural areas.	120,147	105,222	Unmet
4.1.2 Rural households receiving USDA financial assistance to purchase a home.	57,000	44,073	Unmet
4.1.3 Rural water systems developed or expanded to provide safe drinking water.	668	613	Unmet

Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
4.2.1 Assist the neediest rural communities:			Met
• Communities located in persistent-poverty rural counties receiving financial assistance to establish or improve a system for drinking water or water disposal (#).	248	236	
• Cooperatives serving persistent-poverty counties receiving financial assistance to establish or improve the local electric service (#).	88	98	
• Cooperatives serving counties experiencing out-migration receiving financial assistance to establish or improve the local electric service (#).	89	97	
• Ratio of non-EZ/EC grants to EZ/EC grants invested in EZ/EC communities.	7:1 or greater	17.77:1	
5.1.1 Significant USDA regulations subjected to civil rights impact analyses (%).	100	100	Met
5.1.2 Major USDA programs reviewed each year (%).	20	20	Met
5.1.3 Improvement in minority participation in USDA programs (%).	Develop Baseline	Baseline Not Completed	Unmet
5.1.4 Reduction in the average number of days it takes to resolve USDA civil rights complaints (%).	5	1	Unmet
5.2.1 Establish a common computing environment for USDA Service Centers which includes hardware, software, security, websites, telecommunications, and databases:			Unmet
• Workstations deployed (%).	100	86	
• FSA connectivity solution and network servers deployed (%).	100	50	
5.2.2 Transition to a fully integrated e-Government environment:			Met
• Meet legislative mandates of the Freedom of E-File Act and GPEA.	Yes	Yes	
5.2.3 Achieve an unqualified opinion on the USDA's Consolidated Financial Statements for FY 2002.	Qualified Opinion	Disclaimer	Unmet
5.2.4 Implement the Foundation Financial Information System USDA-wide:			Met
• Percentage of total USDA workforce served (%).	78	78	
5.2.5 USDA employee work satisfaction rate above U.S. Government worker satisfaction (%).	4	4	Met

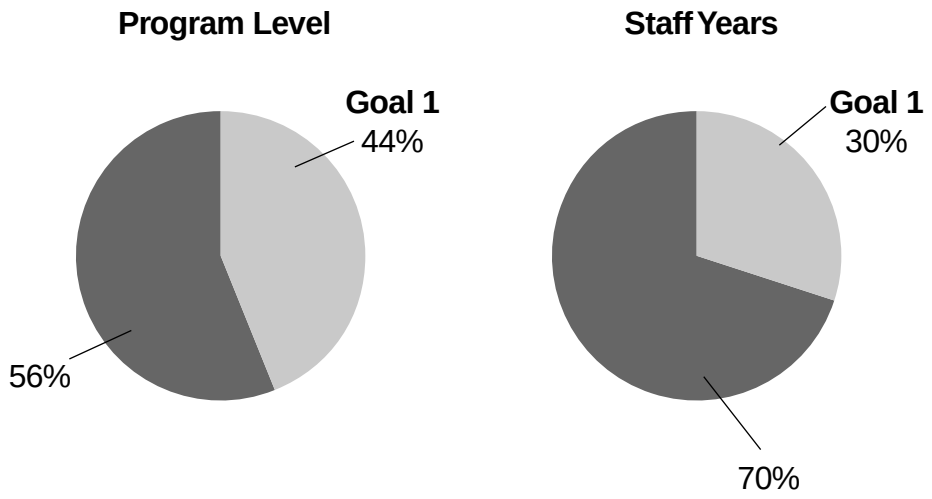
Performance Scorecard for FY 2001			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
5.2.6 Develop and implement a Department-wide environmental management system.	15-20% in place	15-20% in place	Met
5.2.7 Use of performance-based service contracts as a percent of total eligible service contracts (%).	10	13	Exceeded
5.2.9 Reduction in cost and/or increased productivity of commercial activities:			Unmet
• Provide timely annual update of FAIR Act inventory.	Yes	Yes	
• Develop plan for incremental competitions/conversion of FAIR Act inventory.	Yes	No	

Strategic Goal 1

Expand economic and trade opportunities for U.S. agricultural producers

USDA Resources Dedicated to Goal 1	FY 2001 Actual
Program Level ($ Mil)	45,463.6
Staff Years	32,108

Percent of FY 2001 USDA Resources Dedicated to this Goal



Objective 1.1

Provide an effective safety net and promote a strong, sustainable U.S. farm economy

Key Outcome: Improve market income for U.S. farmers.

Direct Farm Income Assistance

The USDA will continue to use agricultural commodity, income support, and other programs to help productive, efficiently managed farms and ranches weather the highs and lows that are a fact of life in agriculture. The Department also will aggressively use research and education efforts to help producers lower their costs and improve their efficiency in order to enhance their farm income. In addition, USDA will explore options to further expand growing markets for biobased products, opening up another vein of economic opportunity on the farm.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
1.1.1 Farmers' total cash receipts from the sale of farm products ($ Bil).*	188	194	202	202
1.1.2 Gross cash farm income from cash receipts, government payments, and other farm income sources ($ Bil).*	225	230	234	237
1.1.3 Percentage of gross cash farm income from the market (%).*	83.5	84.3	86.2	85.2

* Based on data available on a calendar year basis.

Data Assessment: Data to produce estimates of farm income come from a variety of sources. Cash receipts are either drawn directly from National Agricultural Statistics Service (NASS) reports of income and disposition or are produced by the Economic Research Service (ERS) from production and price data released by NASS. Government payment data are from administrative records. Crop commodity loan data are obtained from the Farm Service Agency (FSA). Other sources of income such as custom hire are obtained from the Agricultural Resource Management Study, a survey conducted in partnership between ERS and NASS. Estimates of receipts are based on surveys and other information and are subject to revision as new data become available. Data for receipts and other sources of gross farm income estimation are drawn from sample surveys and are subject to survey and measurement error.

Analysis of Results: Farm sector net cash income is forecast 6% higher in 2001, continuing the trend of annual increases that have occurred since 1998. At $60.8 billion, this would surpass 1993's previous record. Net farm income is forecast at $49.4 billion, up $3 billion from last year. Both these forecasts are slightly above the 1990-2000 average.

These aggregate measures mask the distinctly contrasting economic environments experienced by the crop and livestock sectors of the U.S. farm economy. The value of livestock production is estimated to rise $9.6 billion in 2001, placing it $16.8 billion above the 1996 level. In stark contrast, the value of crop production is estimated to rise $2 billion in 2001, but still remains $18.2 billion below the 1996 level. The year 1996 marks the beginning of an unusually long period of generally favorable weather worldwide now stretching to six consecutive years.

The total value of crop production (final crop output) for 2001 is estimated at $97.3 billion, up $2 billion from last year. This is noteworthy because by 1999, the value of crop production had fallen by $22.3 billion from its record $116 billion in 1996, primarily as a consequence of falling market prices available to farmers. For the major field crops, cash receipts are expected to be up about $2.5 billion for feed grains, oil crops, and food grains and down about $1.1 billion for tobacco and cotton.

The $9.6-billion rise in the value of livestock production in 2001 is led by dairy, with a year-over-year gain of $4.7 billion as a result of rising milk prices. The value of dairy production was down $2.6 billion in 2000, putting the 2000 level about $2.2 billion below that of 1996. Milk production rose more than 3% in 1999 and 2000 as a result of hefty gains in milk production per cow. Consequently, dairy product prices were under pressure throughout 2000. Milk prices averaged about $12.30 per hundredweight in 2000, down $2 from a year earlier and the lowest since at least 1991. Milk prices have recovered in 2001 and at times have exceeded $15 per hundredweight.

The rise in the value of cattle production has been the real story over the 1996-2001 periods, and market prices for cattle have risen to levels not seen since the early 1990s. The value of production for meat animals (cattle, hogs, and sheep) has risen $10.8 billion since 1996. Cattle sales were actually up almost $11.3 billion over that period.

Government payments continued to be an important source of farm income. While down slightly from last year, supplemental appropriations this past summer kept payments above $20 billion for the third consecutive year. Emergency assistance originating from special legislation comprised $8.5 billion of total government payments in calendar year 2000, and is estimated to be $9.1 billion in 2001. Higher crop prices are estimated to result in nearly $2.5 billion less in loan deficiency payments, which were also a significant component of total payments in 2000. Production flexibility payments that were contracted in the 1996 farm bill were approximately $4 billion—$1 billion less than 2000.

FY 2002 Current Performance: USDA's first forecasts of 2002 farm finances indicate that the sector remains relatively strong. Given current expectations for the sector and with new farm program legislation pending, but not included in this analysis, the following trends can be seen:

The value of crop output will continue its 3-year pattern of growth and livestock output value will also continue rising. Both crop and livestock output are continuing an upward trend but bear watching as the planting season gets underway later in the spring.

Commodity prices will rise, but will remain below the 10-year average.

Government payments are assumed at $10.7 billion for 2002, based on existing legislation. Emergency assistance originating from special legislation comprised $9.1 billion of $21 billion in total government payments in 2001 and, although both the Congress and the

Administration have discussed additional payments for 2002, none have currently been authorized. Higher crop prices will result in nearly $1.3 billion less in Loan Deficiency Payments, which were also a significant component of total payments in 2001.

Given existing legislation and disregarding unforeseen emergency supplemental assistance, net cash income is forecast at $50.9 billion, down $8.6 billion from the revised 2001 forecast. Net farm income is forecast at $40.6 billion in 2002, assuming no new emergency supplemental assistance legislation. This would be $8.7 billion less than 2001's revised forecast of $49.3 billion and $5.8 billion below the 1992-2001 average of $46.4 billion.

The projected 15% decline in farm sector net cash income for 2002 will not be equally distributed across all farm operations. The effect on individual operations will depend on their mix of crop and livestock enterprises, the extent to which government payments contribute to gross income, and the relative importance of expense items that are forecast to increase in price (such as labor and feed) versus those expected to decline in price (such as fertilizer and interest).

Incomes of farm operator households are projected to be lower in 2002 as a result of lower earnings from both farm and off-farm sources. Farm households hold a wide variety of off-farm jobs and investments like their nonfarm counterparts. The current expectation is that earnings from these off-farm sources may be slightly lower in 2002 than the record amount earned, on average, last year.

The overall financial well-being of the U.S. agricultural sector is sound, as evidenced by continuing increases in asset and equity values.

Other factors that bear watching over the coming months include weather (drought in the Southeast has been troublesome and further drought in the northern States could also affect yields and prices), interest rates, and farmers' adjustments to input use depending on input prices.

Program Evaluation: No program evaluations were conducted related to these performance goals in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Improved Producer Income Through Adoption of Alternative Production Practices. Farmers in North Carolina were assisted in evaluating alternative production practices to ensure continued farm productivity and enterprise profits. The adoption of practices such as field selection, pest management, improved varieties, harvest techniques, and equipment adaptability, resulted in a financial impact to 3,446 producers on 388,290 acres that is estimated at $451,715,400.

Controlling Sugar Beet Cyst Nematodes. Wyoming's first year results from the variable rate application of Telone II for sugar beet cyst nematode (SBCN) control on a 40-acre field showed that at the currently recommended rate, a uniform application of Telone II would result in a net return of $21/acre, with sugar beets priced at $42/ton. Applying the optimum Telone II rates would increase net returns to $89/acre. In addition, the variable rate would have saved 141 gallons of product on 40 acres.

Reduced Production Costs for Beekeepers. In Washington, research has led to a recommendation for beekeepers to reduce their treatment for mites by one treatment per year, thus saving $8.80/hive. With 52,000 hives in Washington, this reduction represents a saving of $457,600/year for Washington beekeepers.

Increased Earnings Through Telemarketing Cooperative Sales. Virginia Cooperative Extension sponsors an innovative telemarketing cooperative sales program in which cattle from a number of farms are graded and sold together in load lots (50,000 pounds). This program allowed producers to earn an average of $40 more per head than they would otherwise have expected.

Enhance Grass Seed Production. Oregon's Willamette Valley grass seed growers reduced the number of acres burned by more than 70%. At the same time, grass seed crops increased from 332,610 acres in 1988 to 479,800 acres in 2000. This reduction in field burning occurred without a loss in seed yield or quality, and sales climbed from $190 million in 1988 to more than $325 million in 2000. In addition, baling of seed crop residue has created a grass straw export market. In 1999, straw balers and handlers exported approximately 500,000 tons and sold another 50 tons in domestic markets. This new commodity is valued at over $23 million.

New Apple Cultivars Tailored to Local Conditions. A number of apple cultivars suited to Massachusetts' climatic conditions and to roadside-stand sales have been developed at the University of Massachusetts Horticultural Research Center. Approximately 60 acres of new apple cultivars were planted by commercial orchardists, resulting in a 20% increase in sales at roadside stands.

Crop and Livestock Reports. USDA released over 400 national reports covering 120 crop and 45 livestock items critical to maintaining an orderly association between consumption, supply, marketing, and input sectors of agriculture. This is complemented with approximately 8,600 additional USDA reports released at the State level. Customers' demands for readily accessible and timely information for data users on the Internet-USDA's primary data dissemination channel-continued to grow steadily in 2001. USDA updated and populated additional data sets in the online database, which contains published crops, livestock, and price information. The online database provides customers the ability to create their own customized tabulations at the U.S., State, and County level at their convenience.

Performance of Agricultural Commodity Markets. A USDA report, *Supply Response under the 1996 Farm Act and Implications for the U.S. Field Crops Sector,* assessed how changes in commodity farm policy have influenced the way producers respond to changes in market prices. The USDA report provides an enhanced analytical base for the Department's short-term market analysis and long-term outlook projection activities.

Measuring Agricultural Productivity. USDA published *Agricultural Productivity in the U.S.* and co-sponsored a workshop entitled "Agricultural Productivity: Data, Methods, and Measures." The workshop papers explored new methodologies for measuring agricultural productivity, highlighted advances in linking productivity growth to Research and Development (R&D) expenditures, and examined the impact of accounting for adverse environmental impacts on productivity growth. This USDA work is being used both nationally and internationally.

Risk Management

USDA develops and delivers (in coordination with and through the private sector) a variety of risk management products for producers. These products help producers protect themselves from yield, price, and other risks faced in their farming operations. Enactment of the Agricultural Risk Protection Act of 2000 (ARPA) further contributes to producers' ability to protect their financial stability, and comprise the major component of the safety net for agricultural producers. ARPA includes significant changes in the manner in which USDA accomplishes its goal, including expanded use of contracts and partnerships with public and private entities for the research and development of crop insurance products and other risk management programs. These changes will expedite and strengthen the research and development process to enable new and innovative risk management tools to be utilized by producers.

These new risk management tools will go far beyond traditional crop insurance programs, which in the past have been the primary focus of the Federal Crop Insurance Corporation (FCIC). These efforts, will enable USDA to supplement the crop insurance program and create a broad-based safety net for producers. Comprehensive risk management education and outreach programs will increase agricultural producers' awareness of their new and improved risk management opportunities.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target**	2001 Actual
1.1.4 Producers have economically sound risk management tools available, and they use them to meet their needs:				
• Number of insurance plans available (crop year* data).	138	146	147	147
• Total crop insurance premium ($ Mil. - crop year* data).	2,304	2,526	3,021	2,885
• Participation - Planted acres of principal crops as reported by NASS (other than hay) that are insured (% - crop year* data).	73.0	78.0	80.8	78.0
• Total insurance in force ($ Mil. - crop year* data).	30,862	34,277	34,362	35,834

*As defined in the Revised FY 2000 and FY 2001 Annual Performance Plan
** FY 2001, initial targets were reduced midyear to reflect ongoing adjustments due to extended timeframes needed to implement the provisions of ARPA. Forecasts in subsequent fiscal year budget projections, performance goals, and indicators were developed accordingly.

Data Assessment: USDA administers and provides oversight of the Federal crop insurance program and of the insurance providers who sell and service insurance products made available to producers. Insurance providers are responsible for all aspects of customer service and guarantee payment of the premium to FCIC. In return, FCIC reinsures the policies and provides a subsidy for administrative and operating expenses associated with delivering the insurance products. USDA maintains two integrated processing systems to receive and validate data transmitted by insurance providers. This data is the basis for determining the lia-

bility and premium of producers' insurance policies as well as the administrative and operating expense reimbursement to the insurance providers. These systems have in place a mechanism to ensure that data received is accurate and errors are corrected in timely fashion, that information contained on monthly accounting reports submitted by the insurance providers is accurate, and that all appropriate entries are made in the financial accounting systems. The databases are used in rating analyses, underwriting activities, statistical analyses, and management reporting. A report example is the crop insurance *Summary of Business Report,* which is the year-to-date cumulative summary of the crop insurance industry's business. The database is used to measure program accomplishments, including those identified in USDA's Strategic Plan and Annual Performance Plan.

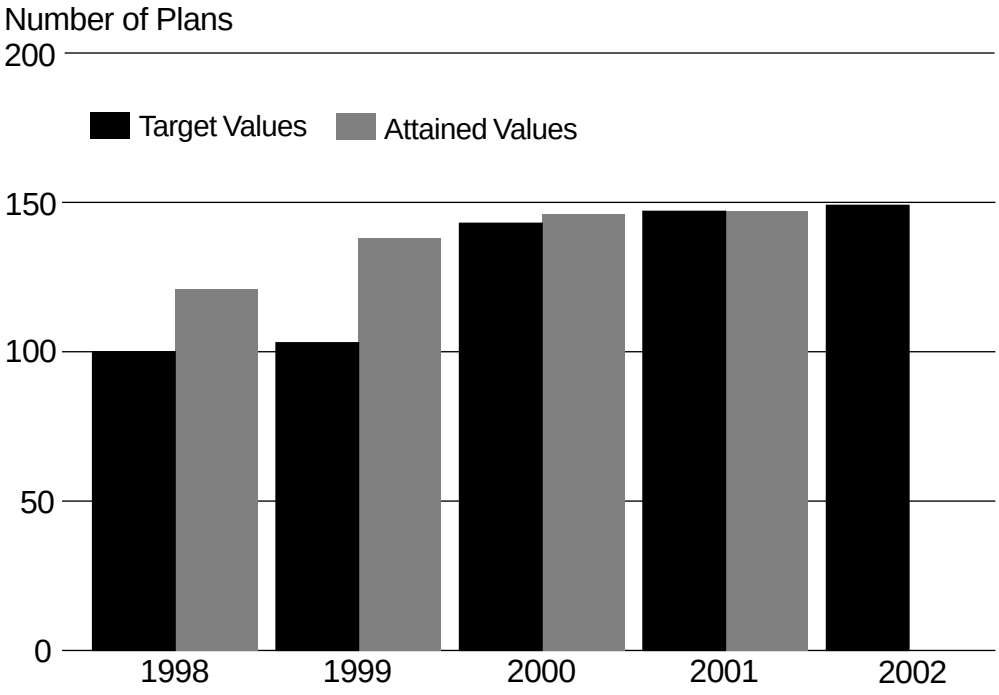
In addition to data validations, insurance providers and USDA's Compliance Divisions conduct field verification reviews. The checks and balances performed by the data processing systems, the Compliance Divisions, and the insurance providers assure the quality and reliability of the data.

While data reporting is not entirely complete for the 2001 crop year, analysis has shown that by November of the crop year, 99% of the crop insurance premium and total liability of insurance in force for all producers participating in the Federal Crop Insurance Program have been reported. Final settlement of administrative and operating expense reimbursements and a determination of any gains or loses will begin in February 2002. As a result, final data for the 2001 crop year should be complete by November 2002. There can be small increases or decreases in the participation rate, liability, and premium reported on these crop insurance policies due to adjustments made during reviews or appeals after the first year.

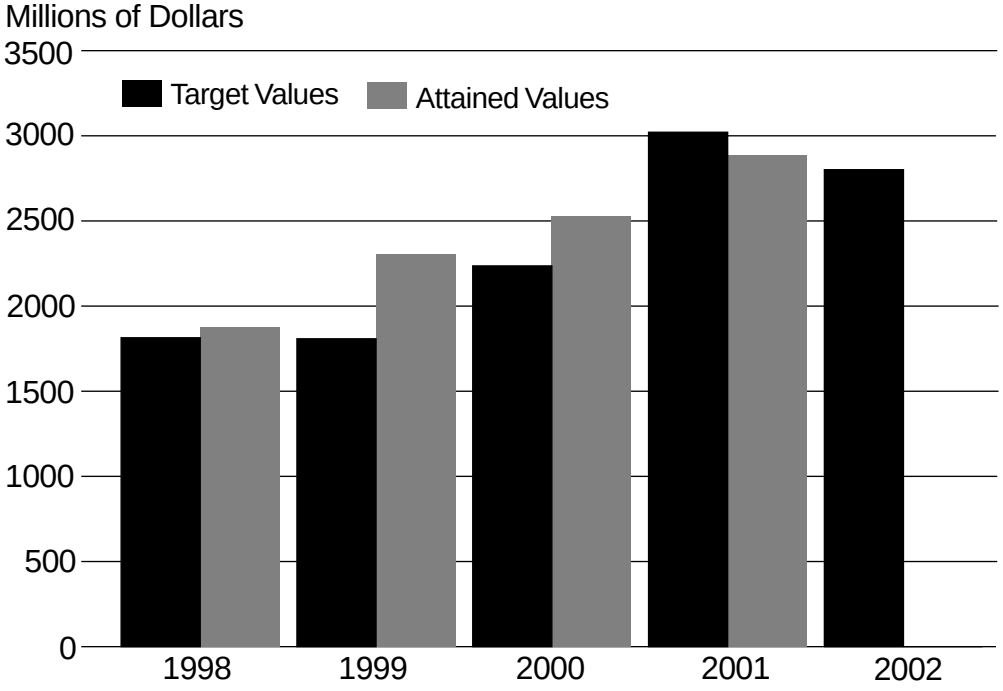
Analysis of Results: Achievements are reflected in the performance measures that are based on traditional crop insurance indicators. For example, the increase in the number of insurance plans available is an indicator of the variety of risk management tools that can be used by producers. The 2001 target goal for this indicator did not increase as significantly as in previous years. As ARPA provisions placed a major emphasis on contracting and partnering for the purpose of research and development of new or expanded risk management tools for producers, USDA began the transition process necessary to implement such contract and partnership with public and private entities. During FY 2001, USDA awarded 10 contract task orders and 14 contracts or partnerships that may result in 84 to 115 new crop insurance programs or products depending on the results received. These new products will provide and support cost-effective means of managing risk for producers. The number of insurance plans available is expected to increase as the requirements for new products submitted through partnerships and contracts have been met and approved by the Board of Directors.

The year-end totals for indicators "total crop insurance premium" and "participation" are less than the target projections. Provisions of ARPA made the basic crop insurance products more attractive by implementing higher premium subsidies to make buy-up coverage more affordable for producers. In addition to implementing higher premium subsidies, initiatives that include analyses of crop growing conditions, loss history, and farming practices have led to the reduction in the premium rates. This reduction also makes crop insurance products more affordable for producers, while still providing the same amount of coverage offered in previous years. Traditionally, crop insurance coverage was based on a producers' actual crop production history. However, producers may now obtain revenue coverage products that provide coverage for both a loss in yield and a reduction in crop prices. This has

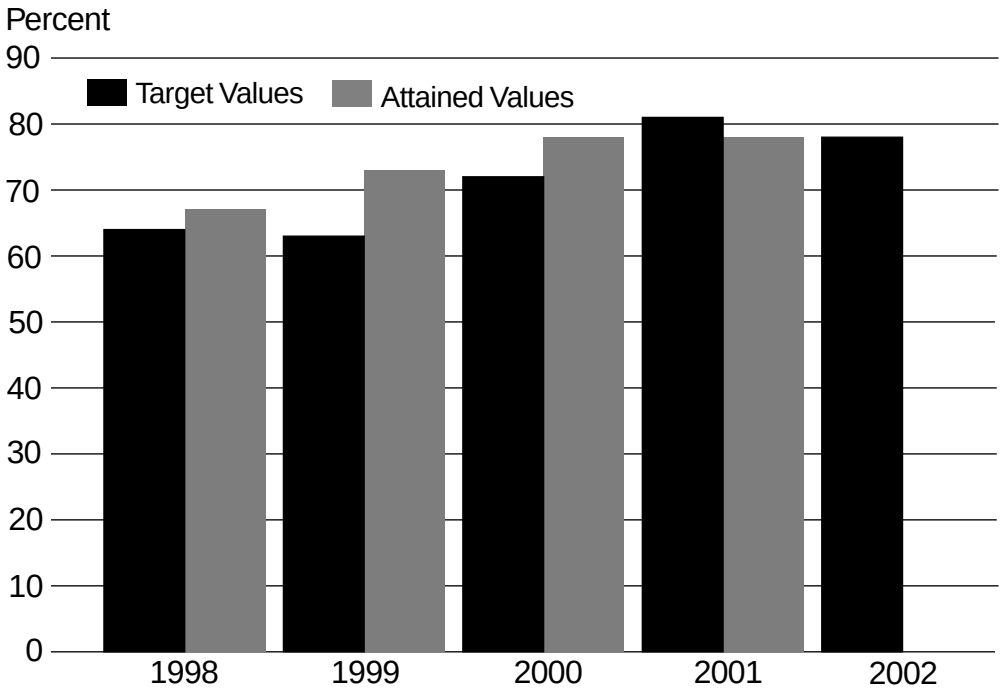
Insurance Plans Available



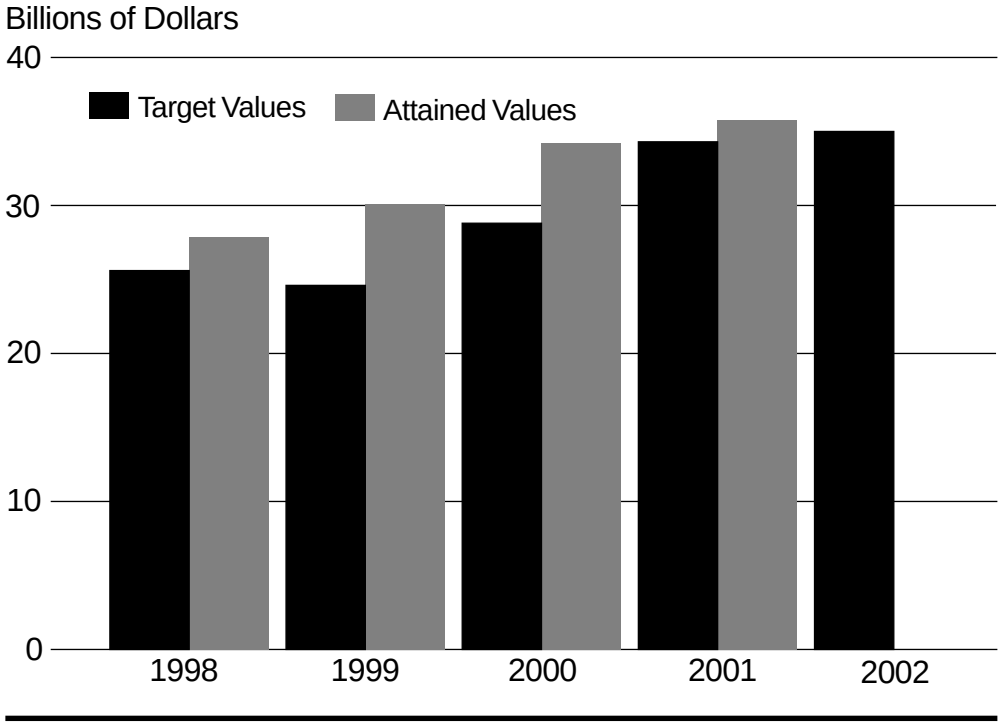
Total Crop Insurance Premium



Percent Participation



Total Insurance in Force



resulted in a shift in producer participation levels to revenue products over that of traditional products. In addition to other features, premium rates for revenue products may in some cases be less than products covering production losses due to the agregation of risk through the availability of enterprise and whole farm unit. As evidenced by the total liability of the insurance in force, efforts to provide producers with economically sound risk management tools have succeeded, as producers are utilizing risk management tools to a greater extent. In 1994, $13 billion in insurance liability was covered by crop insurance. For 2001, participation levels have risen to the extent that more than $35 billion in insurance liability was covered by crop insurance. By providing coverage for products other than the traditional crop insurance products, producers are now able to choose coverage that is suitable for their specific needs. Estimates in budget models have since been revised to reflect the shift in participation levels to revenue products.

Due to additional data reporting, minor adjustments may be made to the 2001 total crop insurance premium and percent participation. At the time of this reporting, 95% and 97% of the two target goals have been achieved respectively. Total insurance in force is the amount of liability (or value of insurance in force) for all producers participating in the Federal crop insurance program. The actual amount of total liability of the insurance in force is 104% of the target goal because it was positively impacted by the increase in the number of insurance plans available.

FY 2002 Current Performance: ARPA provisions allow USDA to work closely with the private sector to develop and deliver a variety of products to help producers manage yield, price, and other risks faced in their farming operations. Expanded education and outreach efforts will increase producers' awareness of new risk management opportunities. These strategies include initiatives such as risk management clubs and the Dairy Options pilot program. USDA has also begun to offer assistance through a cost-share program for Adjusted Gross Revenue (AGR) insurance in eleven underserved states. Pilot programs will be implemented for raspberries, blackberries, and forage seed. ARPA also provided incentives for private companies to develop and submit products to USDA for approval. Since the passage of ARPA, thirteen products have been submitted for consideration and approval. In addition to the increase in subsidy rates for crop insurance, these programs and products will improve the economic stability of agriculture by providing and supporting cost-effective means of managing risk.

Program Evaluation: USDA conducts reviews designed to evaluate the performance of the insurance provider, detect and correct program vulnerabilities, and collect underpaid premiums and overpaid indemnities. USDA also conducts investigations into complaints and allegations received from various sources such as producers, agents, and the Office of the Inspector General (OIG) Hotline. USDA also takes aggressive proactive measures to conduct self-assessments, identify material weaknesses and system non-conformances, and implement timely corrective action through the annual Federal Managers' Financial Integrity Act (FMFIA) reporting process.

USDA carried out a comprehensive review and update of all program vulnerabilities findings for 1996-2001. In cooperation with other key operative elements of USDA, some 329 vulnerabilities were identified and of those 227 were fully corrected, eight were corrected in part, and 94 were not corrected. Of those not corrected, 55 are scheduled for correction by an appropriate future action during the applicable crop year cycle or negotiation of the Standard Reinsurance Agreement. Action has not been taken on the other 39 vulnerabilities because they are under consideration to determine what action should be taken.

A reduction in program vulnerabilities, improved program integrity, and protection of taxpayer's funds, in turn, enhance the economic safety net for farmers and ranchers.

Key Outcome: Reduce the number and severity of pest and disease outbreaks in the U.S.

Safeguarding America's animal and plant resources from invasive pests and diseases requires two important components. First, reducing the *number* of pest and disease outbreaks is a function of USDA's prevention activities. One key indicator of prevention is the percentage of international air travelers complying with regulations to prevent entry of pests and diseases. Second, reducing the *severity* of pest and disease outbreaks is a function of USDA's activities directed toward ensuring that states have effective emergency response systems in place. One key indicator of emergency preparedness is the number of states and territories meeting standards for State animal health emergency management systems.

As a key member of the National Invasive Species Council, USDA works with other nations and Federal agencies in employing a range of research and operational strategies to prevent outbreaks by dealing with the many pathways by which exotic pests and diseases could enter the U.S. The Department also partners with Federal and State agencies, industries, and professional organizations to develop and maintain an effective capability to detect, respond to, and eliminate outbreaks of invasive pests and diseases. The management of these activities, which includes animal and plant health, human health, trade and national security impacts, has become increasingly complex.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
1.1.5 Reduce the number and severity of pest and disease outbreaks in the U.S.:				
• International air travelers complying with restrictions to prevent entry of pests and diseases (%)*.	95.8	95.2	95.4	96.6
• States and Territories meeting standards for state animal health emergency management systems (# Cumulative).	0	0	5	1

*Actual compliance rates may vary as much as 0.5 % due to the margin of error associated with statistical sampling.

Data Assessment:

International Air Traveler Compliance: To reduce the number and severity of pest and disease outbreaks, USDA's Animal and Plant Health Inspection Service (APHIS) takes steps to prevent outbreaks and respond effectively to those that occur. To prevent outbreaks, USDA manages the threat of agricultural pests and diseases approaching U.S. borders. One indicator of this threat is the percentage of international air passengers who comply with agricultural quarantine regulations.

The data used for this performance measure are collected through PPQ's Agriculture Quarantine Inspection (AQI) Monitoring System. Data are collected at multiple Ports of

Entry for the air passenger pathway by applying standard statistical sampling procedures. Although there is a small percentage of poor data quality (due to port personnel changes, equipment failure and nonsupport by some local management), the quality and reliability of the monitoring data continues to be acceptable. PPQ national and regional managers are working with specific ports to improve data quality, support issues, and equipment problems.

States and Territories Meeting Emergency Standards: In August 2001, the National Animal Health Emergency Management Steering Committee sponsored a self-assessment of State Animal Health Emergency Management Systems. The State Veterinarian and the Federal Area Veterinarian in Charge with responsibility for each state and territory (including Puerto Rico and the US Virgin Islands) jointly completed the assessments. The assessment was designed to determine if each state met the Standards for State Animal Health Emergency Management Systems published in January 2000.

Even though data from self-assessments are naturally subjective, this was an economical approach that encouraged collaboration between the State and Federal animal health staffs. Teams from the Steering Committee will be going to a cross section of states to validate the answers to the self-assessment in order to strengthen the standards in terms of clarity and detail, and to ensure that the assessment reflects the preparedness in the state.

Analysis of Results: USDA met its annual performance goal to "reduce the number and severity of pest and disease outbreaks in the U.S." The target of having 95.4 % of international air travelers compliance with restrictions to prevent entry of pests and diseases was exceeded; 96.6 % were in compliance in FY 2001, thus reducing the number of pest and disease outbreaks which may otherwise have occurred. A second target was to have five states and territories meet all 22 standards for state animal health emergency management systems. One of the 22 standards requires states to have funding in place, should an outbreak occur. Most states have not met this standard. We anticipate this standard to continue to be a challenging target. While only one state met *all* of the 22 standards that had been published, a majority of states have improved significantly in terms of meeting many more standards than they did previously. By virtue of this improvement, USDA has helped states to reduce the *severity* of pest and disease outbreaks through the establishment of greatly improved planning and reporting systems; hence, we consider the overall goal to be met. However, USDA will continue to work with states to help more of them to meet all of the standards established for national emergency management systems. USDA's success in accomplishing this goal is critical at a time when recent outbreaks of Foot-and-Mouth Disease (FMD) in the United Kingdom and other European countries have demonstrated clearly that the U.S. is constantly at risk of new, emerging threats.

International Air Traveler Compliance: The FY 2001 target was exceeded due to the additional inspectional and outreach activities at the Ports of Entry to address the outbreaks of FMD in the United Kingdom and other parts of Europe. PPQ, through extensive educational, communication, and public awareness efforts, increased the international traveler's knowledge of USDA's quarantine regulations. Additional resources were also devoted to inspecting all passengers from the countries that have FMD, resulting in the compliance of a significantly higher percentage of passengers.

USDA uses a number of other strategies to deal with the myriad pathways by which exotic agricultural pests and diseases can enter the US. One of the key strategies is to assess which agricultural products are likely to be carrying exotic invasive pests and diseases, and then to use the Department's regulatory authority to prohibit those products from being

brought to the US. This enables USDA to more easily monitor and inspect the most significant agricultural health threats, many of which are difficult to detect among the thousands of international travelers approaching our borders every day. USDA uses a number of methods to encourage compliance with its quarantine regulations, including public awareness campaigns to help the public and importers understand the need for compliance; inspections of passenger baggage and cargo at points of origin; posting inspectors at Ports of Entry; and expediting inspection activities in coordination with other Federal Inspection Service agencies.

USDA also seizes prohibited products at Ports of Entry and imposes penalties on those who are caught carrying prohibited products. To intercept these potential threats to US agricultural health, inspectors use a number of enforcement strategies, including participating in Passenger Analytical Units at airports to target high-risk passengers; monitoring dedicated commuter lanes at land border Ports of Entry on the northern and southern borders; working to develop new x-ray technology to detect agricultural products in baggage based on atomic makeup and shape; and participating in inspection "blitzes" as part of multi-agency Trade Compliance teams by Investigative and Enforcement Services under the Animal and Plant Health Regulatory Enforcement line item.

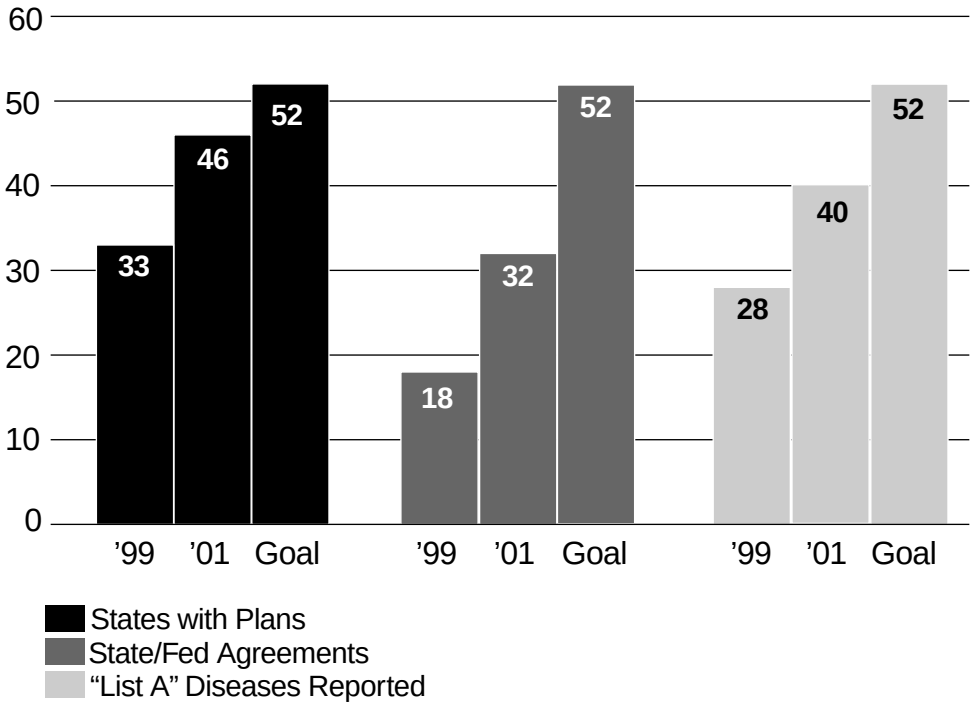
States and Territories Meeting Emergency Standards: The standard that has proven to be the most difficult for states to meet is "ensuring that sufficient funds are available." Despite the funding challenges, about a quarter of the states have improved significantly in the last two years in many of the categories covered by the standards.

There are three key categories of data for which the assessment done in 1999 and that of 2001 can be directly compared. They are 1) the number of states with Animal Health Emergency Management Plans, 2) the number of states with written agreements between State and Federal animal health officials, and 3) the number of states that require reporting of the International Office of Epizootics (OIE) List A diseases (an important component of an adequate surveillance system). In 1999, 33 states said they had an Animal Health Emergency Management Plan. In 2001, 46 states now say they have such a plan—a 13 state improvement (see first graph.). In 1999, 18 states said they had a written agreement between State and Federal animal health officials. In 2001, 32 states say they have an agreement—a 14 state improvement (see second graph). Also in 1999, 28 states said they required reporting of List A diseases. In 2001, 40 states say they require such reporting—a 12 state improvement (see third graph).

At the end of FY 2001, USDA gave $1.8 million in grants to the states and tribal nations to help states meet the standards. USDA plans to hire 10 emergency managers to work with the states on meeting the standards and to deal with other animal health emergency management issues. In addition, in October 2001, President Bush proposed the allocation of emergency funding to USDA to strengthen essential programs and services related to biosecurity issues; with this support, USDA plans to enhance technical assistance to states to further their emergency preparedness capabilities.

FY 2002 Current Performance:
International Air Traveler Compliance: Air passenger compliance for FY 2002 is on track for meeting the 96.7% target.

FY 2001 Current Performance



States and Territories Meeting Emergency Standards: No data available. Another self-assessment is planned for the end of FY 2002 to check on progress.

Program Evaluation:

International Air Traveler Compliance: In FY 2001 PPQ's Center for Plant Health Science and Technology coordinated a statistical review of the AQI Monitoring activities using an outside, non-USDA source. Results indicate that the AQI Monitoring data was "...very clean and consistent," and for most PPQ pathways, showed good uniformity for year-to-year data." PPQ is currently implementing recommendations from this review.

States and Territories Meeting Emergency Standards: A major evaluation, the Animal Health Safeguarding Review, sponsored by USDA and carried out by the National Association of State Department of Agriculture Research Foundation was completed in October 2001. USDA will need time to review the results of the report and implement needed improvements.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

U.S. Farm Program Benefits. USDA research continued to assess farmers' exposure to price and market risk, to evaluate various risk management strategies, and to analyze Government programs addressing risk management. Results of the research provided policy makers with a more comprehensive understanding of the program-related economic incentives that may alter production decisions. Crop and revenue insurance play a promi-

nent role in U.S. agricultural policy as part of the farm safety net. USDA used the information in its ongoing assessment of insurance product availability and coverage levels.

New Vaccine Controls Virus. With USDA research funding, Wisconsin virologists developed a vaccine for Encephalomyocarditis virus (EMCV), which kills many animal species in zoos and research institutions, by genetically engineering the Mengo virus. This vaccine has been used to control an outbreak of EMCV in a colony of primates. Tests on 24 species in zoos in New Orleans and Miami indicated that there were no complications from the vaccinations. Blood tests indicated that the vaccinations would likely protect primates and many other animals from EMCV. Similar vaccines may one day be used in humans as well as animals. The scientists believe such vaccines would be many times safer than polio vaccines.

Vaccine Prevents Pneumonia In Pigs. With USDA research funding, Virginia researchers with the Virginia-Maryland Regional College of Veterinary Medicine have created a genetically-altered live vaccine for swine pleuropneumonia that confers excellent immunity in pigs with minimal side effects. The vaccine has recently received final approval from USDA, and is now being marketed commercially as an agent to prevent pneumonia in pigs. In doing so, it has become the first virulent live vaccine ever approved for preventing bacterial respiratory disease in animals.

Invasive Species Being Controlled. With USDA research funding, scientists in Connecticut have developed a control method by using a permethrin-formulated insecticide that kills small adult Japanese cedar long horned beetles *(Callidiellum rufipenne),* an exotic woodboring insect that attacks arborvitae, junipers, and cedar trees. Native to Japan, Korea, Taiwan, and eastern China, this insect was found infesting live arborvitae in Connecticut and poses a serious threat to the nursery industry in Connecticut and other states.

Area-wide management successfully used for the control of Formosan subterranean termites. The Formosan subterranean termite causes extensive damage to wood structures and trees in many parts of the United States (U.S.). The effectiveness of current control strategies is limited. An area-wide termite management program conducted jointly by Agricultural Research Service (ARS) scientists at the Southern Regional Research Center, Louisiana State University, and cooperators with the New Orleans Mosquito and Termite Control Board resulted in a reduction in infestation of 30% as measured during swarming and 50% as measured by ground foraging. These results are encouraging for communities where termites are a significant problem and suggest that an organized control program using methods of population suppression and colony elimination will have a major impact on reducing damage caused by these insect pests.

A Geographic Information System (GIS) was developed to monitor distribution of household pests. Urban insect pests have become an increasing problem in and around human dwellings, restaurants, and food storage areas, where they transmit disease and cause allergy problems. Scientists at the Center for Medical, Agricultural, and Veterinary Entomology in Gainesville, Florida developed a spatially-based GIS system for monitoring and precision targeting pest distributions, which can be used to minimize the use of pesticides by only delivering chemicals to infected areas. The system will be of value to the entire pest control community, and will benefit the general population by providing improved control of a variety of insect pests. This accomplishment received the Pollution Prevention Project of the Year Award by the EPA/DOD/DOE joint Strategic Environmental Research and Development Program.

Live oocyst vaccination reduces the cost of coccidiosis in the poultry industry. Avian coccidiosis is a parasitic disease of poultry that costs the industry over $450 million annually. Control methods traditionally rely on anti-parasitic drugs, but these compounds are becoming ineffective due to parasite resistance. A live oocyst vaccination system developed by USDA scientists was used in field trials involving 22.4 million birds. Vaccination against drug resistant strains of coccidia, coupled with anti-coccidial medication, resulted in enhanced performance in broiler flock grow-out. Use of this system by the entire U.S. poultry industry will reduce the economic and animal health impact of this parasitic disease of the chickens.

Rapid detection of viruses in aquaculture products. Rapid methods are needed for the detection of enteric viruses such as hepatitis A, Norwalk, and rotavirus in food and water. USDA succeeded in developing a much safer and more rapid analytical method for the cell-culture-based enumeration of hepatitis A virus, and human and simian rotavirus using enhanced chemiluminescence's technology. The new method reduces the previous assay procedure by five days, and eliminates the use of radioactive isotopes in the detection protocol. The new method will have broad-based appeal for regulatory and action agency monitoring of aquaculture products such as oysters; and will be particularly useful in determining the effectiveness of processing strategies for the inactivation of viruses.

Males-only strain of Mediterranean fruit fly (Medfly) for eradication programs. USDA scientists conducted large-scale tests in Guatemalan coffee fields of a males-only strain of medflies known as the Temperature-Sensitive Lethal (TSL) strain. These tests showed that the Toliman TSL strain of medflies may be three to five times more effective in eradicating infestations than are today's conventional, mixed-sex strains of sterile medflies. Not only does this strain promise increased efficacy for eradication efforts in the U.S., but because only males need be raised, it offers increased economy for eradication efforts that often run in the ten of millions of dollars as well.

Plum pox virus is discovered for the first time in the U.S. The discovery of plum pox virus (PPV) in Adams County, Pennsylvania in September 1999 poses a serious threat to production of plums, peaches, apricots, nectarines, cherries, and almonds in the U.S. USDA scientists used molecular tests to rapidly and accurately identify the strain of PPV present. The rapid response and typing of the virus helped regulatory agencies develop eradication and quarantine strategies to eliminate the disease and protect production in other areas of the country.

Production of durum wheat with scab (Fusarium Head Blight) resistance. Scab has caused severe losses in U.S. wheat production. No durum wheat lines have resistance. USDA researchers at Fargo, North Dakota, have incorporated scab resistance from wild relatives of wheat to produce new durum wheat germplasm with scab resistance. This is a valuable new tool to produce scab-resistant wheat varieties.

Key Outcome: Improve fair, open, and competitive marketing of U.S. agricultural products.

USDA in recent years has expanded its economic, legal, and computer expertise to address industry structure and competition issues and to better enforce the fair trade provisions of the Packers and Stockyards Act. Investigations focusing on preventing anti-competitive behavior are complex, and often demand sophisticated analyses. Timely completion of these investigations requires significant human and capital resources.

USDA will keep a watchful eye over new procurement and sales practices in order to prevent anticompetitive behavior. It also will conduct vigorous investigations and more complex investigations and, where appropriate, file administrative actions to seek to halt anticompetitive practices. Additionally, USDA will investigate and take appropriate enforcement action when there are allegations of financial or prompt payment violations affecting producers' compensation.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
1.1.6 Promote fair and competitive marketing for livestock, meat, and poultry:				
• Investigations (#).	1,218	1,898	1,800	1,619
• Violations corrected/issues resolved within 1 year of investigation's starting date (%).	98	96	96	97
• Monetary recovery to livestock producers and poultry growers resulting from enforcement of the Packers and Stockyards Act ($ Mil).	12.6	17.1	18.0	20.4

Data Assessment: The data contained within this section are considered complete, reliable, and good indicators of the regulatory work being done within the programs. The data also provide good indicators of the level of benefit accruing to livestock producers and growers. Supporting data includes the complaint and investigation log, decisions, press releases, annual reports, and special reports.

Analysis of Results: Although the targeted number of investigations was not met, the percentage of violations corrected/issues resolved within one year of the investigations starting date actually exceeded the target. Investigations are expected to become increasingly complex as the programs focus more on competition issues. The economy also has some impact on the successes and failures of entities being regulated.

The decrease in the number of investigations conducted was caused primarily by a shift toward fewer, yet more complex investigations. The increase in the total monetary recovery to livestock producers and poultry growers resulting from enforcement of the Packers and Stockyards Act is not tied to the percentage of violations corrected.

FY 2002 Current Performance: To date, Packers and Stockyards Programs has aided in the recovery of funds for livestock consigners in the amount of $315,339, and recovered $580,805 for livestock sellers who were originally issued non-sufficient fund checks. Additionally, custodial account shortages were corrected in the amount of $154,078. Packers and Stockyards Programs assisted the FBI in investigating alleged mail fraud, check kiting, and bank fraud by a livestock dealer, resulting in the recovery of approximately $500,000 to a livestock company impacted by the fraudulent activities.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Market Structure. USDA tracked and explained the structural changes being experienced in the U.S. agricultural system—an effort particularly important to enhancing understanding of both the heterogeneity of farms and agribusinesses across the nation and the implications of these differences for policy design. Three USDA publications, *Vertical Coordination in the Pork and Broiler Industries: Implications for Pork and Chicken Products, Understanding the Dynamics of Produce Markets: Consumption and Consolidation Grow, and Consolidation in U.S. Meatpacking,* all added to understanding of structural change.

New Agricultural Statistics Provided. USDA released a multitude of new statistics and data series during the past year. The Department conducted a new survey that measured the involvement of women in farm tasks, farm decision-making, farm organizations, and government-related programs on U.S. farms. A special cattle report titled *U.S. Cattle Supplies and Disposition* provided information on current cattle supply, disposition numbers, and trends that have implications for future cattle supplies. USDA issued a special report on the structure of the U.S. hog- breeding herd containing information on the changes in the make-up of the breeding herd by size of operation and efficiency of the breeding herd in recent years. *Cattle on Feed Report* will include, for the first time, U.S. capacity of feedlots with 1,000 or more head. This new data series was requested by the cattle-feeding industry to monitor the expansion of large feedlots.

New statistics in USDA crop progress reports included periodic reporting of fertilizer availability, farm energy, and irrigation water supplies. USDA issued the biennial *Agricultural Chemical Usage - Vegetables report,* which included vegetable chemical use statistics for an additional 12 crops and five states for a total of 42 crops and 19 states. The new *Fruit and Vegetable Agricultural Practices* report provided detailed information on practices related to field environment, agricultural water, organic fertilizers, harvest operations, workers, facility and field packing, and trace-back systems in the fresh produce industry. The *Agricultural Chemical Usage - Postharvest Applications* report for peanuts and rice represents the first time that USDA has collected data on postharvest chemical applications for these two commodities.

The Marketing Club Network. With USDA funding, Extension Services in nine states participate in The Marketing Club Network, along with the Mississippi Farm Bureau and Agrimark. On a monthly basis, these locations participate in a marketing conference call with nationally known and top cotton and grain analyst. In the past year, Tennessee reported that over 100 farmers have attended. Participating Network farmers have learned about the market outlook and marketing strategies with the potential to increase their net income. Survey results indicate that 76% of those attending have used the information presented at the Marketing Club Network Conference Calls. Twenty-five farmers in Tennessee responded that, in using the information, they gained $302,500 more than what they normally would have done; an average of $12,100 per farm. Participating farmers in Mississippi have reported increased income from $500 to $150,000 because of good marketing decisions they made based on information learned in the Network.

Noninvasive sorting of pistachio nuts with closed shells has the potential to save the U.S. pistachio industry $11 million per year. Scientists at Albany, California, are working with a major California pistachio processor through a Cooperative Research and Development Agreements to manufacture and install an acoustic-based system to separate pistachio nuts with closed shells in pistachio processing plants. These sorters have the potential to find

their way to every U.S. pistachio processor and increase open shell pistachio production by 5-10% with a capital investment of less than $1 million.

Key Outcome: Improve the economic sustainability of family farms.

USDA's farm loan programs are an important source of credit to small family farmers unable to obtain credit from conventional sources at reasonable rates and terms. Often, borrowers are beginning, socially disadvantaged (SDA), and or limited resource farmers, or have suffered financial setbacks due to natural disasters or adverse market or production conditions.

USDA offers direct and guaranteed farm ownership and operating loans. Guaranteed loans are made by conventional agricultural lenders and guaranteed by USDA for up to 95% of loss. Applicants unable to qualify for a guaranteed loan may be eligible for a direct loan made and serviced by USDA. Demand for USDA direct and guaranteed loans increased greatly during the past few years as a result of the economic downturn in the agricultural sector, and is expected to remain high in FY 2002 and 2003. In addition to farm ownership and operating loans, emergency loans are offered to restore or replace essential property, pay all or part of production costs associated with the disaster year, pay living expenses, reorganize the farming operation, and refinance debts.

USDA's direct farm loan programs carry a high degree of risk, and as such have been identified as a major management challenge for the Department. A key indicator of the program's financial integrity is the "loss rate on direct loans." This indicator also provides valuable information on the financial status of borrowers; a low loss rate indicates that producers are better able to meet their financial obligations and are likely to continue farming.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
1.1.7 Maintain the percentage of small farms in relation to total U.S. farms at the 1999 level (%).	93	93	93	93* Preliminary
1.1.8 Increase the amount of farm operating and ownership loans made or guaranteed to beginning and socially disadvantaged farmers ($ Mil).	984.9	993.3	1,026.0	996
1.1.9 Maintain a low loss rate on direct loans (%).	3.5	4.2	5.2	3.3

* This is an estimated number based on the trend for the last three years. Data for the actual performance will be available on February 22, 2002.

Data Assessment: The data for 1.1.7 assessing the number of small farms in the U.S. are based on USDA's NASS annual report *"Farms and Land in Farms."* This report is released in February of each year and includes data for the previous three years. The February 2002

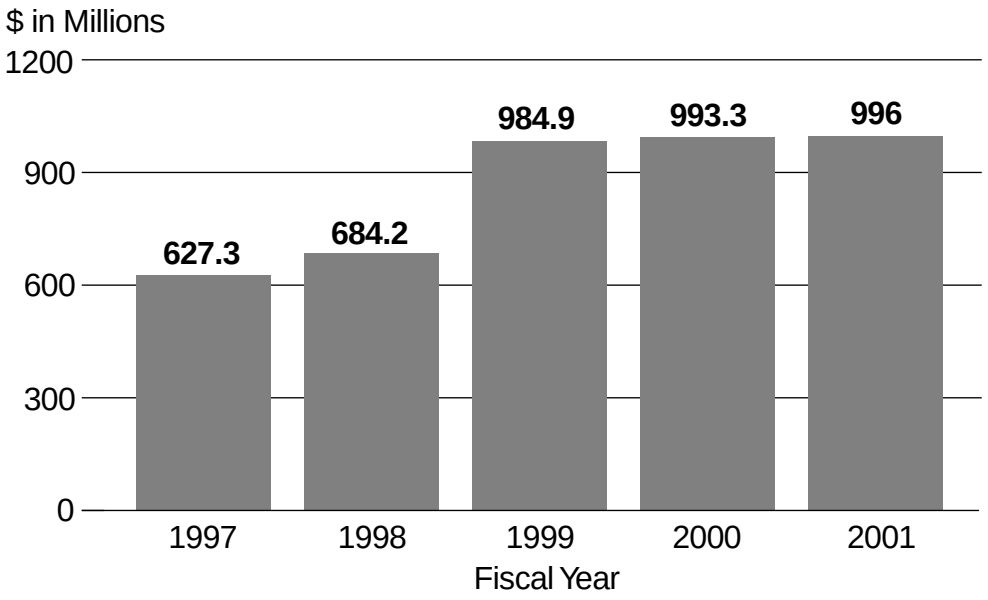
report, which will include data for 2001, will be released on February 22, 2002. Data for 1.1.8 and 1.1.9 originates from FSA accounting system. Loan transactions are entered daily by FSA Service Center staff and processed through the finance office. Since the data flows through the financial accounting system, it is subject to both internal and external audit, which eliminates nearly all potential errors and helps to ensure the reliability of the data. Loans are classified as socially disadvantage applicants (SDA) or Beginning Farmer based on the funding codes assigned when the loan is obligated.

Analysis of Results: Data for 1.1.7 will be published on February 22, 2002. In 1.1.8 and 1.1.9, USDA continued the trend of providing more financial assistance to underserved groups. USDA made $996 million in loans to SDA and Beginning Farmer applicants in 2001. However, despite the $3 million increase from FY 2000 to 2001, USDA fell short of its overall target of $1,026 million. This was primarily due to a $65 million decrease in funding for the direct ownership loan program in FY 2001 as compared to FY 2000. In FY 2001, 65% of the direct ownership loans were made to beginning farmers; had the program been funded at FY 2000 levels and a comparable percentage been made to beginning farmers, the target would have been exceeded by $15 million. The levels of direct and guaranteed operating loans and guaranteed ownership loans to underserved groups all increased in FY 2001, as compared to FY 2000.

The direct loan loss rate in FY 2001 was 3.3%; a 22% decrease from the loss rate in FY 2000. Loss rates are an indicator not only of prior years' loan decisions, but also of the overall farm economy. When combined with a low delinquency rate, this indicates an improving Farm Loan portfolio. USDA intends to continue using prudent underwriting practices, borrower supervision, and loan servicing tools to maintain the low loss rates realized in FY 2001.

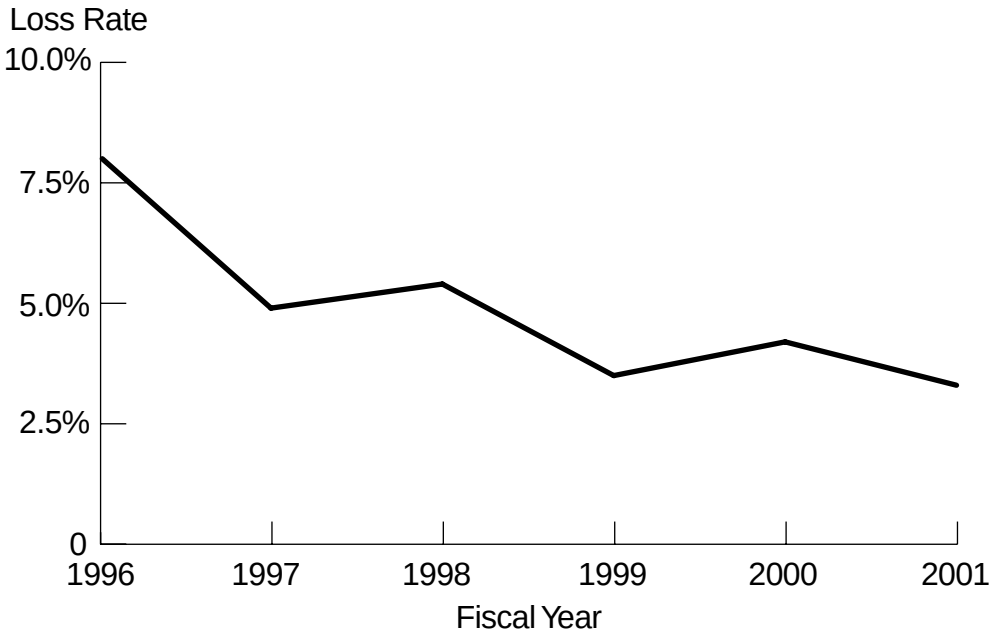
SDA & Beginning Farmer Loans		
FY	**SDA & Beginning Farm Loans** ($ in millions)	**Target**
1997	$ 627.3	
1998	$ 684.2	
1999	$ 984.9	
2000	$ 993.3	
2001	$ 996.0	$1,026

Loans to Beginning and Socially Disadvantaged Farmers and Ranchers



FY	Beg. Principal & Interest Outstanding	Amount Debt Forgiven	Loss Rate	Target
1996	$ 14,341,752,192	$ 1,147,340,175	8.0%	Baseline
1997	$ 12,502,576,222	$ 612,976,112	4.9%	
1998	$ 11,611,028,025	$ 642,476,227	5.4%	
1999	$ 10,899,900,964	$ 411,042,265	3.5%	7.20%
2000	$ 10,413,325,867	$ 443,734,293	4.2%	6.50%
2001	$ 9,929,892,027	$ 32,704,043	3.3%	5.20%

Direct Loan Loss Rate



Description of Actions and Schedules: USDA will continue to emphasize the need to provide financial assistance to underserved groups. Procedures will be reviewed and streamlined to make it simpler and quicker for all groups to obtain loans. USDA will make maximum use of fund transfer authorities to ensure that the maximum numbers of eligible underserved farmers are assisted. If USDA does not meet its goal of increasing the amount of farm operating and ownership loans made or guaranteed to beginning and socially disadvantaged farmers who are unable to obtain commercial credit, those traditionally underserved groups may have less credit available to them. Without credit from USDA, these farmers will be unlikely to maintain or establish a financially viable operation.

FY 2002 Current Performance: USDA continues to be responsive to the Nation's two million small farmers and ranchers, and meeting their needs is a high priority. USDA is searching for fresh ideas in seeking strategies to help navigate and forge new partnerships within government to increase the viability of small farms. USDA expects to meet the FY 2002 performance goals for lending to underserved groups and maintaining a low loss rate on direct loans.

Program Evaluation: No program evaluations were conducted related to these performance goals in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Helping Small Farms in Tennessee. With USDA funding, Tennessee Small Farms Assistance program specialists provided technical assistance to approximately 450 small and limited resource farmers in 14 counties. The assistance through this program has helped several farmers to seek private banking and/or government loans to finance their struggling farm operations, re-evaluate their farm operations, and make decisions about whether to continue in farming or to seek off-farm employment. The Northern Tennessee Farmers Association was formed and submitted a proposal in collaboration with the Small Farms Assistance Program and the local Natural Resources Conservation Service officials, and received monies for the construction of a greenhouse. This greenhouse is used to produce tobacco seedlings for members of the Association and to experiment with alternative crops. The overall cost of production for tobacco farmers was reduced almost by 60 %, or an average of $187.50 per acre. Similar efforts are underway to form Small Farmers Associations in Middle and Western Tennessee.

Helping Part-time and Limited Resource Farmers in North Carolina. With USDA funding, part-time and limited resource farmers increased the sustainability of their farms through crop diversification, intensive management practices, water and nutrient management, and expanded markets. Through participation in Extension Service programs in North Carolina, 912 producers adopted best management practices such as nutrient management on 70,577 acres; 2,095 producers increased their awareness and knowledge of marketing options and 549 started to use multiple markets; 1,255 producers increased their awareness and knowledge of irrigation and management systems; 569 were helped to stay in farming through the adoption of sustainability practices; and 347 producers adopted new crops, which affected 5,068 acres. The projected increase in profits through diversification of crops was $1,622,331.

Data contributed to support registration of minor uses of pesticides. The availability of pest management chemicals to growers of minor crops is restricted because chemical companies do not have economic incentives to obtain the data necessary to register pesticides on small acreage crops. The Food Quality Protection Act of 1996 has increased the problem of pesticide availability to minor crop growers. USDA scientists, located in nine States and the District of Columbia, cooperate with state scientists through the IR-4 Minor Use Program to obtain efficacy, phytotoxicity, and residue data which are used to support minor use registrations. During FY 2000, USDA contributed data on 96 food, 249 ornamental, and 63 residue projects to the IR-4 Program. The registrations resulting from these data will provide growers with tools necessary to reduce pest losses and maintain yield and quality.

Successful Small Farms. USDA summarized its findings on what makes a small farm successful in *Agricultural Outlook* magazine. The findings were also presented at the National Black Farmers Association Conference, the Agricultural Research Service National Outreach Workshop, the American Agricultural Economics Association meetings, and the National Public Policy Education Conference.

Objective 1.2

Expand market opportunities for U.S. agriculture

Key Outcome: Expand sales opportunities for U.S. agriculture despite the increasing competitiveness of international and domestic markets.

International Markets

Expanding market opportunities for U.S. agriculture is central to USDA's goal of improving the economic livelihood of farmers and ranchers. Given that 96% of American agriculture's potential customers reside outside the Nation's borders, international trade presents an immense opportunity to strengthen the U.S. farm economy. However, in recent years, global agricultural markets have grown far more competitive. Foreign governments and their agricultural companies have almost doubled their market development funding, while the commitment from the U.S. government and U.S. companies has remained essentially flat-lined. Best estimates from 1998 have foreign competitors investing approximately $700 million more in market development activities than the U.S. The obvious result is that these competitors are eating away at U.S. agriculture's market share and making clear the need for increased commitment to market development. Trade liberalization opens markets and U.S. agriculture must be ready and able to seize the opportunities through more U.S. export development activities.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
1.2.1 Increase the U.S. market share of global agricultural trade:				
• Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through the WTO notification process ($ Mil).[1]	1,995	837	2,200	1,329
• Gross trade value of markets created, expanded or retained annually due to market access activities other than WTO notifications and/or standards ($ Mil).	2, 527	4,349[2]	2,500	2,684
• Annual sales reported by U.S. exporters from on-site sales at International trade shows ($ Mil).	315	367	300	360
• U.S. agricultural exports supported by USDA export credit guarantee programs ($ Bil).	3.0	3.1	3.8[3]	3.2

[1] These key performance goals illustrate the impact of trade negotiations and enforcement monitoring upon USDA's high-level goal of expanding U.S. access to foreign markets. Constant monitoring and the negotiation of new agreements add tremendous value to current and future U.S. exports. Intercessions by USDA's overseas field offices on behalf of U.S. exporters experiencing in-country problems also add significant value to U.S. exports.
[2] Includes $2.0 billion attributed to negotiations on China's accession to the WTO in FY 2000.
[3] This initial target was adjusted midyear to reflect ongoing official USDA midyear review of export support targets and country demand. For FY 2001, the forecast was reduced to 3.3 billion dollars.

Data Assessment:
U.S. percent share of international export markets. Data is based on established trade data systems. USDA uses a consistent approach to calculate this measure and adjusts the results periodically as more current information is added to the trade systems.

Annual combined sales data reported. This data has been collected for years, so the collection processes and systems are highly reliable. However, the data that supports these measures comes directly from the U.S. companies benefiting from the specific activities. It is outside FAS' authority and is prohibitively costly to validate the actual exports reported.

Trade opportunities created, expanded. USDA's International Trade Policy (ITP) Program Area used past trade figures for trade retention reports. In some cases, information on the actual values of shipments obtained directly from U.S. exporters was used. For tracking tariff rate quotas (TRQ's), values of current trade were applied. It is understood that the measured performance data reflecting potential export markets are by nature "not guaranteed" and may be arguable among economists. Nevertheless they are very significant, and are estimated as they occur using a systematic approach designed to avoid overstatement.

U.S. agricultural exports supported by export credit guarantee programs. The export credit program data are based on actual Commodity Credit Corporation (CCC) export credit guarantee program sales registrations. The data are final and complete. Program sales registration data predict actual exports that occur under the programs with 95% accuracy. Actual export figures under the program became available during the month of February following the fiscal year close.

Analysis of Results: To enhance American agriculture's economic opportunities, in FY 2000 USDA set a goal to increase the U.S. market share of global agricultural trade from its current 18.2% level to 22% by the year 2010. In order to meet this goal, USDA will develop a global long-range marketing plan that enlists both its vast network of domestic field offices and its 80 foreign field offices in an unprecedented effort to expand market opportunities for U.S. producers. USDA will incorporate into this effort strategies that take advantage of new products resulting from recent advances in agricultural technology. Once fully operational, this worldwide marketing effort will enable USDA to leverage its global resources to help U.S. farmers and ranchers take full advantage of opportunities— wherever they exist around the globe. The benefits in terms of additional U.S. exports and farm income will be substantial. Given the expected level of global agricultural trade by 2010, a 3.5-point increase in U.S. market share will translate into a gain of $14 billion in U.S. exports and an estimated $3.5 billion in farm income.

FY 2001 was a productive year for U.S. agriculture. Exports turned the corner in FY 2000 after a disappointing year in FY 1999, registering over a billion dollars in sales growth. This trend continued in FY 2001, with agricultural exports reaching $53 billion—up $2.1 billion over FY 2000. World trade for FY 2001 is expected to be about $287 billion. At this estimate, FY 2001 exports by the U.S. climbed to 18.45%. A simple trend-line estimate of global market growth indicates that in order to reach 22% market share by FY 2010, the U.S. agricultural export milestone for FY 2001 was 18.5% of global market share. U.S. agricultural exports met this goal and the USDA is therefore "on track" to reach the FY 2010 goal.

Much of the FY 2001 gain by U.S. exporters was in Asia, as that region's economic growth continues to rebound from the financial crisis of 1997-99. Export prospects are promising in both value and volume terms for most major commodities, including corn, wheat, soybeans, soybean meal, livestock products, and horticultural products. While U.S. agriculture

has made progress, there still remains much work ahead. Reversing the long-term negative trend in U.S. market share in global markets must continue to be a major priority. USDA's trade promotion and development activities, efforts to expand free trade access, and assistance in financial and credit risk coverage are critical components in helping U.S. exporters reclaim the 22% share of the world market that they held in the early 1990s. This is an ambitious but achievable goal. It will require applying old program resources in new ways, partnering with other U.S. government trade promotion agencies, and a shift in USDA focus towards aggressively educating U.S. agricultural industry about exporting, USDA assistance programs, and where sales opportunities for their products have the best chance for successes in new, growing markets.

This new focus will re-balance limited trade show resources between emerging, high-growth markets and the need to maintain U.S. trade promotion assistance in those mature markets that U.S. companies have established over the last 20 years. The performance indicator for trade shows represents an example of this shift. USDA is shifting its support to assist U.S. firms attending shows in emerging high-growth (and therefore viewed as high-risk) markets. Exporters will continue to attend established shows in the mature markets, but USDA recognizes the need to assist U.S. exporters in the emerging markets to offset the initial costs and risks of developing and capturing stable and recurring sales. The FY 2002 and FY 2003 annual targets for U.S. exporter's sales resulting from their trade show participation will be lowered to reflect the short-term expectations of this shift in focus. A mere $1 million annually has been available for USDA trade show operations and participating U.S. exporters consistently report and attribute these shows responsible for annual sales of over $300 million.

On the market access front, negotiations continue to liberalize international agricultural trade and expand U.S. agriculture's access to overseas markets. USDA is working closely with the U.S. Trade Representative's office to achieve trade reforms that ensure fairness and improve access to global markets for U.S. farmers and ranchers. In June 2000, the U.S. tabled an aggressive and comprehensive proposal, establishing a framework for the new agriculture negotiations. This proposal called for substantial reductions in tariffs, the elimination of export subsidies, and the simplification and reduction in disparities in domestic support. It also included provisions addressing special treatment for developing countries, food security, and sectoral initiatives. In tabling its comprehensive proposal, the U.S. took an important step towards setting the agenda for these negotiations. This will enable USDA to achieve a more open, stable, and prosperous world agricultural trading system, one which offers more opportunities to farm families in America; more fairness for farmers in the developing world; and better prices and choice for consumers everywhere. In another important development, on November 14, 2001, U.S. negotiators successfully gained World Trade Organization (WTO) member agreement to launch a full range of trade negotiations called the Doha Development agenda. This agenda is a critical agreement to assure that agriculture will be a significant focus of the next round of WTO negotiations. Negotiations also are continuing to establish a Free Trade Area of the Americas by 2005. Among other things, the agricultural objectives for these negotiations include the elimination of export subsidies that affect trade in the Western Hemisphere.

To be successful in these multilateral negotiations, FAS has continued in FY 2001 its sustained effort to engage the developing world in the development and implementation of appropriate trading rules and guidelines. The challenge is to explore intensively all opportunities—bilateral, regional, and multilateral—to forge consensus with this group of countries on issues of common interest. This undertaking will be very labor- and time-intensive,

but worth the investment if USDA desires to move the U.S. global trade liberalization strategy forward. The importance of this alliance cannot be underestimated, as these countries represent future growth markets. Moreover, if trade liberalization is to occur in multinational bodies such as the WTO, the views and issues of concern to developing countries, which make up the vast majority of the membership, must be recognized.

Another initiative begun in FY 2000 and continued in FY 2001 addresses the closely related challenge of the growing cacophony over food safety and biotechnology issues. It is imperative that we find a way to better coordinate these issues both within our own borders and with our trading partners. We simply cannot meet the food security challenge of feeding a burgeoning worldwide population without biotechnology. Education and outreach to key customers, partners, and stakeholders will be critical to successfully managing the growing number of bilateral, regional, and multilateral food safety and biotechnology issues.

USDA is currently able to report verified results for 60% of the performance indicator target for trade opportunities within the WTO arena. As of November 26, 2001 the successes reported for this performance target was still being verified and additional successes will increase the current success rate, most likely beyond the target level. The, reported verified successes however, this does not necessarily mean that our targets were not nearly or completely accomplished—it only points out that resources needed for assuring successful trade liberalization – and the effort to "verify" outcomes, were overtaxed and stretched thin. In FY 2001, USDA's trade policy staff was dedicated to upcoming WTO round negotiations that will focus on agriculture issues in FY 2002 and FY 2003. In addition, resources were strained further by critical, ongoing issues concerning food safety and biotechnology (e.g., Starlink) and the labor-intensive demands of forging prerequisite consensus with and between the developing world representatives on issues of common interest. USDA effectively prioritized its resource use between policy activities and verification activities. Policy activities, based on current and critical trade liberalizing opportunities, were determined to be the highest priority.

The CCC's export credit guarantee program provides guarantees to U.S. exporters to cover non-payments by importers or foreign banks. The program includes the following components: GSM-102, GSM-103, Supplier Credit Guarantee, and Facility Guarantee. CCC has the authority to make at least $5.5 billion of coverage available under these programs each fiscal year. CCC generally provides coverage for 98% of the principal and a portion of the interest on registered sales financed by letters of credit. For registered sales financed by importer's promissory notes, CCC can cover 65% of the value of the sales. USDA assisted $3.2 billion in export sales registrations under the credit guarantee program, reaching 97% of its officially adjusted expectations for the annual performance target (initially estimated at $3.8 billion and revised to $3.3 billion).

USDA did not reach the initial FY 2001 estimated performance target for assisted export credit guarantee sales registrations of about $3.8 billion. Only $3.2 billion in export sales registrations were assisted under the credit guarantee program, or 85% of its annual performance target. Soon after the initial $3.8 billion annual target was estimated a more accurate target was determined to be $3.3 billion. Overestimating future demand by importing countries, and the expected use of GSM assistance programs, has been a long-standing tendency, compounded by the difficulty in predicting the global economic situation. A more realistic approach for FY 2002 and FY 2003 will better balance international outlook and export potential in setting annual performance targets that are within reach.

FY 2002 Current Performance: In early FY 2002, there are indications that the Supplier Credit Guarantee program (SCGP) will continue to accelerate in usage. By early December, SCGP sales registrations were over $100 million. This is nearly a threefold increase over the pace of activity in FY 2001, and put the SCGP on tract for over $600 million in guarantee value in FY 2002 (this is nearly $1 billion in export sales value, because currently SCGP only guarantees 65% of the sale).

Demand for the GSM-102, the credit risk guarantee program during FY 2002 is expected to increase slightly over last year, particularly if on-line registrations that are expected to be implemented in FY 2002 permit the application process to be more accelerated and user-friendly. FGP usage is expected to grow slightly as program awareness builds and more project applications are submitted. GSM-103 program usage is expected to be flat, as importers of animal genetics and livestock have not found the program attractive.

Program Evaluation: The OIG reviews the export credit guarantee programs as a part of their annual CCC financial audit. No major issues were identified in this year's financial audit.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Agriculture and the WTO. The USDA research program on *Agriculture and the WTO* provided analysis on options for agricultural policy reform in the next round of WTO negotiations and on the nature and scope of agricultural tariff protection in global markets for senior policy officials at USDA and the Office of the U.S. Trade Representative (USTR). A major research effort analyzed alternative prospects of further liberalization in global agricultural markets. In addition, USDA led an international research effort that culminated in the release of a global agricultural tariff database, giving trade negotiators tools to understand the relationship between tariffs on food and agricultural products and increasing market access for U.S. products.

China and the WTO. USDA research on the implications of China's accession to the WTO for U.S. agriculture indicated the likelihood of substantial gains for U.S. agricultural exports. Published reports and briefings made this research available to senior staff in USDA and USTR, Congress, and commodity and trade groups.

Marketing Oregon Grass Seed in China. With USDA funding, Oregon Extension specialists, working with the Oregon Seed Council and the Oregon Department of Agriculture, introduced China to high-quality Oregon cool-season turf and forage grass seed varieties. Establishing species adaptation trials and management workshops around China has helped prove that Oregon grass seed is suitable in many regions of the country for erosion control and environmental enhancement. As a result, Oregon grass seed exports to China have increased nearly 19-fold from 338,500 pounds in 1994 to 6.4 million pounds in 1999. In 5 to 10 years, the Oregon Seed Council says exports could approach 100 million pounds.

International Technical Assistance Provided: USDA provided technical assistance and training to improve agricultural statistics programs in 12 countries. Short-term assignments supported work in China, Ecuador, Ethiopia, Honduras, Kazakhstan, Mexico, Nicaragua, Oman, Philippines, South Africa, Russia, and Ukraine. In addition, USDA coordinated and/or conducted training programs in the U.S. for 180 visitors representing 19 countries.

Domestic Markets

Critical to USDA's efforts to expand sales opportunities is its work enhancing consumer access to safe, affordable, high-quality food and fiber. USDA facilitates the efficient marketing of U.S. agricultural products through marketing standards and by carrying out a variety of information, technical assistance, grading, certification, inspection, and laboratory services. The Department will continue to deliver timely market information, even as the number of markets covered dramatically increases under newly instituted mandatory livestock price reporting. More sophisticated grain quality measurement methods will be implemented. USDA will also work to improve wholesale and other direct marketing facilities to encourage farmers markets and other endeavors that connect consumers directly with the men and women who produce their food, keeping a larger percentage of America's food dollar on the farm.

USDA's NASS provides the basic agricultural and rural data needs for the people of the United States, those working in agriculture, and those living in rural communities by objectively providing important, usable, and accurate statistical information and services needed to make informed decisions. NASS's statistics keep those involved with America's biggest industry well-informed, provide the basic information necessary to keep agricultural markets stable and efficient, and help maintain a level playing field for all users of agricultural statistics. Official USDA National, State, and County estimates are issued annually relating to number of farms and land in farms; acreage, yield, production, and stocks of grains; production of hay, oilseeds, cotton, potatoes, tobacco, fruits, vegetables, floriculture, and selected specialty crops; inventories and production of hogs, cattle, sheep and wool, goats and mohair, mink, catfish, trout, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage inventories; agricultural chemical use; and other related items that affect the agricultural economy. Additionally, estimates relating to nursery and greenhouse production, agricultural chemical use, and postharvest chemical use are provided on a periodic basis. Every five years, NASS conducts the census of agriculture that expands program coverage to include rare specialty commodities, equine, and numerous demographic data series.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
1.2.2 Increase the efficiency of U.S. grain marketing:				
• Critical grain quality measurement methods evaluated for improvement (%).	94	107	100	97[1]
• Number of new or improved grain quality measurement methods implemented (#).	49	18	13	39
1.2.3 Improve market efficiency by reporting timely and accurate market information:				
• Market News reports released on time (%).	90	92	93	93
• National Agricultural Statistics Service reports released on time (%).	99.8	99.8	100	99.0
1.2.4 Improve food marketing efficiency by providing research and technical assistance on new or upgraded wholesale, collection and farmers market facilities, food distribution, and marketing methods:				
• Number of projects completed (#).	7	10	10	10

[1] Estimated to conduct 30 method evaluations and completed 29.

Data Assessment: The data contained in grain marketing is considered complete and reliable, and represents various analytical reference methods, official tests, and calibrations performed to support and ensure grain quality. Supporting data includes official notices, directives, bulletins, reports, Certificates of Conformance, Certificates of Performance, working instructions, and calibration review meeting minutes.

The data for Market News reports released on time and Number of projects completed are final. USDA programs collect performance goal data based on their internal operations and records. USDA programs also conduct internal reviews of performance data and data collection methods to ensure that the data are based on actual performance. Program managers are responsible for ensuring that the performance accomplishment data for agency level performance measures—especially those that include multiple agency components—can be verified and validated. USDA program managers have certified the accuracy of the data submitted for this report.

The performance data for assessing the number of NASS reports released on time are based on the published 2001 Agricultural Statistics Board (ASB) calendar and Departmental information maintained internally by the National Agricultural Statistics Service's Marketing and Information Services Office (MISO) in Washington, D.C. It is maintained and reviewed for consistency, completeness, and accuracy.

Analysis of Results: Although the percentage of critical grain quality measurement methods evaluated for improvement decreased slightly from the target of 100%, the number of new or improved grain quality measurement methods actually implemented increased dramatically, from a target of 13 to an actual of 39. This increase is primarily due to: (1) the establishment of the new Grain Inspection, Packers and Stockyards Administration biotechnology reference lab, which accounted for about half of the increase by verifying 12 rapid tests for StarLink, and (2) surprising success in implementing new moisture calibrations.

USDA met its performance indicator for the NASS reports, but due to the September 11, 2001, terrorist attacks, it was not able to attain the 100% performance target for releasing reports on time. The 2001 calendar was published in the fall of 2000. This annual publication lists release dates for all USDA national statistical reports, covering over 120 crops and 45 livestock items. Several changes in the calendar included the release of the monthly *Crop Production* reports released on or about the tenth of the month rather than the eleventh, and with fewer *Crop Production* reports released on Fridays. Beginning in January 2001, press releases on USDA *Statistical Program Monthly Highlights* were issued on or about the first of each month to inform data users and keep the public current on forthcoming changes in the reports released during the coming month.

Of the 481 scheduled releases on the ASB calendar, 476 releases, or 99% of reports, were released on time. On September 11, 2001, NASS and the World Agricultural Outlook Board (WAOB) announced suspension of scheduled reports because of the day's events. NASS suspended reports scheduled for release on September 11, 12, and 13, including the September 12 U.S. *Crop Production* report. WAOB also suspended release of the *World Agricultural Supply and Demand Estimates* report scheduled on September 12. Both agencies released all suspended reports at their normal times September 14. The later release of these reports had very little, if any, impact on the commodity markets. USDA has attained 100% on-time performance in 3 out of the last 5 years. The tragic events of September 11 prevented USDA from attaining this performance measure that would have otherwise been realized.

FY 2002 Current Performance: USDA is in the process of completing a study of aflatoxin discrepancies as part of its mycotoxin testing program. In addition, some new or improved moisture calibrations will be implemented, and StarLink test kits may be evaluated.

USDA continues its efforts to sustain a 100% target level of on-time reports through continuous staff training and use of computer equipment and technology. In general, the number of reports and information released by USDA continues to grow in order to meet the ever-growing demands and challenges associated with data users and the public's need for more and better information. The number of reports issued annually over the last four years has grown, while overall annual appropriated budgets have provided only a limited amount of additional support.

Program Evaluation: No program evaluations were conducted related to these performance goals in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Low phytic-acid corn has potential nutritional value in foods and feeds. USDA scientists at Aberdeen, Idaho have developed corn and barley with low phytic acid. Cooperators at the University of Colorado Health Center found that human subjects retained 70% more zinc from foods prepared with low phytic acid corn compared to normal corn. Cooperators at Montana State University found that heifers gained up to 33% more weight per day when consuming low phytic acid barley compared with normal barleys. These results indicate that low phytic-acid grains may have enhanced nutritional value for both humans and livestock.

Genetically improved line of channel catfish. Catfish with growth rates requiring more than one season to achieve market size cost more to produce. USDA scientists at the Catfish Genetics Research Unit in Stoneville, Mississippi, have developed a genetically improved catfish line, USDA103, with improved growth. From the 1998 and 1999 spawning seasons, over 1.7 million USDA103 line catfish fry have been supplied to Mississippi State University for stocking into earthen ponds. Fish are currently being reared for a total of 3 growing seasons to a size and age recognized by the industry as sexually mature broodfish and released to commercial producers. Results of experimental trials demonstrated that USDA103 catfish have excellent growth due to higher feed consumption, and that following recommended management guidelines should produce marketable catfish faster than fish currently cultured.

DNA sequences of beef and dairy cattle and pig genes will be used to improve livestock production. Genetics plays a large role in animal production performance, efficiency, and profitability. Improvements in genet8ic selection for reproduction, nutrition, growth, animal health, and carcass traits will enhance profitability and global competitiveness. Identification of the many genes that influence each production trait will improve the accuracy of genetic selection and improve the understanding of the biological processes that control these production traits. USDA scientists have sequenced 50,000 short segments of genes from beef cattle and 30,000 segments from pigs. USDA scientists have also sequenced 12,000 short segments of genes from mammary glands of dairy cattle. The gene sequences are accessible to the public through the databases of the National Center for Bioinformatics (NCBI) GenBank in Washington, D.C., and through the databases at the Clay Center facility. These research efforts are a major contribution to understanding the function of genes that influence livestock production.

Key Outcome: Expand the market for biobased products and biofuels.

USDA-supported research continues to develop technologies that will be transferred to the private sector to enhance the range of uses for agricultural commodities and byproducts as well as new crops. These biobased products and bioenergy are made from renewable resources and will help meet environmental needs, reduce dependence on petroleum-based products, and expand market opportunities for U.S. agriculture. New biobased lubricants, for example, hold the promise of helping penetrate the $1.5 billion lubricants market. Several large multi-national companies are now expanding their production and marketing of bio-lubricants.

USDA research is helping to reduce product costs by creating new ways to produce and process these bioproducts. Additionally, USDA is helping to commercialize biobased products, including biofuels, by utilizing the purchasing power of the Federal government to

pull such products into the market. A prime example of this action was reflected in the Secretary's announcement of August 7, 2001 that USDA fleets would buy and use biodiesel and ethanol to the maximum extent practicable. USDA is also compiling lists of accepted biobased industry products by category, such as lubricants, biofuels, paints and coatings, bioplastics, etc., available for purchase by the Federal government.

Additionally, the Department is facilitating the production of biofuels (ethanol and biodiesel) by providing cash payments to eligible bioenergy producers in 2001 and 2002 that use agricultural commodities such as corn and soybeans to increase their production of biofuels.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
1.2.5 The number of categories for which lists of accepted biobased industrial products are available for Federal government purchase (# Cumulative).	N/A	1	3	3

Data Assessment: Industry experts provided the information in the lists.

Analysis of Results: USDA was successful in adding three new categories of biobased products to a "sourcebook" web site in 2001.

FY 2002 Current Performance: Efforts are underway to accelerate the listing process in 2002 to include 13 categories instead of the six previously planned for.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Biodegradable Packing Material. With USDA research funding, scientists in Minnesota have found that extruding sheets of starch/synthetic polyester blend has shown that blends of up to 60% starch can be extruded with a thickness as low as 0.3 mm. Research into the technology for making highly refined cellulose from agricultural byproducts also offers potential as a value-added process. Packaging films/sheets constitute a sizable portion of our municipal solid waste, and their inherent non-biodegradability is a major source of pollution. It is expected that approximately 50% of the synthetic polyester could be replaced with natural polymers leading, to a significant value addition. These blends would serve as an alternative to pure petroleum-based polymers.

Biodegradable Gum Product. With USDA research funding, South Dakota researchers have created a corn-based gum product, using the by-products of ethanol production that can be used in different types of applications and can replace other synthetic gums that are imported into the U.S. The new gum product is blended with grass fibers or waste paper pulp and mixed with grass seed, creating a biodegradable grass seed/mulch product, which

is spread on bare roadsides or torn-up construction sites. As the grass begins to grow, the corn-gum mulch decomposes, protecting the soil from erosion without leaving an environmentally hazardous residue.

Construction Panels From Soybeans and Wheat. With USDA funding, scientists in South Dakota and Iowa have developed a soy protein-based adhesive capable of bonding agrifiber without compromising water resistance characteristics. Soybean straw and wheat straw, when bonded with the soy-based adhesive, have mechanical and water resistance properties comparable to wood fiber based panel boards. The new soy protein-based adhesive provides another panel fiber source to help satisfy increased consumer demand—without creating an additional strain on limited natural wood resources. The new product also creates a new market for soy protein as an adhesive. Faced with an increasing worldwide wood fiber shortage, the construction industry is interested in the production of panel products from renewable agricultural residues.

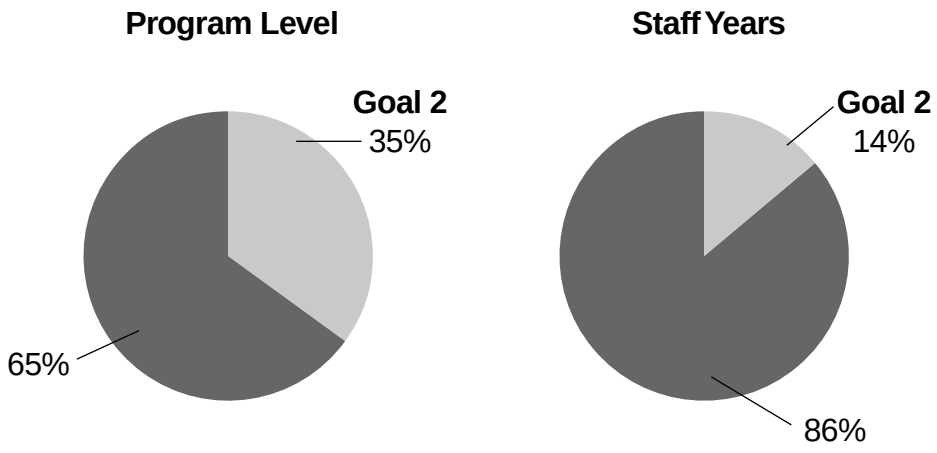
Guayule composite board foils termites and fungi. Biological wood-destroying organisms cause several billion dollars of damage annually in the U.S. USDA researchers in Phoenix, Arizona, together with cooperators at the University of Arizona and the University of Illinois, developed composite boards made from guayule pulp and high density plastic. When exposed to termites or wood-rot fungi, the composite boards were not damaged. The development of a new termite and wood-rot resistant wood product demonstrates an important new potential use for guayule, a semiarid drought tolerant crop that also produces a nonallergenic latex. Commercial production of guayule as an alternative crop would help conserve our water and forest resources.

Strategic Goal 2

Promote health by providing access to safe, affordable and nutritious food

USDA Resources Dedicated to Goal 2	FY 2001 Actual
Program Level ($ Mil)	36,538.6
Staff Years	15,072.0

Percent of FY 2001 USDA Resources Dedicated to this Goal



Objective 2.1

Reduce hunger and improve nutrition among children and low-income people in the United States

USDA's domestic nutrition assistance programs work in communities across the country to reduce hunger and improve nutrition by providing children and low-income people with access to food, a healthful diet, and nutrition education. These efforts touch the lives of one in six Americans and account for nearly one-half of USDA's expenditures. The largest programs include: Food Stamps, the Child Nutrition Programs—such as the National School Lunch Program—and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

Key Outcome: Significantly improve food security for children and low-income people.

USDA nutrition assistance programs constitute the lion's share of the Federal government's effort to reduce hunger, and are major sources of food for children and adults from low-income households; for some, they may be the only food source. Performance in improving food security is thus linked to providing program access and delivering benefits effectively to eligible populations who face food insecurity.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target*	2001 Actual
2.1.1 Expand program access and benefit delivery for USDA nutrition assistance programs (Mil):				
• Food Stamp Program participation.	18.2	17.2	17.6	17.3
• Special Supplemental Nutrition Program for Women, Infants and Children (WIC) participation.	7.31	7.20	7.25	7.30
• National School Lunch Program participation.	26.9	27.2	27.6	27.4
• School Breakfast Program (SBP) participation.	7.4	7.61	8.1	7.8
• Child and Adult Care Food Program (CACFP) meals served.	1,638	1,671[1]	1,766	1,678
• Summer Food Service Program (SFSP) participation.	2.17	2.11[1]	2.21	2.09

*USDA uses projected annual participation levels as a proxy measure of performance in maintaining program access and benefit delivery for nutrition assistance programs. These projections reflect the Department's best estimates of voluntary program participation, rather than targets per se.

[1] FY 2000 figures have been adjusted from those appearing in the FY 2002 and Revised FY 2001 Annual Performance Plan, based on updated reporting from States.

Data Assessment: Data provided above is preliminary, based on State reports collected and consolidated by USDA and reviewed for consistency and completeness. Final data for this objective will be available Second Quarter, FY 2002; final figures are expected to fall within 2% (±) of preliminary figures. Data will be updated in the FY 2002 Annual

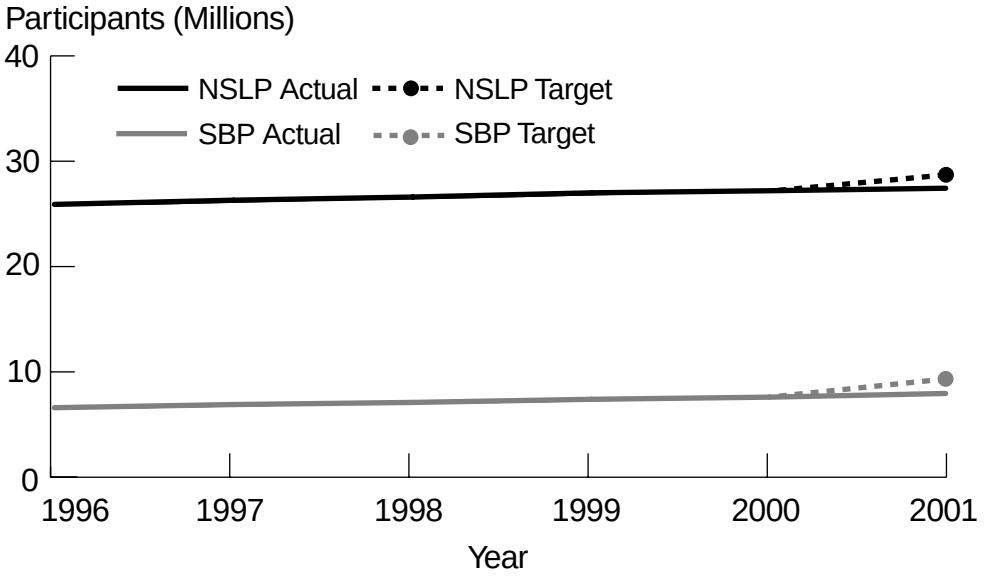
Performance Report, and analysis will be included of any data that changes beyond the 2% range.

Analysis of Results: In general, nutrition assistance program participation in FY 2001 reached the levels projected in the FY 2001 performance plan. As program participation is voluntary, performance projections related to participation are estimated based on assumptions about economic and other factors that impact the likely behavior of eligible populations.

School meals programs (the National School Lunch Program and the School Breakfast Program) performance was substantially as expected for the fiscal year.

Year	NSLP Participants (Millions)	Target	SBP Participants (Millions)	Target
1996	25.9		6.6	
1997	26.3		6.9	
1998	26.6		7.1	
1999	27		7.4	
2000	27.2		7.6	
2001	27.4	27.6	7.8	8.1

National School Lunch Program and School Breakfast Program Participation

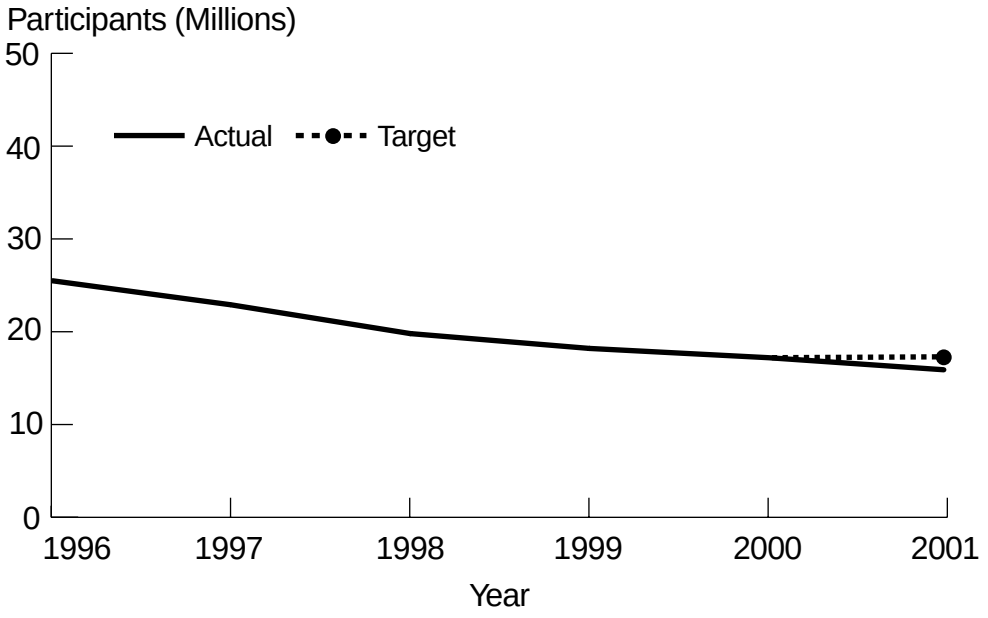


For the other major programs, participation differed significantly from the expected levels—in one falling below the target, in the other exceeding the target. These are discussed below:

Food Stamp Program: The program did not reach its projected average monthly participation level in FY 2001. This reflects lower-than-anticipated participation at the beginning of the year; participation increased in 10 out of 12 months in FY 2001, reaching 17.85 million in September.

Year	Participants (Millions)	Target
1996	25.5	
1997	22.9	
1998	19.8	
1999	18.2	
2000	17.2	
2001	17.3	17.6

Food Stamp Program Participation



As noted above, projections of Food Stamp Program participation are based in large part on macro-economic factors, rather than specific policy or administrative actions. Nonetheless, USDA is committed to ensuring that eligible people have access to the Food Stamp Program. In FY 2002, USDA is continuing steps in three areas to identify and address unreasonable barriers to Food Stamp Program participation by non-participants who are eligible for program benefits: (1) program policies that make it difficult for eligible working families to participate; (2) local agency procedures that may hamper eligible persons' access to the program; and (3) lack of information or understanding about the Food Stamp Program in general and its eligibility requirements.

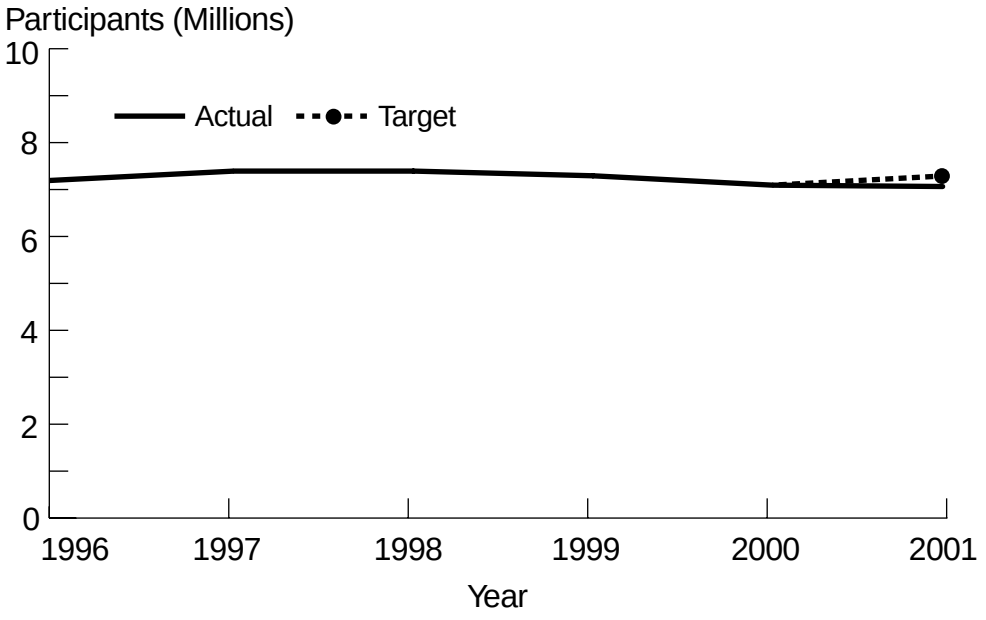
The Department will continue to promote actions to reduce reporting requirements for working families whose income fluctuates frequently. USDA regional offices will continue to conduct program access reviews of local offices in States to ensure that applicants have access to food stamps in accord with all applicable laws and regulations. Where deficiencies are noted, States and local offices will be required to implement immediate corrective action, as required, or submit corrective action plans. Identified State "best practices" will be posted on the Internet.

USDA is also continuing to test potential policy and program changes that could improve access to the program. These include projects to combine the Food Stamp and Social Security application processes, and to improve service to elderly persons; support for States' efforts to improve Food Stamp applications and the application process; and coordination with other Federal agencies to develop a web-based multi-program eligibility prescreening tool. In FY 2002, USDA plans to award competitive grants for States and nonprofit organizations to improve access for those eligible. The Department also continues to operate a toll-free 800 number to provide program information to interested parties.

- WIC: The program exceeded its projected participation level in FY 2001 by about 50,000 participants in an average month, a level above the original target but still well within the most recent estimates of the WIC-eligible population.

Year	Participants (Millions)	Target
1996	7.2	
1997	7.4	
1998	7.4	
1999	7.3	
2000	7.1	
2001	7.3	7.25

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Participation



- CACFP: The number of meals served in the Child and Adult Care Food Program fell short of the number targeted in FY 2001, increasing by 0.5% as compared to a projected 5.7% increase. The decline in meals was accompanied by a net gain of only 0.4% in the number of childcare institutions delivering the program, including a 2.6% drop in the number of participating family day care homes and a 2.8% increase in the number of participating centers. Factors that influenced these changes and the lack of growth in meals served may include changes in the national economy and their impact on the need for child care in homes. USDA's CACFP Management Improvement Initiative may also have a role in the participation of homes. The relative impact of these factors is unclear. The Department plans to continue to monitor implementation of the Initiative to ensure that it continues to improve program management without compromising program access.

- SFSP: Participation in this program remained essentially unchanged in FY 2001, despite USDA's outreach and expansion efforts in the prior year.

Growth in the size of the SFSP has been designated as a major priority for FY 2002 and will involve the commitment of considerable resources. This effort will include providing various forms of training and technical assistance to 14 States designated as low-participation States; providing technical assistance to other areas determined to have high need and potential for success; and conducting outreach initiatives targeting Federal, State, and local elected officials, potential and existing sponsors, and the general public—including parents and children.

The Department supports and encourages participation in Federal nutrition assistance through the Expanded Food and Nutrition Education Program (EFNEP), which targets low-income youth and families with young children. An evaluation of EFNEP was completed in FY 2001; its findings are discussed under Program Evaluations, below.

FY 2002 Current Performance:

- Food Stamp Program: The decline in participation has leveled off, and caseloads have grown nationally each month since April 2001. Based on projected increases in unemployment rates and the impact of the outreach efforts outlined above, USDA projects an increase in participation during the current fiscal year.
- WIC: Given economic factors such as unemployment, USDA projects an increase in demand for the program during the current fiscal year.
- National School Lunch Program: Based on historical trends and school enrollment data, USDA is projecting a slight increase in Program participation during the current fiscal year.
- School Breakfast Program: Based on historical trends, school enrollment, and National and State efforts to bring schools into the Program, USDA is projecting some increase in Program participation.
- Child and Adult Care Food Program: Based on an anticipated increased demand for childcare, USDA is projecting a small increase in Program size.
- Summer Food Service Program: Based on additional substantial outreach activities being carried out early in the fiscal year, USDA expects program participation to increase.

Program Evaluation: USDA released *The Decline in Food Stamp Participation: A Report to Congress*, which responds to a Congressional mandate to study the decline in participation in the Food Stamp Program. The report concluded that a third of the total decline occurred because rising income and assets lifted people above the Program's eligibility limit, another 8% reflects the effect of welfare reform's changes to program eligibility rules, and the remainder of the decline (just over half) occurred because fewer eligible individuals participated in the program. The report also found that demand on food pantries and soup kitchens has risen modestly. Most providers say they can cope with current demand and can meet a small increase in future demand.

USDA completed two reports on the characteristics of food stamp households—a full report on FY 1999 participants, and an advance report on FY 2000 participants. Both studies, which are based on analyses of Food Stamp Quality Control data, show that food stamp households are a diverse group. Because food stamps are available to most low-income households with few resources regardless of age, disability status, or family structure, recipients represent a broad cross-section of the nation's poor.

USDA released *Reaching Those in Need: State Food Stamp Participation Rates in 1998*, the third report in a series of publications presenting estimates of the percentage of eligible persons by State who participate in the Food Stamp Program. The study found participation rates varied widely among States; estimated rates in some States fell below 50%; in others, they exceeded 80%. The study also found that while participation rates fell in every region of the country and in most States between September 1994 and September 1998, a few states had consistently high participation rates.

USDA released *Trends in Food Stamp Participation Rates: Focus on 1994 to 1998*, which focused on trends in the rates before and after welfare reform and throughout much of the economic expansion of the 1990s. In general, participation rates for most subgroups have been falling since 1994 due to larger decreases in the number of participants than in the number of eligible individuals. However, some subgroups experienced increases in rates, and others experienced fluctuating or stable participation rates over this time.

USDA released *Changes in Client Service in the Food Stamp Program After Welfare Reform: A Synthesis of Case Studies in Eight States*, which studied State Food Stamp

Program policy choices and local implementation of these policies after welfare reform. This study revealed that many local procedures, through often the product of well-intentioned efforts to further the goals of welfare reform, may actually impede program participation.

USDA released a study on The Consequences of Welfare Reform and Economic Change for the Food Stamp Program—Illustrations from Microsimulation: Final Report, which summarizes the results of a longitudinal microsimulation model used to explore how state welfare reform and economic changes between 1992 and 1998 might have affected the Food Stamp Program and how an economic recession might affect food stamp outcomes. The study was able to explain slightly over half of the reductions in caseloads and costs during the period. Of this, about one-third of the reductions could be attributed to changes in State welfare and childcare policies; about two-thirds could be attributed to changes in State unemployment rates. The study also found that in a future recession similar to that of 1990-92, food stamp caseloads could increase about 11% and food stamp costs could increase about 13%.

USDA released a study on *Food Stamp Leavers in Illinois - How Are They Doing Two Years Later? Final Report*, which examined the situation of food stamp recipients in Illinois who left the Food Stamp Program in 1997. The study found that about half of all leavers were employed in any given month after exiting the program, and many worked in low-wage jobs. Nearly half of all leavers returned to the program, and more than half had incomes below the poverty level. The study also found that nearly 60% of all food stamp leavers experienced one or more serious hardships (extreme poverty, food insecurity, treatment for substance abuse, serious illness, and health problems but no health insurance).

The Institute of Medicine prepared an interim report on "Framework for Dietary Risk Assessment in the WIC Program." The report, part of a project to evaluate the use of various dietary assessment tools in determining eligibility for the WIC program and to make recommendations for the assessment of inadequate or inappropriate dietary patterns, proposes a framework of eight characteristics of an effective dietary assessment tool. In preparing the report, the committee reviewed a selection of the dietary assessment tools currently in use in WIC agencies; it did not find any tools that have all eight characteristics. The committee's final report will provide recommendations for tools to assess dietary risk in potential WIC participants, and will give the scientific basis for those recommendations.

An evaluation of EFNEP indicated the program reached 447,027 youth and 164,154 adults. Seventy-four percent of EFNEP families receive Federal food assistance at entry and an additional 8% receive this assistance at exit. Eighty-two percent of adult program graduates improved in one or more food resource management practices (i.e., plans meals, compares prices, does not run out of food, or uses grocery lists).

Key Outcome: Support real improvement in the diets of those served by USDA nutrition assistance programs.

The Nation faces significant public health issues related to the quality of America's diet. In addition to the persistent problems of food insecurity and hunger, some major nutrition problems that have emerged in recent years result from deficiencies in diet quality—the proper quantity and variety of foods and nutrients in an individual's diet. While this is influenced by the foods available in the marketplace, through nutrition assistance, and through other sources, diet quality is significantly determined by personal eating behaviors and food choices. For this reason, USDA is working to create an integrated approach for promoting science-based nutrition messages through all of its nutrition assistance programs.

With obesity now the most prevalent nutritional disease among America's youth, this effort has enormous long-term implications to public health in America.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
2.1.2 Carry out an integrated National nutrition education strategy to reach children and caregivers eligible for Federal nutrition assistance:				
• Long-term plan for nutrition education in nutrition assistance programs.	—	—	Plan drafted	Draft under internal review
• USDA nutrition education materials disseminated to children and their caregivers (#).	—	1,578,400[1]	150,000	2,737,638

[1] This figure was revised to include materials that were omitted in the FY 2002 Annual Performance Plan.

Data Assessment: Performance data on preparation of the long-term plan for nutrition education is derived from USDA administrative records. USDA is not aware of any significant limitations on the validity or accuracy of this data.

Performance data involving distribution of educational materials are collected from contractors, including the National Technical Information Services (NTIS), U.S. Department of Commerce, and the District of Columbia ARC (DC-ARC), which distribute materials for USDA, and from USDA administrative records distributed directly. Contractors provide distribution reports to USDA, and can be verified through management reviews and other reporting mechanisms as resources permit. While this data tracks the overall number of materials disseminated as a result of the campaign, it does not relate this back to the number or proportion of participants reached by these events.

Analysis of Results: While USDA has prepared an initial draft long-term plan for nutrition education in Federal nutrition assistance programs, the draft is under internal review. The draft plan is designed to capitalize on the strengths of the individual programs while constructing a framework to use systematic, collaborative, cross-program approaches in planning, developing, and implementing individual, population-based, and environmental strategies that facilitate voluntary adoption of healthy eating and related behaviors among target populations.

USDA exceeded its goal for disseminating nutrition education materials to children and their caregivers. Nutrition education materials distributed encompass all of the USDA nutrition assistance programs, and focused on various segments of the target group such as pregnant or breastfeeding women, young children, adolescents, parents or other caregivers, and program cooperators.

USDA works to promote better diets among children and low-income families through the Expanded Food and Nutrition Education Program (EFNEP), which targets low-income youth and low-income families with young children. An evaluation of EFNEP was completed in FY 2001; its findings are discussed under Program Evaluations, below.

FY 2002 Current Performance: USDA expects to complete its long-term plan for nutrition education in FY 2002, and to begin implementation. The Department also expects to meet or exceed its FY 2002 target for dissemination of nutrition education materials.

Program Evaluation: USDA released the *Food Stamp Nutrition Education Study,* which provides descriptive information about how States have elected to provide nutrition education and information to food stamp recipients and those eligible. The report concludes that while the growth of food stamp nutrition education in recent years shows both its importance and its popularity, continued growth will present a number of challenges over the next few years, including the need to better coordinate the services of various Federal nutrition education providers; the need to coordinate in-person nutrition education efforts with social marketing and mass media efforts; and the need to develop better reporting and performance measurement systems.

USDA released a study on *Children's Diets in the Mid 1990's: Dietary Intakes and Its Relationship with School Meal Participation,* which describes children's mean food and nutrient intake, reports the percentage meeting various dietary standards, and compares the diets of participants and nonparticipants in the school meal programs. It showed that most children do not have diets that conform to the Dietary Guidelines for Americans, but that the school meal programs play a substantial role in the diets of school-aged children. Participation in these programs is associated with higher mean intakes of food energy, vegetables, milk and milk products, and meat and meat substitutes, and of many nutrients—both at lunch and over 24 hours—than that of nonparticipants. The study also found that improvements in the school meal programs could be a positive step in promoting healthy eating among children.

USDA released a related study on *Changes in Children's Diets: 1989-91 to 1994-96.* It found that average food energy intake among school-aged children increased during this period, while fat and protein as a percentage of food energy decreased. Fiber consumption increased, and children's intakes of most vitamins and minerals did not change much during the period.

USDA completed two demonstration studies to examine potential improvements in nutrition education in the WIC program. One study focused on two innovative approaches to provide nutrition education for prenatal participants; the other considered the feasibility and effectiveness of providing nutrition education to preschool (three and four-year-old) WIC participants.

The *WIC Nutrition Education Demonstration Study Final Report: Child Intervention* concluded that preschool nutrition education is feasible for three and four-year-old children in WIC settings and that the demonstrated intervention improved children's knowledge for some nutrition concepts, but that more information is needed on the cost and sustainability of preschool nutrition education in the WIC Program.

The *WIC Nutrition Education Demonstration Study Final Report: Prenatal Intervention* found that neither the innovative nor the traditional interventions increased nutrition knowledge among prenatal WIC participants: that the innovative interventions were more difficult to implement than the traditional ones; and that low attendance and usage of nutrition

education materials hampered the effectiveness of all of the demonstration nutrition education approaches. However, limitations on the validity of the nutrition knowledge assessment tool that was used limit the usefulness of the study's conclusions. The study also did not address the important issue of changes in nutrition behavior that could result from nutrition education.

The General Accounting Office (GAO) issued a report titled *Food Assistance: Performance Measures for Assessing Three WIC Services*, which examines performance measures for nutrition education, breastfeeding promotion and support, and health referral services (three WIC services). This report explored how these services are assessed in terms of both program outcomes, which assess the impact of these services, and program outputs, which use key data to measure performance and program compliance. The report noted that while USDA measures breastfeeding outcomes, the Department has had difficulties in implementing outcome-based measures for nutrition education and health referrals because of resource constraints and the difficulty in identifying measures that link a particular service activity to a specific outcome. It has been suggested that strengthening the management evaluation process could result in better data with which to evaluate program outputs.

GAO issued a report titled *Food Assistance: Research Provides Limited Effectiveness of Specific WIC Services.* The report examined 19 research studies published since 1995 that dealt with assessing the effectiveness of WIC nutrition education, breastfeeding promotion and support, and health referral services. Of the 19 studies GAO found relating to these services, 12 were demonstration studies that suggested that special targeted interventions improved participant outcomes; however, only one of the studies specifically addressed the potential costs of new interventions. Results of the seven impact studies relating to these services provided little insight into WIC's effectiveness in these areas. GAO recommended that USDA include in future research an assessment of the costs associated with the special intervention being evaluated.

USDA released a study on *The Economic Benefits of Breastfeeding: A Review and Analysis*, which reviewed breastfeeding trends and previous studies that assessed the economic benefits of breastfeeding. This study showed that a minimum of $3.6 billion would be saved if breastfeeding were increased from current levels (64% in-hospital, 29% at 6 months) to those recommended by the U.S. Surgeon General (75% and 50%). This finding suggests corollary benefits to the policy of promoting breastfeeding in the WIC program.

An evaluation of EFNEP indicated the program reached 447,027 youth and 164,154 adults. Eighty-seven percent of adult program graduates improved in one or more nutrition practices (i.e., makes healthy food choices, prepares foods without adding salt, plans meals, reads nutrition labels, or has children eat breakfast). In addition, 93% of adult participants showed positive change in at least one food group upon completion of the program.

Key Outcome: Improve the nutritional quality of USDA food benefits.

USDA is also working to improve the nutritional quality of program benefits to ensure that its low-income program participants, as all Americans, have access to a healthy diet. USDA's key performance goals to further benefit quality targets are: 1) to encourage consumption of fruits and vegetables—a critical part of a healthy diet that needs improvement across the Nation—by increasing access to fresh produce through its nutrition assistance programs; and 2) to continue to work with State and local partners to ensure that the Federal benefits they deliver reflect a balanced diet—particularly when it comes to school meals that help children form healthy eating habits at an early age.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
2.1.3 Improve access to fresh fruits and vegetables:				
• Fresh fruits and vegetables provided to schools ($ Mil).	31.5	29.7	34.7	57.5
• Sites on Indian reservations receiving fresh fruits and vegetables (#).	58	59	70	82
• Participants in the WIC Farmer's Market Nutrition Program (Mil).	1.53	1.90	1.65	Available Mar. 2002
2.1.4 Monitor and support State and local efforts to ensure that USDA food benefits meet national nutrition standards:				
• School Meals Initiative monitoring reviews conducted by State agencies.	2,937	3,939	2,900	4,073

Fruits and vegetables provided to schools

Data Assessment: Data on fruit and vegetable deliveries to schools are derived from the Processed Commodities Inventory Management System (PCIMS), which tracks commodity purchases for nutrition assistance programs. PCIMS data is reconciled monthly and annually by program analysts to ensure accuracy. USDA is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: USDA purchased $57.5 million worth of fresh fruits and vegetables for schools participating in the National School Lunch Program in FY 2001. This includes: 1) products normally purchased by the Agricultural Marketing Service on an ongoing basis; 2) fresh fruits and vegetables purchased by the Department of Defense (DOD) through an agreement with USDA; and 3) purchases made with funds from the "Agricultural Risk Protection Act of 2000." In FY 2001, there was a significant increase in the amount of money spent by USDA on fresh fruits and vegetables as compared to the previous year.

FY 2002 Current Performance: USDA expects that the amount of fresh fruits and vegetables purchased for schools in FY 2002 will decline from the FY 2001 level, unless market conditions lead Congress to provide additional special support to the fruit and vegetable industry.

FDPIR sites receiving fresh fruits and vegetables

Data Assessment: Data on Food Distribution Program on Indian Reservations (FDPIR) sites receiving fresh fruits and vegetables is derived from Defense Department billing information and verified through USDA administrative records. The USDA is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: Eighty-two Indian Reservations received fresh fruits and vegetables in FY 2001 through an agreement between USDA and the Department of Defense (DOD). Under this program, DOD purchases high quality fresh produce and directly delivers it to Indian Tribal Organizations participating in the Food Distribution Program on Indian

Reservations. The initiative has proven very popular among Indian Tribal Organizations, resulting in a higher number of tribes participating than was originally projected.

FY 2002 Current Performance: USDA does not foresee a significant increase in the number of tribes receiving DOD fresh fruits and vegetables in FY 2002. There are currently 82 Indian Tribal Organizations participating in the fresh fruit and vegetable project with DOD. Although USDA anticipates that some additional Indian Tribal Organizations may participate in the DOD program this year, the majority of tribes in the Food Distribution Program on Indian Reservations that have the capacity to accept shipments of fresh produce are already doing so.

Participants in the Farmer's Market Nutrition Program

Data Assessment: Data on participation in the Farmer's Market Nutrition Program are derived from State agency reports to USDA and verified through administrative records. FY 2001 data will be made available during the Second Quarter of FY 2002, and will be reported in the FY 2002 Annual Performance Report. The USDA is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: Data not yet available.

FY 2002 Current Performance: Data not yet available.

Program Evaluations: No program evaluations were conducted related to this performance goal in FY 2001.

School Meals Initiative Monitoring

Data Assessment: Data related to School Meals Initiative (SMI) monitoring by States is collected, compiled, and reviewed generally for consistency by USDA. However, the ability to ensure complete and accurate data reported by State agencies on local school compliance with program nutritional requirements is limited by the fact that data collection is voluntary, informal, and without standardized procedures. These limitations result from the strong opposition from the school food service community to a more formal data collection process.

Analysis of Results: For FY 2001, States conducted over 4,000 SMI reviews—considerably more than the 2,900 targeted and indication of the high degree of oversight by States in this area. The wide variance between the target and actual review activity reflects the fact that decisions as to the number of reviews conducted are left to the States and that such decisions are affected by a wide range of variables, including the size of school food authorities selected, and the State's long-term plan for completing reviews.

FY 2002 Current Performance: USDA expects that States will perform substantially as projected during the current fiscal year. Given that this data reflects activity that is to be carried out by States over a five-year period and that States have conducted an above-average number of reviews over the last three years (with especially high numbers in FYs 2000 and 2001), a somewhat lower-than-average number of reviews completed would be neither surprising nor inconsistent with the overall goal to monitor implementation of school meals improvements.

Program Evaluation: USDA completed a major evaluation of meal quality in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). The *School*

Nutrition Dietary Assessment II examined data collected in 1998-99 from a nationally representative sample of over 1,000 public schools. The data shows dramatic improvements in the number of schools offering students the opportunity to select a low-fat lunch (no more than 30% of calories from fat); 82% of elementary schools and 91% of secondary schools offered such meals. This represents a significant improvement from 1992, when only 34% of elementary schools and 71% of secondary schools offered meals that met this standard.

The strategic plan targets for meal quality in NSLP and SBP are based on the average nutrient content of meals offered. The study shows that in School Year (SY) 1998-99, lunches offered in participating schools provided, on average, about 34% of calories from fat and an average of about 12% of calories from saturated fat. Both sodium and cholesterol in NSLP lunches decreased. These changes were made without compromising the nutrition of the meals served; school lunches were found to provide more than one-third of the Recommended Dietary Allowances (RDAs) for all targeted nutrients, and more than one-third of the daily recommended level of calories.

Measures (nutrient content of meals offered)	1992 level (SNDA-I)	1999 level (SNDA-II)	2005 Target (USDA Strategic Plan)
NSLP Lunches:			
% of calories from fat	38%	33.6%	≤30%
% of calories from saturated fat	15%	11.8%	≤10%
Calories	33%	36%	≥33.3%
Targeted nutrients (vitamins A and C, iron, and calcium)	≥33.3% for all	≥33.3% for all	≥33.3% for all
SBP Breakfasts:			
% of calories from fat	31%	25.9%	≤30%
% of calories from saturated fat	14%	9.8%	≤10%
Calories	24%	22%	≥25%
Targeted nutrients (vitamins A and C, iron, and calcium)	≥25% for all	≥25% for all	≥25% for all

The changes that the study found represent significant improvement from the baseline data on the nutrient content of school meals derived from the original *School Nutrition Dietary Assessment* (SNDA-I) released in 1993, which collected data on meals offered during SY 1991-92. However, the rate of change in the nutrient content of meals shown by the new data suggests that the program is not likely to achieve its 2005 goal to bring the average nutrient content of all meals offered in line with regulatory requirements without additional efforts by USDA and its program partners.

USDA released the *School Meals Initiative (SMI) Implementation Study,* which examined data collected in SY 1997-98 from a nationally representative sample of over 2,000 public School Food Authorities (SFAs) participating in the National School Lunch and School Breakfast Programs, and from 50 State Child Nutrition Program Directors. The evaluation

shows that most school districts are taking a variety of steps to achieve the nutrition objectives for school meals updated in 1995 as part of the School Meals Initiative for Healthy Children.

A "Second Year Report" from the study examines the status of the SMI implementation in SY 1998-99. It shows that over half (55.4%) of school districts reported that they had fully implemented the new nutrition standards in SY 1998-99—up from 34.8% in SY 1997-98, and that most districts are making substantial and rapid progress toward full implementation. The study also provides information on the different systems used to implement the new standards as well as a number of related operational issues. An analysis of data from SY 1999-2000 is also planned.

Key Outcome: Improve stewardship of Federal nutrition assistance programs.

USDA is strongly committed to preventing losses of taxpayer dollars due to fraud, error and inefficiency, and to optimizing the use of each Federal, State and local dollar to ensure that nutrition programs serve those in need at the lowest possible cost.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
2.1.5 Improve program design and delivery:				
• Food stamp benefits issued electronically (%).	70.3	76.3	81	82.8
• Annual milestones met in the Food Distribution Reinvention Plan for School and Indian Programs (%).	—	—	100	90
2.1.6 Maintain benefit accuracy in the food stamp and the school meals programs:				
• Food stamp benefit accuracy rate (%).	90.1	91.1	90.8	Available May 2002
• School Food Authorities in compliance with school meals counting and claiming rules (%).	N/A	86.8	87	Available Sept. 2002
2.1.7 Strengthen State and local management of the Child and Adult Care Food Program:				
• USDA management evaluations of State agencies administering the program (%).	—	100	100	94
• State agencies offering sponsor training that uses new USDA-developed program management materials (%).	—	100	100	0

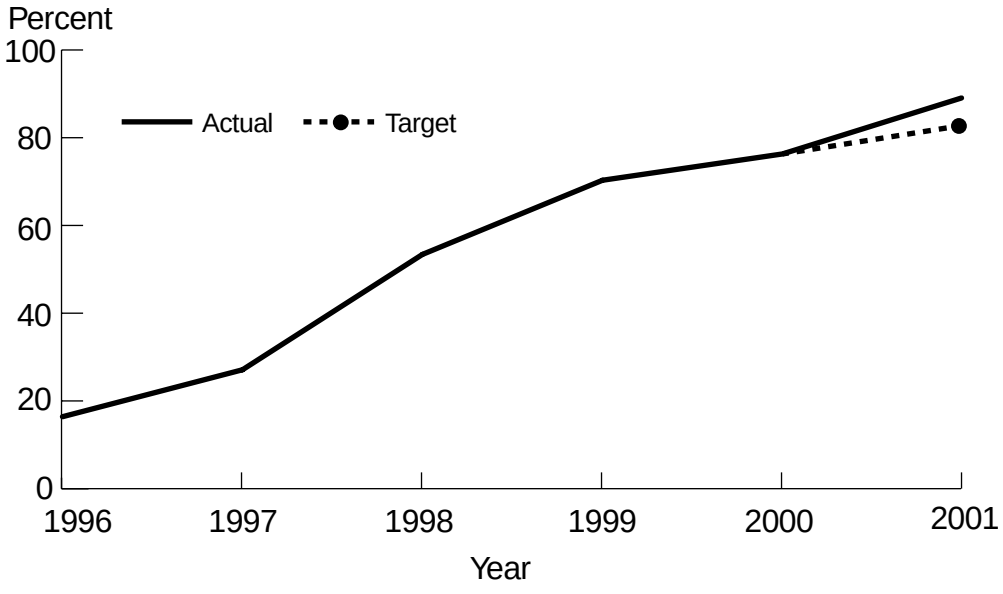
Food stamp benefits issued electronically

Data Assessment: The proportion of Food stamp program (FSP) benefits issued through EBT as of the end of the fiscal year is calculated from the issuance data provided by States on the USDA-FNS Form 388, which is entered into the National Databank after being reviewed for completeness and consistency. USDA is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: USDA exceeded its projected performance level for the proportion of FSP benefits issued through EBT by the end of FY 2001.

Year	Percent of FSP Benefits Issued by EBT	Target
1996	16.4	
1997	27.1	
1998	53.4	
1999	70.3	
2000	76.3	
2001	82.8	81

Percent of Food Stamp Benefits Issued by Electronic Benefit Transfer



FY 2002 Current Performance: USDA expects the program to meet its goal for the proportion of benefits issued by EBT by the end of FY 2002.

Execution of the Food Distribution Reinvention Plan for School and Indian Programs

Data Assessment: Data on this goal related to the *Food Distribution Reinvention Plan for School and Indian Programs* in FY 2001 will derive from direct involvement of USDA in ongoing commodity program operations. USDA is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: USDA did not reach its performance goal to meet 100% of its milestones for the Food Distribution Reinvention Plans for School and Indian Programs met. Of the 20 recommendations developed in the Reinvention Plans, 18 (90%) are proceeding as planned, and two are behind schedule.

During FY 2001, USDA finalized 16 recommendations for improving the commodity component for schools and four recommendations for improving the commodity programs for households. In response to these recommendations, USDA teams have been established to work out the policy, procedural, and operational issues necessary for implementation of each recommendation. In addition, pilot projects have been established to test various ways of making improvements in the way that raw commodities are processed into more usable end products for schools.

Of the 20 recommendations developed for school and Indian programs, two have not reached their milestones. These are 1) facilitating the processing of commodities with limited demand and 2) relaxing truckload requirements.

Due to resource constraints, USDA has not kept to its schedule for implementing the two recommendations above. USDA plans to allocate appropriate resources in FY 2002 so that these recommendations can be pursued.

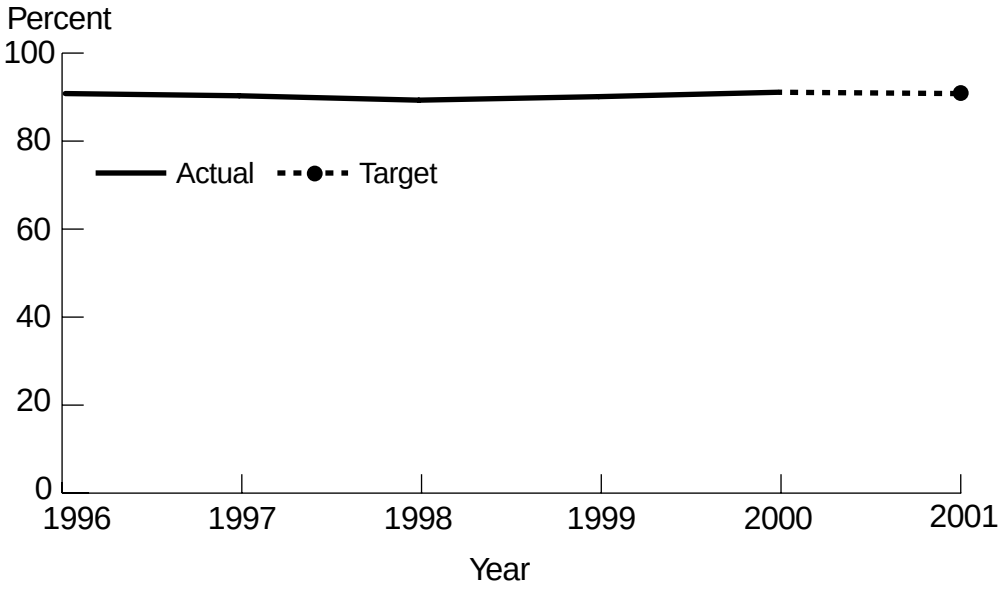
Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Food Stamp Benefit Accuracy

Data Assessment: The payment accuracy data results from the statistically valid FSP Quality Control (QC) system, in which States review approximately 50,000 randomly-selected food stamp cases annually. USDA personnel review a sub-sample of these cases for accuracy; as a result, the USDA has high confidence in the quality and reliability of this data. FY 2001 performance data comes from the review of FY 2001 FSP food stamp cases; it will be available in May 2002 and will be reported in the FY 2002 Annual Performance Report. FY 2000 data is reported in Appendix B of this report.

Year	Over-payment Rate	Under-payment Rate	Combined Payment Error Rate	Payment Accuracy Rate	Target
1996	6.9	2.3	9.2	90.8	
1997	7.3	2.5	9.8	90.3	
1998	7.6	3.1	10.7	89.3	
1999	7.0	2.9	9.9	90.1	
2000	6.5	2.4	8.9	91.1	90.5
2001					90.8

Food Stamp Payment Accuracy Rate



Analysis of Results: FY 2001 data for this indicator will not be available until May 2002.

FY 2002 Current Performance: The most important factor in maintaining improved performance in this area is the need for our State partners to continue and renew their commitment to utilize findings from the QC system to improve payment accuracy. To support State improvement, USDA will resolve QC liabilities through settlements which require States to invest in specific program improvements; support States in improving accuracy with “best practices” information-sharing; develop specific intervention plans for high issuance/high error rate States; and encourage states to adopt available options that simplify program rules.

School Meals Counting and Claiming

Data Assessments: USDA utilizes its Coordinated Review Effort (CRE) to assess compliance by local schools participating in the National School Lunch and School Breakfast Programs with Performance Standard 1 of the Department's Assessment, Improvement and Monitoring System, which measures schools' performance in correctly approving free and reduced-price meal applications and accurately and properly reporting meal counts.

CRE Data is collected by State agencies and forwarded to USDA, where it is reviewed and analyzed. While USDA procedures provide extensive edit-checks on this data, its reliability depends upon the State agencies' ability to provide effective training, to allocate resources efficiently, and to impose corrective actions to resolve audit findings and reports. These factors, in turn, are affected by USDA's ability to oversee States' monitoring activity; in recent years, USDA has been hampered in providing oversight by inadequate staff resources for this purpose.

USDA reviews cannot verify the overall accuracy of data supplied, only consistency with other State data. In addition, review activity is targeted to selected SFAs, so the compliance rate does not represent all schools. States frequently target large SFAs and problem areas, so actual compliance may be better than the indicator shows.

Final data for FY 2001 will not be available until Third Quarter, FY 2002. This will be reported in the FY 2002 Annual Performance Report. FY 2000 data is reported in Appendix B of this report.

Year	Percent of SFAs in Compliance	Target
1997	85.5	
1998	85.9	
1999	86.1	86
2000	86.8	87
2001		87

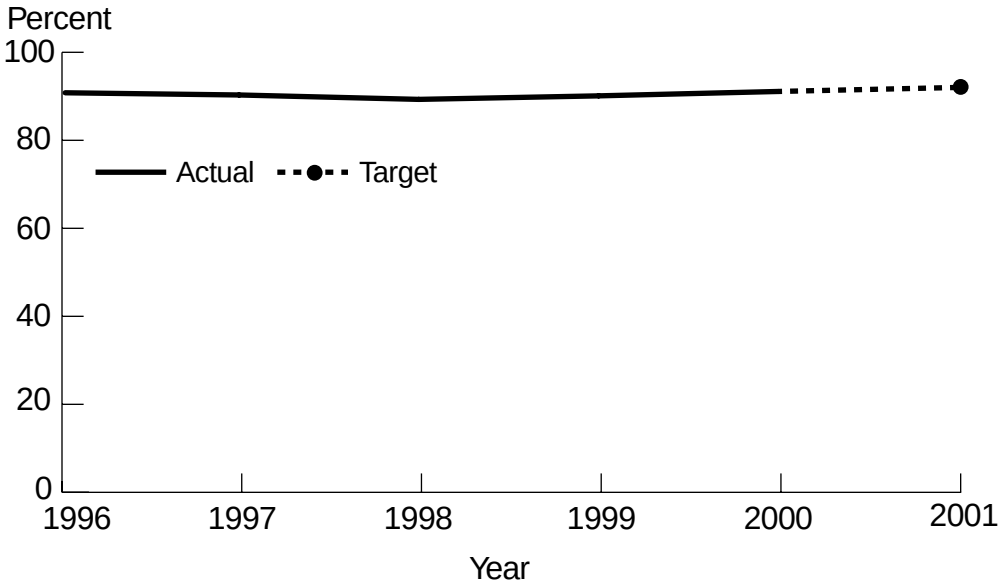
Analysis of Results: Data not yet available.

FY 2002 Current Performance: Since an assessment of FY 2001 activity under this goal is not yet possible and results for FY 2002 will not be available until late in FY 2003, Food and Nutrition Service (FNS) cannot yet project current year performance.

Program Evaluations: The GAO issued a report titled *The Challenge of Data Sharing: Results of a GAO-Sponsored Symposium on Benefit and Loan Programs.* The report summarized the results of the GAO symposium, which included presentations on new technologies to facilitate data sharing, privacy, and security issues, and strategies for increasing data sharing among Federal benefit and loan programs.

GAO issued a report entitled FSP - *States Seek To Reduce Payment Errors And Program Complexity*, which identified States' efforts to minimize food stamp payment errors and examined what USDA has done and can do to encourage and assist the States in reducing

School Food Authorities in Compliance with Counting and Claiming Rules



such errors. GAO found that all States contacted had taken actions in recent years to reduce payment errors. State officials said their primary challenge to reducing errors stemmed from the priority their States have given to implementing welfare reform, which competes with FSP for management attention and resources. The report looked at USDA's use of financial sanctions and enhanced funding, reporting requirement changes for certain recipients, and the promotion of information exchange about successful initiatives between States, and concluded that all three approaches can help States reduce payment errors. The report also concluded that simplifying the programs' rules offers an opportunity to reduce payment errors and promote program participation. GAO recommended that USDA (1) develop and analyze options for simplifying requirements for determining eligibility and benefits; (2) discuss these options with Congressional authorizing committees; and (3) if warranted, submit legislative proposals to simplify the program.

USDA's OIG issued an audit on the FNS appeals process. The report recommends a number of actions to improve USDA oversight of Food Stamp Program appeals, including implementation of a system to address field and regional policy issues, and development of a procedure to allow better interaction between Administrative Review Officers and FSP headquarters, including management review of questionable decisions.

GAO issued a report titled *Public Assistance: PARIS Project Can Help States Reduce Improper Benefit Payments.* The report concludes that the Public Assistance Reporting Information System (PARIS) project offers states a potentially powerful tool for improving the financial integrity of the Temporary Assistance for Needy Families (TANF), Medicaid, and Food Stamp Programs, but that the project has fallen short of realizing its full potential as evidenced by low state participation. It argues that this has occurred in part because USDA and the Department of Health and Human Services (HHS) have not done enough to

encourage and facilitate state participation. GAO recommends that HHS "coordinate with the USDA Food Stamp Program to encourage their participation in PARIS at the federal level as well as their working more closely with individual states to improve the effectiveness of PARIS and helping more states to participate."

Child and Adult Care Food Program Integrity

Data Assessments: Data on USDA management evaluations of State agencies, and State agency sponsor training sessions, are derived from State reports and USDA-administrative records. USDA will verify achievement of the Child and Adult Care Food Program (CACFP) training and evaluation goals through its direct involvement in training activities. The FNS is not aware of any significant limitations on the validity or accuracy of this data.

Analysis of Results: In FY 2001, USDA did not reach its expected level of performance in this area. Regional offices conducted management evaluations in all but three States—New York, North Dakota, and Ohio. The New York management evaluation was postponed until the first quarter of fiscal year 2002 pending the resolution of outstanding corrective action activities resulting from the fiscal year 2000 management evaluation. The North Dakota management evaluation had to be rescheduled due to the September 11 tragedy. The Ohio management evaluation was scheduled and subsequently postponed due to a scheduling conflict with an audit conducted by the Department's Office of Audit and changes within the State's CACFP senior management staff.

USDA has been analyzing the regional office management evaluation reports and will continue to do so as the reports are received. Once all the reports have been received and analyzed a summary report on management evaluation will be conducted for 2001.

During FY 2001, USDA had planned to publish regulations implementing proposed program administrative changes and changes brought about in program legislation. USDA had also planned to update its management improvement guidance based on these changes and to provide States with training on the revised guidance, so that States could - provide this training to their program sponsors. Unanticipated delays in the publication of these regulations (publication of the final implementing regulations is now not expected until June 2002) have delayed the revision of and training on the management guidance materials. As a result, the State training tied to issuance of the management guidance did not take place in FY 2001. USDA is aware, however, that approximately 60% of States did provide their sponsors with some form of management improvement training in FY 2001.

Description of Actions and Schedules: The Department expects to publish the interim and final management improvement regulations referenced above that are intended to help strengthen State-level administration of the CACFP in FY 2002. Following this, updated management guidance will be prepared to inform and facilitate State sponsor training.

FY 2002 Current Performance: Actions described under "Description of Actions and Schedules" above are underway. For the future, USDA plans to change its management evaluation schedule for this program to conduct less frequent but more intensive reviews of CACFP operations.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Objective 2.2

Reduce hunger and malnutrition around the world

Key Outcome: Make a significant contribution to reducing world hunger and malnutrition.

The U.S., along with the 185 other nations participating in the Food and Agricultural Organization (FAO) World Food Summit of 1996, pledged to reduce world hunger through a multinational approach whereby each nation will prepare an action plan and dedicate resources in pursuit of the long-term goal of reducing world hunger and malnutrition by 420 million people by the year 2015. The FAO has determined that on average, the annual reduction in the world's hungry population should be about 20 million people in order to reach the 2015 goal. National activities to assist in accomplishing this goal can be unilateral or joint efforts, as the opportunities arrive. USDA has a number of program tools to assist in the reduction in food insecurity and hunger. These include direct food assistance programs that prevent deteriorating conditions by feeding the hungry due to food shortages or damaging weather conditions, social or civil strife, or temporary needs associated with social or economic change. Recently, food aid by the U.S. has been at an all-time high.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
2.2.1 U.S. food aid exports under P.L. 480 Title I and Food for Progress supporting world food security ($ Mil).[1]	727	307	213	247
2.2.2 Promote research, training and technical assistance activities that support sustainable food supplies worldwide:				
• Projects underway (#).	789	967[2]	967	1,005
• Amount invested ($ Mil).	39.9	53.8	53.8	56.0

[1] The decline from FY 1999 and FY 2000 to FY 2001 and FY 2002 is primarily related to the reduction of food aid need in Russia.
[2] The rise in the number of projects between FY 1999 and FY 2000 is primarily related to the additional reconstruction work in Central America following Hurricanes Mitch and Georges.

Data Assessment:
Annual reduction in the number of hungry people worldwide. It is based on analysis done by the FAO, of the United Nations, which performs this analysis for all of the countries that committed to the goal at the 1996 World Food Summit. The FAO analysis of current progress towards the goal will be conducted periodically (not necessarily every year). FAS will report FAO's analysis in subsequent Annual Performance Reports when available.

U.S. food aid. Not only is the information captured in official program/financial databases, these data are also audited as part of the Commodity Credit Corporation's Annual Financial Report audit. Data are final based upon program agreements signed and amended (as required) prior to the end of the fiscal year. Final shipment figures can vary marginally, but

not more than by 1%. Data presented, unless otherwise noted, only represent commodity value and do not include the cost of shipment and administration. If those costs were included, the overall value of the program would rise considerably.

Research, training and technical assistance activities. The indicators are tracked in the Foreign Agricultural Service's (FAS) accounting system and other internal program management databases.

Analysis of Results: Food aid by the U.S. continued at a high rate in FY 2001. The total value of commodities programmed under all U.S. programs reached nearly $1.2 billion in 2001, compared to $1.3 billion in 2000. Direct food assistance is one of the United State's most important tools in world food security stabilization and a critical function under its seven action strategies outlined in the *U.S. Action Plan for Food Security.* FAS shipped a total of about $247 million worth of commodities under the P.L. 83-480, Title I, and Food for Progress Programs combined—exceeding the FY 2001 performance target.

Availability of surplus commodities and donations under the Section 416(b) of the Agricultural Act of 1949 program provided FAS with critical flexibility in tailoring programs to meet the needs of recipients as the year progressed. The Section 416(b)was successfully used to accomplish key items such as helping to respond to the earthquakes in El Salvador, giving continued support to the Afghan refugees, and addressing the HIV/AIDS epidemic in many African countries.

Under Section 416(b), USDA implemented the pilot Global Food for Education Initiative in FY 2001. Through this initiative, USDA donated $147.6 million of surplus U.S. agricultural commodities for use in school feeding and nutrition projects in developing countries. School feeding programs help to ensure that children attend and remain in school, and improve childhood development and achievement, thereby contributing to more self-reliant, productive societies.

The Secretary of Agriculture has reiterated USDA's commitment to helping end hunger. Towards this end, research, training, and technical assistance activities continued to support structural and developmental changes, and achieved performance targets in the process. All activities fell within the seven action strategies outlined in the *U.S. Action Plan on Food Security*, prepared by USDA as the U.S. commitment to the World Food Summit of 1996 to reduce hunger and malnutrition worldwide. Importantly, a majority of the 1,005 activities with foreign nations in FY 2001 focused on building their capacity to undertake international trade. This included a highly successful cold-chain food distribution effort, a project in East Africa to develop regional trade standards and improve transportation management, WTO training in Sub-Saharan Africa, and biotechnology training to promote science-based adaptation of trade and regulatory practices. Other projects sponsored training and technical assistance in food security topics including food delivery, input markets and seed certification systems, warehouse receipts programs, and establishment of phytosanitary systems in Central America.

Research, training, and technical assistance activities supporting structural and developmental achievements broadened and deepened the goals outlined in the *U.S. Action Plan on Food Security* prepared by USDA. Since the publication of the *2000: U.S. National Progress Report on Implementation of the U.S. Action Plan on Food Security and World Food Summit Commitments,* in November 2000, the U.S. Government has provided more than $555 million in trade capacity assistance to developing countries or transitional

economies. For example, the Africa Trade and Investment Policy program helps reform-oriented countries improve the enabling environment for trade and private investment; links U.S. and African firms through business and trade associations; and supports market friendly reforms.

Periodic estimates of goal progress for reducing the world's hungry population will be reported by the FAO. As data are released, they can be used in subsequent annual performance reports. At the end of the millennium 2000, FAO released their findings, which were utilized in the USDA report *2000: U.S. National Progress Report on Implementation of the U.S. Action Plan on Food Security and World Food Summit Commitments*, USDA, Foreign Agricultural Service, November 2000. The report states that so far, despite encouraging improvements in world food insecurity and USDA's success in accomplishing its performance targets for food aid and long-term food security development, the World Food Summit goal is not on track. According to the report, the current world "annual 8 million reduction of undernourished is too slow to reach the World Food Summit target...Acceleration of progress is essential in order for the number on undernourished people to decline at the necessary rate of 20 million people per year."

FY 2002 Current Performance: USDA is progressing well in clearing the carry-in food aid allocations and planning for new programs. During the First Quarter of FY 2002, 12 food aid agreements were signed to provide commodities. Initial allocations under the P.L. 83-480, Title I, and Food for Progress programs have been approved. Earlier completion of the agreements under all of the programs will help avert any bunching of commodity purchases and shipments. Announcement of the FY 2002 program levels for P.L. 83-480 Title I, and Food for Progress Programs are in process. Decisions on the level of donations under section 416(b) have not been completed; however, current indications are that there will be smaller section 416(b) donations than in recent years.

USDA held a series of meetings preparing for the World Food Summit meeting in June 2002. Meetings of the U.S. Government Interagency Working Group on Food Security, the Food Security Advisory Committee, the Board on International Food and Agricultural Development, and Non-Governmental Organizations consultations each contributed to formulating the U.S. position on renewed commitment to global food security. A lynch pin of the U.S. position is support for science and technology—especially agricultural biotechnology. For example, USDA staff contributed expertise to the Partnership to End Hunger in Africa, a coalition of African and American leaders committed to enhance efforts to address critical constraints to food security and economic development in Sub-Saharan Africa. USDA/ICD began implementing an Agricultural Linkages Competitive Research Grant Program in Pakistan to address issues of food and agricultural security. USDA established with the government of the Philippines an endowment for collaborative agricultural research, and an amendment to the 1989 operating procedure for collaborative research was signed with the Ministry of Agriculture of Taiwan.

Program Evaluation: The internationally sponsored long-term goal of reducing hunger and malnutrition by 420 million people by 2015 is not on track, despite encouraging improvements and USDA's success in achieving a high level of its funded performance targets. In June of 2002, the FAO will host a mid-term review of progress made toward achieving the 2015 goal. USDA will continue to mitigate this trend, primarily through trade capacity building and food security projects noted above. The Global Food for Education pilot program can also contribute to this goal. The goal of this $300 million pilot program is to feed children at school, encouraging children to attend school and providing needed nutrition. The program will deliver over 680,000 metric tons of food to support 49 separate programs

in 38 countries across Africa, Asia, Central and South America, and Eastern Europe. The program will reach approximately nine million needy children.

No evaluations are yet available for FY 2001. An evaluation should be available in the spring/summer of FY 2002. The Evaluation and Special Projects Branch within the Foreign Agricultural Service monitor agreements between USDA and private voluntary organizations, which distribute food aid, on an on-going basis. The GAO and OIG regularly audit food aid agreements and evaluate the overall process on an ad-hoc basis. In addition, the Compliance Review Staff (CRS) under the Administrator of FAS periodically reviews and evaluates food aid activities for in-house management. Each year, CRS reviews the programs of five to seven private voluntary organizations.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

A method was developed to detect* Cryptosporidium *in water samples. Protozoan parasites including *Cryptosporidium, Cyclospora*, and *Microsporidia* continue to emerge as important food and waterborne pathogens worldwide, and are responsible for severe diarrheal disease in tens of thousands of people in the U.S. alone. Scientists at the Immunology and Disease Resistance Laboratory in Beltsville, Maryland developed a molecular technique to rapidly detect *Cryptosporidium* in water samples. This test showed strong correlation with infectivity of the parasite. This test will provide public health officials with a method to assess the safety of water relative to this parasite, and ultimately will reduce the incidence of protozoal diarrhea in the human population.

Objective 2.3

Protect the public health by significantly reducing the prevalence of foodborne hazards

USDA ensures that the commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged. The Department is responsible for ensuring sanitation, humane slaughter, pathogen reduction, food safety, and product labeling at all establishments under Federal inspection. USDA assesses the effectiveness of State inspection programs to ensure that their standards are equal to those under the Federal Acts. Also, the Department is responsible for reviewing foreign inspection systems that export meat and poultry products to the U.S., and for inspecting imported products at Ports of Entry to assure that standards are equivalent to those of the U.S. The goals outlined in this report require coordination with USDA food safety partner agencies, including the Department of HHS and the Environmental Protection Agency.

Key Outcome: Reduce the incidence of foodborne illness related to meat, poultry, and egg products in the U.S.

There are three distinct aspects of the U.S. food safety strategy: 1) assessing and monitoring emerging and potentially high-risk threats to the U.S. food supply; 2) managing these risks through science-based performance standards, regulatory requirements, and other efforts; and, 3) communicating these risks so all Americans are aware of ways to reduce the risk of foodborne illness.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
2.3.1 Provide worldwide leadership towards the creation and utilization of risk assessment capacity for meat, poultry, and egg products that is supported by the latest research and technology:				
• Risk assessments used to inform risk management decision-making and policy (# Cumulative).	2	2	2	2

Risk Assessment

Data Assessment: The data pertaining to the number of risk assessments used to inform risk management decision-making and policy development is straightforward as it applies to final regulations published in the Federal Register. The data is considered final and reliable. Some clarification is needed pertaining to this indicator. While the intent is to formalize and strengthen the science-based decision-making processes within USDA, scientists use data from many sources and USDA may want to measure the impact of risk assessment on risk management and communication with alternative indicators in the future.

Analysis of Results: USDA has met its established target for the number of risk assessments used to inform risk management decision-making and policy development. To date, these have included *Salmonella enteritidis* in eggs and *E. coli* in beef.

FY 2002 Current Performance: The USDA expects to maintain activities begun or underway in FY 2001. These include strengthening the USDA laboratory and risk assessment capabilities in general, upgrading to an automated laboratory data processing system, and developing new *Listeria* and *Campylobacter* risk assessments in particular. Work will also continue on risk assessments already underway for *Bovine Spongiform Encephalopathy* (BSE), *E.coli* 0157:H7, and *Salmonella enteritidis* in eggs. USDA also anticipates implementing a Hazard Analysis and Critical Control Point (HACCP)-based system for shell egg and egg products processing, as specified in the Shell Egg Action Plan and supported by FY 2001 funding.

Program Evaluation: On November 5, 2001, USDA announced the availability of and requested public comment on its draft risk assessment for *E.coli* 0157:H7 in ground beef. Meanwhile, USDA has also requested scientific peer review of the draft risk assessment from the National Academies of Science (NAS). NAS is scheduled to complete this review in February 2002, and the document will be revised accordingly. USDA conducted this assessment to assist in reviewing and refining its integrated risk reduction strategy for *E.coli* 0157:H7 in beef.

At the direction of Congress in the FY 2001 appropriation language, USDA has requested that NAS conduct a comprehensive study on the role of scientifically determined criteria, including microbiological criteria, in the production and regulation of meat and poultry products as a means of ensuring the safety of these products. This review is scheduled to be completed in March 2003.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
2.3.2 Create a coordinated national and international food safety risk management system to ensure the safety of U.S. meat and poultry products from farm to table:				
• Reduction in the prevalence of *Salmonella* on raw meat and poultry products as illustrated by: [1]				
– Prevalence of *Salmonella* on broiler chickens (%).	11.3	8.7	10.0	11.9
– Prevalence of *Salmonella* on market hogs (%).	6.6	7.6	6.0	4.5
– Prevalence of *Salmonella* on ground beef (%).	4.4	3.6	3.5	2.6
• Reduction in the prevalence of *Listeria monocytogenes* in ready-to-eat meat and poultry products:				
– Samples testing positive for *Listeria monocytogenes* (%).	1.91	1.45	1.43	1.32

[1] The *Salmonella* data have been calculated to reflect fiscal year results. The Agency has significantly increased the number of tests performed due to phased-in implementation and the corresponding increase in the number of regulated establishments subject to the Pathogen Reduction/Hazard Analysis and Critical Control Point (HACCP) rule. Many factors can influence prevalence data on a year-to-year basis. Therefore, it will be necessary to collect several years of data to be reasonably confident of the stability of trends for the future.

Risk Management

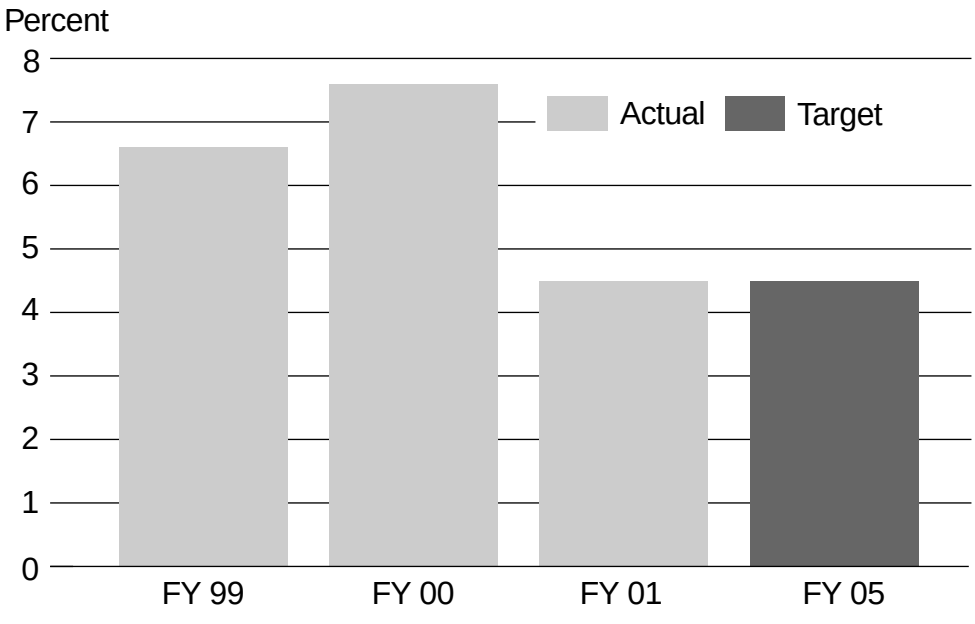
Data Assessment: An automated system (MARCIS) provides information on microbiological, chemical, and pathological analyses of meat and poultry and their processed products. The data have been converted to fiscal year information and have not been published to date for FY 2000 and 2001. USDA considers the data to be reliable.

Analysis of Results: In three out of four indicators, USDA exceeded its targets for reducing the prevalence of *Salmonella* and *Listeria monocytogenes*. As stated above, many factors can influence prevalence data on a year-to year basis. However, USDA is encouraged by these results. If these trends continue, USDA will be accomplishing most of the targets set forth in its Strategic Plan ahead of schedule. USDA has already exceeded the FY 2005 target set for *Salmonella* prevalence for ground beef. The following charts illustrate the successes to date as compared to the targets established in the Strategic Plan.

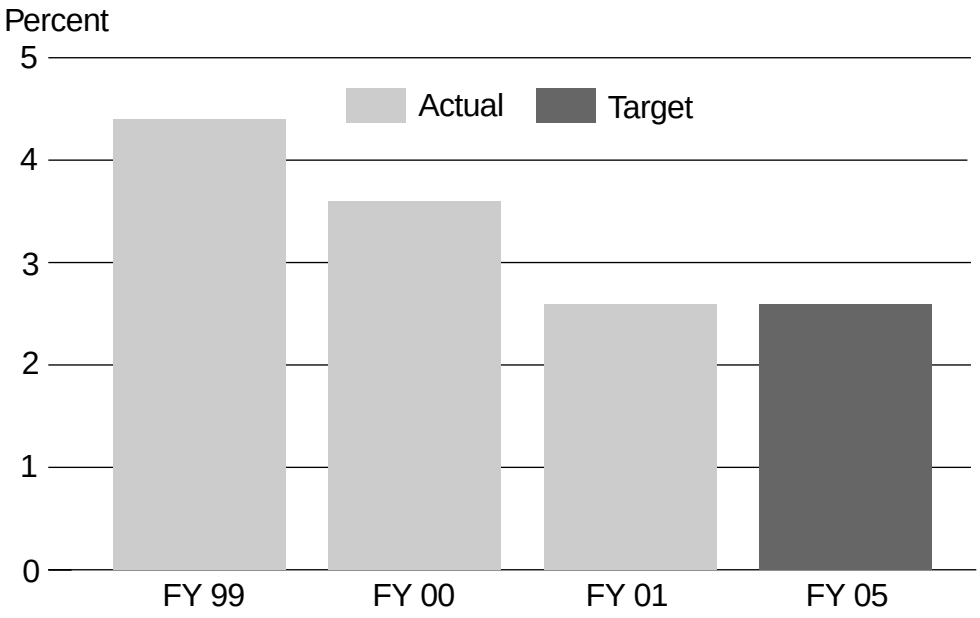
The prevalence of *Salmonella* on broiler chickens continues to be problematic, and USDA is looking into the causes as to why the rates continue to fluctuate. One such rationale is the fact that testing is conducted randomly, and depending upon the entity tested in any given year, results can vary. Preliminary analysis of the data indicates that a number of plants tested during FY 2001 did not meet the performance standard set for broiler chickens, and therefore resulted in a perceived higher prevalence rate. Given the problems of the plants in question, USDA is giving serious consideration to increasing its activities to include not only random sampling but also sampling when there is an indication that problems exist. For this reason, USDA is also giving serious consideration to deleting this indicator, as the additional sampling results would skew the *Salmonella* prevalence targets.

FY 2002 Current Performance: One major activity that will occur during FY 2002 is the USDA Food Safety Systems Correlation Team (FSSCT) project, which involves an assess-

Prevalence of *Salmonella* on Market Hogs

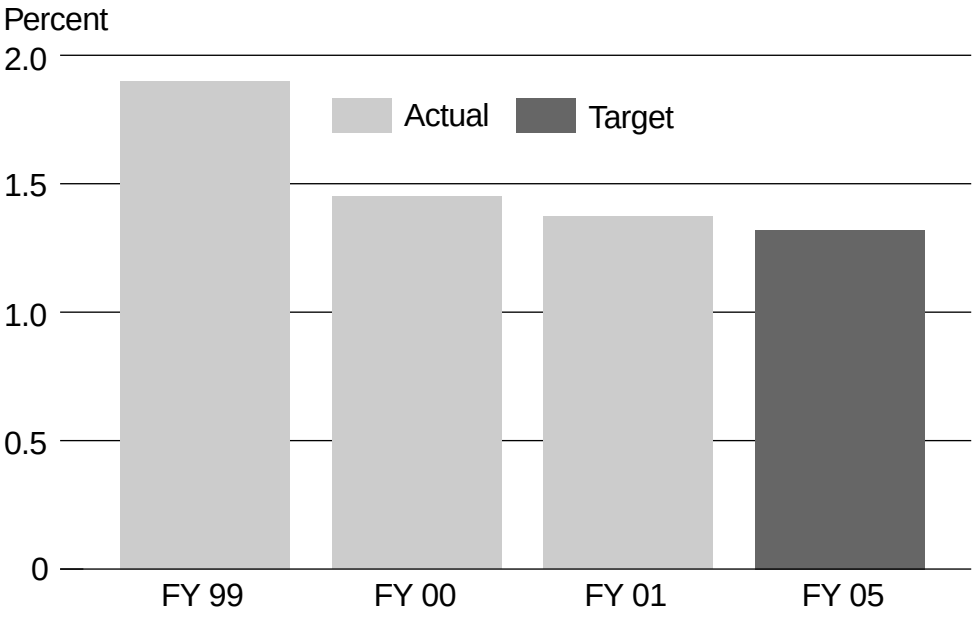


Prevalence of *Salmonella* on Ground Beef



Prevalence of *Listeria Monocytogenes* in Ready to Eat Meat and Poultry Products

Samples testing positive for listeria monocytogenes



ment of inspection application district by district. Part of the protocol for this activity will include a verification that HACCP plans identify and control food safety hazards that are reasonably likely to occur. Currently, the first scheduled FSSCT project will begin in Boulder, Colorado in April 2002, with other districts following soon thereafter.

Program Evaluation: In December 1999, the GAO issued a report entitled *"Meat and Poultry: Improved Oversight and Training Will Strengthen New Food Safety System."* To ensure that the inspection personnel fully understood Food Safety and Inspection Service (FSIS) verification authorities, USDA conducted three National Supervisory Conferences between February and June 2000 that focused specifically on the roles and responsibilities of inspection personnel in verifying the HACCP requirements and enforcement authorities. The participants included all District Managers and staffs, circuit supervisors, and local bargaining unit representatives. During the last quarter of FY 2001, the USDA also conducted numerous meetings with field personnel to provide information on future USDA activities.

During FY 2001, USDA conducted 24 In-Depth Verification (IDV) reviews. An IDV review is an assessment as to whether an establishment is carrying out activities that meet the requirements of the HACCP rule. IDV reviews supplement existing verification tools and address—in a more rigorous and integrated manner—the technical and scientific merit of a HACCP system of an establishment.

The OIG issued a Management Alert pertaining to imported meat and poultry and an assessment entitled *"Activities to Prevent the Entry of Foot & Mouth Disease into the U.S."* USDA agrees that accountability and control over meat and poultry from countries with animal disease restrictions are important factors and has clarified its guidance and procedures for addressing these issues. In addition, FSIS and the APIHS are working towards defining the roles and responsibilities of both Agencies at the U.S. Ports of Entry regarding products received from restricted countries and enhancing interagency communication.

Through the Research Triangle Institute, USDA is also conducting a comprehensive evaluation of the impact of the HACCP rule. This multi-year project, started in FY 1999, parallels the HACCP implementation dates for large, small, and very small plants. The five study components are (1) Foodborne Illness Reduction, (2) Inspection Effectiveness and Efficiency, (3) Impact on Industry, (4) Impact on Farm-to-Table Food Safety, and (5) Consumer Confidence. This is in addition to internal USDA assessments of HACCP impact, technical and procedural Sanitation Standard Operating Procedures (SSOPs), and HACCP implementation.

In June 2000, OIG issued a final report on the Food Safety Initiative. The OIG review included the implementation of HACCP and SSOPs; the quality assurance over USDA laboratory facilities and operations, product sample integrity, and laboratory testing operations; the USDA process to determine whether foreign countries safety inspection systems are equivalent to that to the United States; and the effectiveness of the compliance program in detecting violations at non-Federally inspected firms. The USDA is using this review to improve its operations by implementing the agreed-to recommendations.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
2.3.3 Conduct a comprehensive national and international communication program that is an open exchange of information and opinions about food safety risks:				
• People reached with food safety information through media stories, circulation reports, USDA FSIS website visits, and USDA Meat & Poultry Hotline calls (# Mil).	83	85	87	150
• Stakeholder activities held to improve food safety related decision-making and public policy (# Cumulative).	19	41	46	51

Risk Communication

Data Assessment: Media outreach for 2001 indicates a total audience of over 750 million worldwide through a variety of outreach methods, including print, radio, and TV outlets. Numerous consumer food safety articles were printed and re-printed at various times during the year. For newspaper tracking, USDA uses the North American Precis Syndicate (NAPS) and Burrelles monthly clipping service to monitor placement of consumer food safety articles in domestic and non-domestic dailies. USDA also uses Media Distribution Services, whose database contains more than 250,000 editorial contacts in more than 50,000 print and broadcast media in North America, daily newspapers worldwide, and the U.S. Congress and its staff. For television tracking, USDA uses PCS Broadcast Services which monitors the Public Service Announcement through various outlets and markets by monitoring telecasts and viewership based on actual air time of the announcement on commercial and cable networks on a daily basis. Of the 750 million people potentially reached with food safety information, the USDA actually estimates a conservative figure of 20%, or 150 million. Data calculating stakeholder activities are based the number of activities advertised in the *Federal Register.* USDA considers the data to be reliable.

Analysis of Results: USDA has exceeded its goal of conducting a comprehensive national and international communication program that is an open exchange of information and opinions about food safety risks. USDA has improved its tracking of media outreach, which, in turn, partially accounts for the increase in people reached through media stories, hotline calls, publications, Web site visits, etc. However, other activities also contributed greatly. Some examples include the Fight BAC(tm) radio drive time show, which alone reached 6.1 million listeners for the Partnership for Food Safety Education. USDA also distributed 10,000 copies of its publication *Diagnosis and Management of Foodborne Illnesses: A Primer for Physicians* and 48,000 videos of *Food Safety for Seniors* to better serve its public health mission. USDA also exceeded its target of stakeholder activities held to improve food safety related decision-making and public health policy development. In addition to the public meetings for the National Advisory Committee on Meat and Poultry and the National Advisory Committee on Microbiological Criteria for Foods, the USDA has held public meetings on residues, import reinspection, and ready-to-eat foods, to name a few. During FY 2001, USDA continued its commitment to international communication by organizing *Codex Alimentarius* meetings on Food Hygiene and Asia training among others.

FY 2002 Current Performance: USDA has been hard at work particularly in the international *Codex* arena. In the First Quarter alone, USDA coordinated activities for the 34th Session of the U.S. *Codex* Committee on Food Hygiene, the National Advisory Committee on Meat and Poultry—a public meeting in preparation for the 13th Session of the *Codex* Committee on Residues of Veterinary Drugs in Foods and the Session itself. Additional activities are scheduled for the remainder of the year.

Program Evaluation: USDA is conducting a comprehensive evaluation of the impact of the HACCP final rule. This evaluation includes a portion on consumer confidence, and is scheduled to be completed in September 2002.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Allergenic component of soybean protein characterized. The major seed storage protein of soybean, glycinin, can cause some young animals and infants to develop allergies. USDA scientists examined soybean glycinin and determined the region of amino acids that are responsible for binding to antibodies from patients allergic to soybeans. This knowledge will be used to assist in the development of therapy to desensitize patients allergic to soybean glycinin, or to remove these allergens from soybeans.

Assuring the safety of apple cider. There is a critical need to assure the safety of fresh, unpasteurized fruit juices such as apple cider. Removal of pathogens from the surface of fruit before processing is considered a critical control point in the processing of apple juice. Previous USDA studies had demonstrated limitations in the efficiency of washing apples as a means of reducing microbial populations, even when fruit was washed with 5% hydrogen peroxide. USDA has now demonstrated the conditions for improving the efficiency of hydrogen peroxide treatments by mechanical detachment of adhering bacteria, and by improving contact of the attached bacteria and wash solution. This improvement will help meet the Food and Drug Administrations 99.999% (5-log) population's reduction target for unpasteurized apple cider within reach.

Irradiation treatment to inactivate pathogens on hot-dogs. USDA evaluated the use of irradiation to eliminate the bacterial pathogen *Listeria monocytogenes* from hot-dogs. Studies concluded that a 99.999% (5-log) reduction of this pathogen was achieved with a radiation dose of 3.6kGy, thus meeting the regulatory goal of the Food and Drug Administration for this pathogen. Differences in radiation sensitivity were discovered that depended on product formulation; thus, the irradiation processing step would require product dependent adjustment.

Intervention strategies for ground meats. In the normal processes of breaking down the animal carcass into smaller meat cuts and trim, there are additional opportunities to spread or increase bacterial contamination. USDA designed a combination treatment process for the microbiological decontamination of pork trim prior to grinding. The process was shown to reduce and control populations of fecal bacteria on pork trim and in the resultant ground pork and to improve both the microbiological safety and shelf life of ground pork products. This will assist processors in meeting the proposed *Salmonella* performance standards for fresh pork sausages.

Levels of E. coli in beef. USDA researchers examined the relationship between cattle contamination and subsequent carcass contamination. Results showed that an unexpectedly high numbers of animals per lot entered the slaughter plant carrying *E. coli* O157:H7/NM;

however, very few carcasses were still contaminated after processing. These data have contributed to the food safety and policy debates regarding the commonness of *E. coli* O157:H7/NM, the usefulness of sampling procedures, and strategies to eliminate *E. coli* 0157:H7/NM contamination of the beef supply.

Agricultural Practices Statistics. The first Fruit and Vegetable Agricultural Practices Survey was conducted by USDA in 14 major producing States, which account for 80-85% of the Nation's fresh fruit and vegetable production. This survey was critical to establishing a baseline of grower and packer food handling practices related to production. Results from this survey were published in June 2001. Twelve vegetable crops and seven States were added to the USDA Vegetable Chemical Use Survey in 2000 to address foods specifically identified as important to the diets of infants and children by the Food Quality Protection Act. Also, a Post-Harvest Chemical Use Survey for rice in six States and peanuts in 13 States was completed in 2000. This is similar to surveys in previous years for oats, soybeans, corn, wheat, apples, and potatoes, with a report published in 2001.

Assigning Values to Life: Comparing Methods for Valuing Health Risks. USDA researchers examined five approaches used by economists and health policy analysts for evaluating policies affecting health and safety. The research examined the theoretical basis and empirical application of each approach, and investigated the influence that assumptions embedded in each approach have on policy guidance. They found distinct differences among the approaches in terms of their appropriateness for analyzing different kinds of issues. Using those differences as a basis, a research report, *Assigning Values to Life: Comparing Methods for Evaluating Health Risks,* suggested the appropriate use for each approach.

Salmonella-Free Eggs. With USDA funding, researchers at North Carolina State University have developed a low-temperature, long-time water immersion heat treatment that produces salmonella free eggs. Salmonella-free eggs may be used to make safe soft-boiled, soft-poached, or sunny side-up fried eggs. Such pasteurized eggs may also be used safely in custards, Caesar salad dressing, ice cream, eggnog, and sauces such as hollandaise sauce.

Rapid Cooling Reduces Risk. Cooling eggs quickly after they are laid is one way to ensure quality and a longer shelf life. But with traditional refrigeration methods, it can take seven to 10 days to reduce the internal temperature of eggs to 45 degrees Fahrenheit, the optimal temperature required by the USDA. With USDA funding, researchers at North Carolina State University have developed a method of cooling eggs cryogenically that dramatically reduces the time needed to lower their temperature from days to a matter of minutes. By rapidly cooling eggs, producers can further reduce consumer's risk of contracting *salmonella enteritidis.* In addition, the process increases the shelf life of eggs from 30 to 60 days, increasing opportunities for exporting eggs and reducing producers' refrigeration costs while enhancing overall egg quality. The process is commercially available to producers.

Gene Sequencing E.Coli. With USDA research funding, scientists at the University of Wisconsin in Madison sequenced the disease-producing E. coli O157:H7 bacterium's genes. They then compared it with the genome of E. coli K-12, a benign E. coli strain sequenced in 1996. The two strains of E. coli share about 3,500 common genes. However, E. coli O157:H7 has 1,300 genes not found in E. coli K-12, and the benign strain has 530 genes not found in O157:H7. The team discovered "islands of pathogenicity" across the genome that viruses may have transmitted from other bacteria to O157:H7. The finding suggests that there may be a large bank of genes that are exchanged across an entire family of bacteria,

including related organisms such as Salmonella, Shigella, the Plague-causing organism Yersinia, and the plant pathogen Erwinia. The genomic sequence of E. coli O157:H7 reveals that the bacterium has a surprisingly wide range of genes that may trigger illness. These provide researchers with new genetic markers, which they can use to detect and monitor food-borne outbreaks. Comparing the benign and pathogenic genomes also gives scientists a set of targets for future work on drug treatments and human vaccines.

Costs and Benefits of Improvements in Food Safety. *Tracing the Costs and Benefits of Improvements in Food Safety: The Case of HACCP for Meat and Poultry* provided policymakers with information about who ultimately benefits from reduced foodborne illnesses and who ultimately pays the costs of food safety regulation.

Objective 2.4

Improve public health through nutrition education, promotion, and research

Key Outcome: Improve diets among the general public.

USDA's Center for Nutrition Policy and Promotion provides several tools that offer dietary guidance to help Americans improve their eating habits. Major tools include the *Dietary Guidelines for Americans,* the *Food Guide Pyramid,* and the *Healthy Eating Index.* The *Guidelines* are the cornerstone of Federal nutrition policy and are released every 5 years, with the latest version released in 2000. The *Pyramid* translates nutrient recommendations into food intake and provides an easy reference to help individuals select the kinds and amounts of foods that create a balanced diet. The *Healthy Eating Index* assesses the nutritional status of Americans, and provides nutrition educators and policymakers with information on aspects of the Nation's diet that need improvement. The recently developed *Interactive Healthy Eating Index* allows people to go online to assess their own diet and receive tailored recommendations for improvement. USDA focused its efforts in FY 2001 on ensuring its nutrition guidance reached as many Americans as possible, empowering them to improve their diets and their health.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
2.4.1 Individuals using the *Interactive Healthy Eating Index* to assess and improve their diet (#).	N/A	100,000	110,000	200,000
2.4.2 Copies of the *2000 Dietary Guidelines* disseminated to help individuals improve their diet.	N/A	140,800	550,000	2,212,656

Data Assessment: The number of unique visitors to the *Interactive Healthy Eating Index* was compiled from internal records of data provided by Web-tracking services. The data regarding this target consist of unique visitors: individuals who may have visited the site more than once during the reporting period of each Web-tracking report. Data about the distribution of the *2000 Dietary Guidelines* (bulletin and brochure) were collected from several sources: Web site downloads (Web-tracking services), CNPP distribution to professionals and the public, sales information from the Government Printing Office and the Consumer Information Center, and distribution information from USDA. The data from these sources are highly reliable, providing accurate counts of the numbers of downloads, visitor sessions, most viewed pages, and average daily use, as well as the number of publications distributed from the respective locations.

Analysis of Results: The targets for FY 2001 were exceeded by about 80% for the *Interactive Healthy Eating Index* and by 400% for the 2000 Dietary Guidelines. There is widespread interest in the Interactive Healthy eating Index, an Internet-based assessment tool of the quality of one's diet, and the *2000 Dietary Guidelines,* which provide scientifically based guidance on nutrition-and health-related behaviors.

FY 2002 Current Performance: USDA anticipates continued widespread use of these two products.

Program Evaluation: No program evaluations were conducted related to these performance goals in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Peak rates of bone calcium deposition early in adolescence. Investigators at the Children's Human Nutrition Research Center at Baylor College of Medicine showed that increased calcium absorption and bone calcium deposition are most dramatic during early puberty, and that the changes were associated with maturation of the hypothalamic-pituitary axis and physical changes of breast development. These early changes lead to peak rates of bone calcium deposition prior to menarche in girls. These studies led to recent revisions of the dietary guidelines for children, which now recommend increased calcium intake beginning at age nine.

Early nutritional deficits affect learning ability. Investigators at the Arkansas Children's Nutrition Center found that elementary and junior high school children who were undernourished at a younger age had slower reaction times, which point to less automated work recognition and differences in neurophysiology of specific brain areas and frontal sites that are often linked to post-decisional information processing. This result suggests that early nutritional deficits can produce problems related to information processing that can impair learning ability.

Nutritional Assessment Survey (NAS) conducted in Lower Mississippi Delta. Investigators with the Lower Mississippi Delta Nutrition Intervention Research Initiative conducted the NAS to describe the nutrition and health status of the population of the Lower Mississippi Delta in Arkansas, Louisiana, and Mississippi. This survey will provide baseline data to design, implement, and evaluate culturally appropriate, sustainable nutrition intervention research in a rural region of the U.S. with the goal of reducing nutrition related chronic disease rates in three states ranked last in a recent report on health status in the U.S. This data is currently being analyzed.

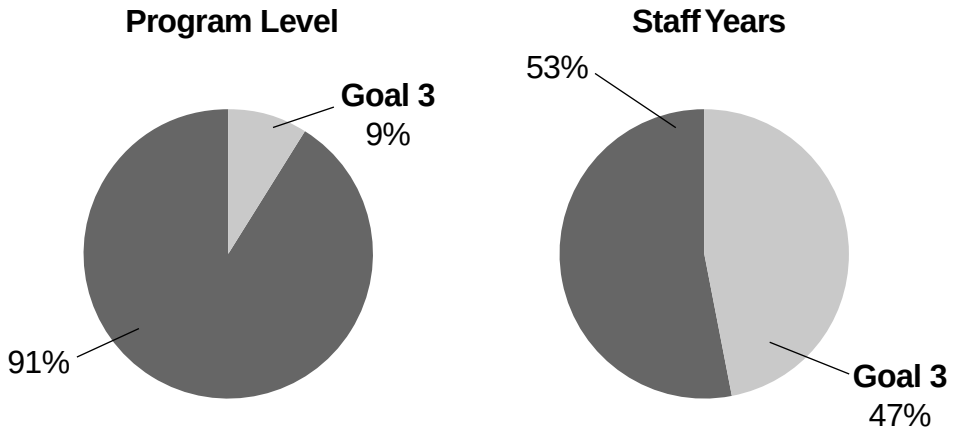
Benefits of Nutrition Labeling on Fresh Meat and Poultry Products. The FSIS has proposed requiring that nutrition information be provided for fresh meat and poultry products. USDA analysis indicated that changes in consumer behavior in response to the nutrition information could lead to more healthful food choices, thereby reducing medical costs, productivity losses, and premature death from diet-related diseases, with benefits of as much as $145 million per year. This research was provided to FSIS for inclusion in the Federal Register notice of the proposed rule.

Strategic Goal 3

Maintain and enhance the Nation's natural resources and environment

USDA Resources Dedicated to Goal 3	FY 2001 Actual
Program Level ($ Mil)	8,839.3
Staff Years	51,368

Percent of FY 2001 USDA Resources Dedicated to this Goal



Objective 3.1

Maintain the productive capacity of the natural resource base for future generations

Key Outcome: Maintain the resource health and productive capacity of non-Federal cropland, grazing lands, and forestland.

Healthy cropland, grazing lands, and forestland are essential to the Nation's economy. Maintaining and improving the quality of the Nation's soils and plant communities increases farm productivity, minimizes the use of nutrients and pesticides, improves water and air quality, and helps store greenhouse gases. USDA assists managers of private lands to effectively manage their natural resources for long-term sustainability. This assistance to agricultural producers and other resource managers includes providing technical assistance; sharing the cost of applying conservation practices; conducting natural resource inventories and research; and developing and transferring up-to-date technology. These activities are conducted as cooperative efforts with other federal agencies and in partnership with tribal, State, and local governmental agencies and local non-governmental organizations. USDA's Conservation Technical Assistance program is the primary means for providing technical help on conservation to American farmers, ranchers, and rural communities. Some financial assistance is available through the Environmental Quality Incentives Program, other USDA programs, and State and locally funded programs.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
3.1.1 Maintain the productivity and health of the Nation's non-Federal cropland and grazing lands:				
• Acres of non-Federal cropland and grazing land protected against degradation by application of improved conservation systems (Mil -Annually).[1]	N/A	15.6	16.0	16.2

[1] Acres are those on which systems were applied during a single fiscal year. Cropland does not include acres enrolled in the Conservation Reserve Program.

Data Assessment: Performance data are reported through the USDA Natural Resources Conservation Service (NRCS) Performance and Results Measurement System; FY 2000 was the first year the system was implemented in all NRCS field offices. NRCS field employees and local conservation district employees in 2,500 offices enter data across the country. NRCS state conservationists certify the accuracy of the data provided by their employees. The data are considered adequate. An internal review, however, identified opportunities to enhance data quality and consistency through changes to the reporting system and additional training. Significant changes to the reporting system have been implemented for FY 2002, guidance documents revised, and additional field level training developed and presented.

Data include only the land on which USDA and its state and local partners provided technical assistance during the fiscal year. Although practices generally remain on the land for

many years, the reported performance does not include the land on which conservation applied in past years continued to provide protection. The indicator reports progress in protecting working agricultural land. The data do not include land enrolled in the Conservation Reserve Program (CRP), because CRP land is retired from crop production. FY 2001 performance data includes 0.3 million acres of non-Federal forestland.

Analysis of Results: The indicator includes only land on which the producer completed application of a conservation system that considered all the resource concerns of the site: soil, water, air, plants, and animals. (Conservationists call this a "resource management system.") On the land where a resource management system has been applied, all problems identified on the site have been addressed. In addition to assisting producers in applying conservation to this level, USDA provides assistance on additional acres where resource concerns are treated to a less comprehensive level. The conservation on these acres, although not complete, provides significant environmental benefits.

In FY 2001, grazing land made up slightly more than 11 million acres of the 16.2 million acres of working land on which USDA provided assistance to the resource management level. About 60% of these grazing land acres received financial as well as technical assistance. Financial assistance was primarily through USDA's Environmental Quality Incentives Program (EQIP). Of the 4.6 million acres of working cropland where treatment was applied to the full resource management system level, about 16% received financial assistance under EQIP and 8% under State and local cost-share programs.

USDA's technical assistance in planning and applying conservation on working lands is provided primarily through the Conservation Technical Assistance (CTA) program. People receiving this assistance rate the quality of USDA's service very highly. In FY 2000, customers of CTA were surveyed as part of University of Michigan's surveys using the American Customer Satisfaction Index, a uniform, cross industry/government measure that allows benchmarking between public and private sectors. CTA received a satisfaction index of 81 out of a possible 100. This is 10 points higher than the average for private sector services and 12 points higher than the index for Federal services. CTA received a trust index of 90 out of a possible 100.

FY 2002 Current Performance: In FY 2002, USDA will have slightly fewer FTEs to direct to basic technical assistance on cropland and grazing land. Performance, therefore, will be at about the level of FY 2001 rather than the accelerated level needed to reach the strategic goals for FY 2005.

Program Evaluation: NRCS conducts program evaluations through a national oversight and evaluation staff. In FY 2001, a review was conducted of the technical training related to grazing land and forestland to ensure that the training provided to field staff is adequate. A Management Action Plan was developed as the final step in an evaluation begun in FY 2000 of the technical quality of conservation practices and as a follow-up to an evaluation of the quality of USDA conservation planning also initiated in FY 2000, new policy was issued to address planning certification.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Adoption of Genetically Engineered Crops. In *Genetically Engineered Crops for Pest Management in U.S. Agriculture,* USDA reported that adoption of genetically engineered crops with traits for pest management has risen dramatically since their commercial intro-

duction in the mid-1990s. USDA presented estimates of the impacts of adopting genetically engineered (GE) crops on pesticide use at the 6th International Symposium on the Biosafety of Genetically Modified Organisms in Canada. Further, USDA participated in a National Academy of Science workshop, *Ecological Monitoring of Genetically Modified Crops,* discussing methods for monitoring changing farm practices related to genetically engineered crops.

Analysis of Inputs for Crop Production. In support of USDA and Environmental Protection Agency (EPA) implementation of the Montreal Protocol and the U.S. Clean Air Act, USDA coordinated analyses of the economic impacts of using alternatives to methyl bromide since use of that pesticide is phased out, and published a report—*Economic Implications of the Methyl Bromide Phaseout.*

Biological Control of Leafy Spurge. All signs indicate that the biological control program against leafy spurge will be a major success. These results, combined with the ready availability of the two flea beetle species, have stimulated interest among private and public land managers. With considerable effort on the part of county weed and pest personnel, over six million flea beetles were collected and moved to other sites in Wyoming. Also in 2000, another 16.5 million flea beetles were collected and moved to sites in Montana, Wyoming, and the Dakotas through a collaborative effort involving private, local, state, university, and federal entities. Some to be as high as $31 for each $1 invested has estimated the long-term benefit-cost ratio.

Copper Bands Prevent Economic Losses from Snails in Grapes. New York has found that barriers made of copper strips are 100% effective in preventing snails from moving into the grape canopy. Although the initial expense for materials and labor is high, the barriers should provide excellent control for several years at virtually no risk to the environment. The wholesale price on a truckload—20 bins—of grapes is $5,400, so a grower who has their entire load rejected because of a snail in one bin stands to lose a lot. Estimates on materials and labor costs to install copper strips on an acre (600 vines) of grapes are approximately $80 per acre lasting for five years. (By comparison, spraying copper fungicides at the base of the vines to deter snails would cost roughly $20 per acre per year.)

Key Outcome: Reduce erosion damage on cropland.

Conserving and enhancing soil quality are fundamental first steps to sustainable resource use. Although many factors affect soil quality, erosion is the single best indicator for which we have data to assess whether soils are stable, improving, or degrading. The danger of accelerated erosion is greatest on lands where the protective vegetation is disturbed, as it must be for cultivating crops. In the 1980s and early 1990s, farmers, with help from USDA and its state and local partners, made a concerted effort to reduce erosion and protect their most erodible cropland from damage. In that period, the land eroding at excessive rates (greater than "T") decreased by 38%. Progress in controlling erosion has leveled off since 1992, however, with almost 108 million acres still eroding at excessive rates. Continuing progress in reducing erosion will lay the foundation for enhancing the health of the resource base. USDA helps producers to control erosion on working cropland—that is, land on which a crop is planted. USDA, through the Commodity Credit Corporation, also provides rental payments to retire sensitive land from crop production and protect it under permanent vegetation under the Conservation Reserve Program. Priority on both working land and for land retirement is given to protecting the most erodible land and land where current erosion rates are most damaging.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
3.1.2 Reduce erosion damage on cropland (Million acres):				
• Erosion reduced to non-damaging rates on working cropland (Annually).	1	1.5	1.5	1.5
• Highly erodible land retired from farming and maintained in protective cover under long-term contract with USDA (Cumulative)	22.6	23.7	24.8	24.7

Data Assessment: For the indicator "Erosion reduced to non-damaging rates on working cropland," performance data are reported through the USDA-NRCS Performance and Results Measurement System. FY 2000 was the first year the system was implemented in all NRCS field offices. NRCS field employees and local conservation district employees in 2500 offices enter data across the country. NRCS state conservationists certify the accuracy of the data provided by their employees. The data are considered adequate. An initial analysis of the erosion data found that the number of incomplete records for erosion data is extremely small. Significant changes to the reporting system have been implemented for FY 2002, guidance documents revised, and additional field level training developed and presented. The indicator includes only land where the erosion rate was more than twice the tolerable level (T) before treatment and was T or less after conservation treatment was applied. T is the maximum rate of erosion that can occur without significant damage to the productive capacity of the soil. The indicator does not include land where erosion was reduced by withdrawing the land from crop production and enrolling it in the Conservation Reserve Program.

Performance data for "Highly erodible land retired from cropping and maintained in protective cover under long-term contract" represents the cumulative total of highly erodible acreage enrolled in CRP. The data is maintained and reported through FSA's National Conservation Reserve Program Contract and Offer Data Files. CRP Offer Data files are uploaded following each general signup period. Offer data is then evaluated and ranked according to relative environmental benefits, and upon contract approval, the data is updated to reflect land use and land treatment. To help ensure program integrity, USDA Service Center employees conduct on-site spot checks and review producer files prior to annual CRP rental payment issuance to ensure conservation practices are maintained in accordance with program requirements. Data limitations primarily result from (1) the time lag from when signups are held and contracts signed and when the data is inputted into the automated systems at the Service Center, (2) continual updating of the CRP contract data, and (3) periodic changes in the data that is reported in the contract and Offer Data Files. A more meaningful outcome measure of reduced erosion damage, tons of erosion reduced annually by entering cropland and grazing land into the CRP, have been implemented for FY 2002. This measure will be estimated using CRP contract data in conjunction with data from the National Resource Inventory (NRI). The CRP contract data will be enhanced beginning with the next general signup to provide a more direct measure of reduced erosion from the CRP.

Analysis of Results: The goal was met. Both indicators differ from the targets by less than one percent. For the indicator on working cropland, data include only the land on which USDA and its state and local partners provided technical assistance in applying erosion reduction practices during the fiscal year. Data do not reflect the land on which conservation applied in past years continued to provide protection against erosion. The indicator includes only land where the erosion rate was more than twice the tolerable level (T) before treatment and was T or less after conservation treatment was applied.

The indicator for erosion on working cropland shows progress in preventing erosion damage on cropland with the most severe erosion problems, and so indicates progress toward the FY 2005 outcome established in the USDA strategic plan. In FY 2001, USDA helped producers apply erosion control on another 2.6 million acres of working cropland in addition to the 1.5 million acres reported above. Providing assistance on those additional acres was important because farmers needed help to maintain erosion at tolerable rates on land where they had previously applied conservation. USDA also helped farmers to reduce erosion significantly on land where erosion was not reduced to T; this lesser level of protection can have significant benefits in terms of reduced off-site damages to air or water quality. On these four million acres of working cropland, erosion was reduced by an estimated total of 153 million tons per year. Preventing erosion not only preserves the health and productivity of the soil for future use, but also reduces the delivery of sediment and associated contaminants to surface waters.

The Conservation Reserve Program reduces erosion damage by taking cropland out of production and requiring that a permanent cover be established. Of the 33.6 million acres currently enrolled in CRP, 24.7 million acres are “highly erodible.”

FY 2002 Current Performance: USDA will have slightly fewer staff resources to devote to basic erosion reduction activities on cropland in FY 2002 than in the year previous. Therefore, the level of performance will be slightly lower than in FY 2001. For FY 2002, USDA will revise the indicator to reflect more of its erosion reduction activities. The revised indicator includes all cropland on which erosion reduction is applied, regardless of erosion rates before or after treatment.

USDA will continue to maintain and extend the protection of environmentally sensitive cropland and grazing land using the Conservation Reserve Program. USDA expects that CRP performance targets for FY 2002 will be accomplished.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

No-Till Cotton in Tennessee and North Carolina. With USDA funding, use of no-till for major Tennessee crops exceeded 50% of acreage for the first time ever. No-till use in cotton reached 300,000 acres, or half of all cotton planted. The additional 300,000 acres of no-till on Tennessee cropland is estimated to reduce soil erosion by three million tons annually and to save at least 7.5 million dollars in off-site damage by sediment. North Carolina Cooperative Extension collaborating with the Soil and Water Conservation District, 10 Ag Cost Share helped farmers plant 2,800 acres of Strip Till and/or No-Till cotton. They prevented 172,000 pounds of Nitrate and 2,400 pounds of phosphate from leaving their fields. Soil erosion was reduced by 17,000 tons.

Key Outcome: Reduce risk of fire.

Wildland fire presents increasing risks to communities and the environment. Investments in hazardous fuel treatments are required to reduce this risk. Prescribed fire and other fuel reduction treatments reduce this risk as well as enhance forest and range health by reducing the intensity of wildfires, promoting forage production, maintaining fire dependant ecosystems, and protecting vulnerable urban-wildland interfaces, the area where urban sprawl encroaches on forested wildlands.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
3.1.3 Treat wildlands with high fire risks on National Forests and Grasslands to reduce the risk of loss of life, property, and natural resources from catastrophic wildfire:				
• Hazardous fuel treatments (acres).	1,412,281	772,375	1,800,000	1,361,697
• Maximize firefighting production capability - Most Efficient Level (MEL).	69	74	100	97
• Assist communities and volunteer fire departments - Communities and volunteer fire departments assisted.[1]	2,450	2,990[1]	10,492[2]	3,062[2]

[1] Estimate based on 8 of 9 Regions reporting from the USDA FS.
[2] These figures include State and Private activities and National fire Plan activities. Data is not adequate to assess whether targets were accomplished.

Data Assessment: As a result of the National Fire Plan (NFP) appropriations in FY 2001, USDA's Forest Service (FS) quickly developed the NFPInfo Database to be used for gathering data associated with fire activities. Working with fire and engineering staffs, modifications were made to an existing database to collect the fire activity data. A reporting tool, BRIO, is used to extract data from NFPInfo and prepare a standard report. Population and use of the database began in FY 2001. At this time, additional controls are being developed to ensure high quality data.

Analysis of Results: When the performance indicators are considered in aggregate, the performance goal was determined to be met. As a result of the extreme fire season in the year 2000, the National Fire Plan (NFP) was developed. A combined Department of Interior (DOI) and FS end-of-year report will be released in February 2002 and will provide a detailed accounting of accomplishments under the NFP. Three critical components of the National Fire Plan are community assistance, preparedness, and hazardous fuel treatments. A summary of the FS performance is provided below.

Hazardous fuels reduction accomplishment was below target due to drought conditions in many parts of the U.S. In these drought areas, fire managers were forced to use more costly mechanical and hand treatments. There were also increased treatment costs related to additional complexities and restrictions when treating hazardous fuels in the wildland-urban interface. Additional protective measures must be taken to ensure safe execution, quick mop-up, and extinguishment of prescribed burns. It is also important to apply the right

intensity of fire; during the right season of the year; and under the right weather and fuel conditions to assure achieving prescribed fire plan objectives. In some areas all these factors did not occur together so the burns were not conducted. Due to the uncontrollable variables associated with hazardous fuels treatment, there will always be a certain level of unpredictability in assigning targets.

The Department was able to implement firefighter production capability at 97% of its MEL. This accomplishment equates to an availability of 10,750 firefighters, 1,107 engines, 502 prevention units, 65 Type I Hot Shot crews, 39 air tankers, 98 helicopters, and 277 smokejumpers.

In FY 2001, with National Fire Plan funding, the FS hired 3,311 new firefighters. To accomplish this extra hiring, agency staff hosted comprehensive recruitment programs. In addition to local recruitment efforts, agency staffs held more than 35 job fairs across the country to help assure diversity within the workforce. New hires were often recruited from non-traditional sources. In addition to firefighting positions, personnel were hired to support contracting, fuels programs, planning staff, and administrative support positions. Through workforce hiring and development efforts, the FS achieved 97% of the normal year readiness in FY 2001. An additional 500 leadership developmental positions were filled in anticipation of projected retirements over the next few years.

Data reported for communities and volunteer fire departments is not fully complete. Due to the implementation of new systems, new performance measures associated with the National Fire Plan, and non-compatible timelines for state reporting, the information does not fully address agency milestones. In FY2002 the Forest Service Regional Fire Coordinators, in cooperation with the states, will resolve these issues. A quarterly reporting schedule will be implemented to further improve accomplishment reporting.

FY 2002 Current Performance: At this time, we are finalizing revisions to the FY 2002 performance targets as a result of the Appropriations Act signed on November 6, 2001. It is too early in the fiscal year to meaningfully assess performance against these targets.

Program Evaluation: Oversight reviews have provided both on-the-ground accountability and a tool to make course corrections for the National Fire Plan in the future. The following oversight mechanisms were used, or are planned for the National Fire Plan:

NFP Overview - An interdisciplinary FS team with DOI representatives made visits to all Regions, and to many communities, counties, and states. The purpose was to offer a general oversight and to assess the successes and failures and identify compliance issues. The intention is to identify changes in national direction or policy needed to better implement the NFP.

Activity Reviews - FS and DOI conducted activity reviews to assess overall program function in Idaho, Montana, North Dakota, California, and Alaska. A financial accountability review by the FS was conducted to ensure that spending fire funds as allocated was conducted in Idaho, Nevada, Utah, and Wyoming.

Functional Assistance Trips - FS Fire and Aviation Management staff conducted NFMAS certification for the National Fire Plan in Region 2 (Colorado, Kansas, Nebraska, South Dakota, and Wyoming).

Large Fire Cost Reviews - FS and DOI conducted large fire cost reviews in regions that experienced large fires to assess the effectiveness of fire suppression actions and cost efficiency.

Performance Measures - Joint performance measures are currently being developed for the goals identified in the 10-Year Comprehensive strategy released in August 2001.

The Rural Fire Assistance Pilot Program - It was evaluated at the end of FY 2001 to determine effectiveness. The Council on Environmental Quality has made several site visits to determine how the environmental review process occurs (NEPA/ESA consultation) on hazardous fuels treatment projects.

National Academy of Public Administration (NAPA) Report - The report concentrates on six areas from the 2001 Review and Update of the 1995 Federal Wildland Fire Management Policy:

- Management accountability
- Interagency coordination
- Intergovernmental coordination
- Improving risk management
- Workforce management
- Institutionalizing lessons learned

Results of this study, along with internal reviews, will be used to review oversight and coordination mechanisms of the National Fire Plan and to assure that an effective strategy is in place to institutionalize the 2001 Federal Wildland Fire Policy.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Sheep Grazing Reduces Wildfires. In collaboration with other agencies, Cooperative Extension and the Experiment Station in Nevada conducted a project to evaluate the effectiveness and practicality of controlled sheep grazing to reduce wildfires. The sheep were brought in to create a fuel break along the urban-wildland interface of Carson City, Nevada on C-Hill, an area known for its propensity to burn. The amount of wildfire fuel reduced by the sheep ranged from 700 to 2,000 pounds per acre, depending on the treatment. In addition, 71 to 83 percent of fine fuels (grasses and forbs), which burn easily, was removed; the height of fine fuels was cut, reducing the length of flames during fires; and cheatgrass was trampled, also reducing the fire hazard.

Objective 3.2

Protect the quality of the nation's environment

Key Outcome: Protect air and water quality, as well as watershed health.

Agricultural production involves activities that can affect the quality of air and of water resources under and near the field. Fields unprotected by cover are subject to accelerated soil erosion; the eroded soil can move into surface waters. Application of chemical inputs entails risks that some of these materials will wash off or leach through the soil to enter surface or ground water. Livestock operations produce large amounts of waste that, if not properly managed, can threaten human health and contribute to excess nutrient problems in streams, rivers, and lakes.

USDA provides technical and financial assistance to help producers, other land users, and communities apply conservation to protect the quality of water and air. Comprehensive nutrient management plans applied with USDA assistance enable livestock producers to manage collection, storage, and disposal of animal wastes in ways that minimize the potential for damage to the environment. Key conservation practices in reducing adverse impacts of agricultural production on the environment include buffers, nutrient management, and pest management. Producers apply these practices with technical assistance through the Conservation Technical Assistance (CTA) program and with financial assistance through the Environmental Quality Incentives Program and, for buffers, through the Conservation Reserve Program.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
3.2.1 Protect water and air quality:				
• Animal feeding operations with waste management systems planned or applied.[1]	6,170 facilities applied	11,000 systems planned or applied	11,000 systems planned or applied	10,520 systems planned or applied
• Acres with conservation measures applied to reduce potential for off-site pollution by nutrients (Mil) (Annually).	2.7	4.3	5	5.4
• Acres with pest management improved (Mil) (Annually).	N/A	4	4	5.4
• Acres in conservation buffers (Mil).[2]	1.2	1.5	1.75	1.75
• Acres retired from cropping and planted to protective cover through CRP (Mil) (Cumulative).	29.8	31.5	33.9	33.6
3.2.2 Restore or improve rangeland and forestland watersheds in the National Forests and Grasslands:				
• Soil and watershed improvements (acres).	35,532	29,899	23,946	31,836
• Terrestrial habitat restored or enhanced (acres).	266,774	192,373	246,550	241,123
• Abandoned mine sites reclaimed.	15	N/A	34	154

[1] Differences in the data reflect refinements in the indicator as the performance reporting system and the strategy to address animal feeding operations matured. In FY 2002, the new technical guidance for comprehensive nutrient management planning will replace the interim measures used in the years shown above.
[2] Includes both FSA cumulative and NRCS annual data.

Data Assessment: The data for waste management systems, nutrient management, and pest management are collected through the USDA-NRCS Performance and Results Measurement System. FY 2000 was the first year the system was implemented in all NRCS field offices. NRCS state conservationists certify the accuracy of the data entered by their employees. The data are considered adequate. The data for these indicators include only the systems or practices applied with direct assistance from USDA or its state and local partners during the fiscal year. Data are not cumulative from year to year.

In FY 2000 and FY 2001, the technical standard for agricultural waste management systems was used as an interim indicator pending completion of new Comprehensive Nutrient Management Planning Technical Guidance. Notice of the final guidance was published in the Federal Register on December 8, 2000, and training was provided to field staff in FY 2001. The new standard will be implemented beginning in FY 2002.

The indicator for buffers is a new indicator that combines activities conducted under separate programs administered by NRCS and FSA. It includes both cumulative data for the Conservation Reserve Program and annual data for NRCS technical and financial assistance programs.

Performance data for "acres retired from cropping and planted to protective cover" represents the total cumulative acreage in CRP. This data, and the buffer acreage attributed to CRP, are maintained in FSA's National Conservation Reserve Program Contract and Offer Data Files.

The soil and watershed improvements and the terrestrial habitat measures are obtained through the FS's Management Attainment Report (MAR). To improve the quality of the data, the FS took several actions in FY 2001. A new reporting database was designed and implemented for the gathering of data in MAR. The new system is intended to minimize the risks of errors from manually consolidating data entry sheets; reduce the amount of time for data entry and tabulation; facilitate field review of accomplishment reports; and improve data analysis, control, and validation efforts.

The abandoned mine sites reclaimed data needs improved definitions to ensure that each unit is reporting the measure consistently. The data review and validation process in FY 2001 identified a discrepancy in how some units were reporting the abandoned mine sites reclaimed data. Several field units reported the elimination of physical hazards as mine reclamation activities. The measure will be formally redefined in FY 2002 to include both physical hazard removal and environmental clean-up activities.

Analysis of Results: The goal for protection of water and air quality is considered to be met. Only one of the five indicators did not meet its target, and performance for that indicator was at 96% of the target.

Animal Feeding Operations (AFO) are agricultural enterprises where large numbers of animals are raised in small, confined land area containing their feed, manure and urine, dead animals, and all operations. USDA and EPA have developed a joint unified strategy for animal feeding operations; the strategy established the expectation that animal operations will implement comprehensive nutrient management plans to reduce the potential for damage to the environment or public health. Rapid increases in the size of AFOs have caused serious concerns in some parts of the country. Management systems that ensure these operations do not damage the environment are complex; they require a substantial investment to install

and careful management to ensure proper functioning. In FY 2001, USDA and its local partners provided assistance in developing plans for 6,205 waste management systems and for installing 4,315 systems. This level of performance was 96% of the target, and is almost 500 fewer systems than were assisted in FY 2000. Performance on this indicator is strongly affected by the regulations and programs enacted by State governments and by the economy. In areas where fewer than expected systems were completed, the economic situation of producers and the absence of cost-share assistance were cited as factors.

Reducing the potential for off-site pollution by nutrients involves management of both manures produced by livestock production operations and nutrients in commercial fertilizers. Because animal feeding operations are concentrated in some areas of the country, almost 80% of the 1.2 million acres on which AFO-related nutrient management was applied with USDA assistance is located in eastern and mid-western states. Land on which other nutrient management was applied is distributed more broadly across the Nation. Management of nutrients, regardless of their origin, is important for protecting water quality. About half of the acres with nutrient management applied received assistance through USDA cost share programs. The performance reported in FY 2001 exceeded the target.

The indicator for pest management includes land on which pest management was applied in the fiscal year with assistance of USDA and its state and local partners. More than 65% of these acres received financial assistance through a USDA program as well as technical assistance. Almost two-thirds of all acres treated for pest management were working lands; the rest were retired under the Conservation Reserve Program.

Conservation buffers are areas or strips of land established and maintained in permanent vegetation along streams and other bodies of water, field edges, headlands, end rows, or across critical long slopes to intercept runoff and pollutants. Additional buffer practices include field windbreaks, shelterbelts, and living snow fences. Buffers are essential elements in conservation systems to control erosion control and protect water quality. The indicator for conservation buffers combines data from NRCS and FSA activities. The buffer indicators included in the separate agency plans are not directly comparable to this new department-level indicator. The total for FY 2001 includes 112,000 acres of buffers applied with Conservation Technical Assistance only, 1.6 million acres of land retired and established in conservation buffers in the Conservation Reserve Program, and 38,000 acres established with other USDA cost-share and technical assistance.

Land retired from cropping and planted to protective covers represents the total acreage enrolled in CRP, which is currently 33.6 million acres. The CRP assists farm owners and operators to conserve and improve soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive land to a long-term (10-15 year) resource conserving cover. Retiring cropland into long-term vegetative cover results in the sequestration of carbon reducing the level of greenhouse gases in the atmosphere. In FY 2001, 16 million metric tons of carbon was sequestered, 250.7 million tons of sheet and rill erosion and 178.6 million tons of wind erosion were prevented on CRP lands. These outcomes reflect the contribution of the CRP to the improvement of water and air quality.

Soil and Watershed improvements contribute to healthy, stable watersheds, diverse aquatic ecosystems, and properly functioning riparian areas. Improvement of watershed conditions on National Forests and Grasslands restores the landscapes that support healthy lakes, streams, and aquatic ecosystems.

The target for acres of watershed improvements was exceeded by 33%. In addition to the acres accomplished using appropriated funds, an additional 7,276 acres of soil and watershed improvements were accomplished through partnerships and cooperative agreements.

The target of reclaiming 34 mines was exceeded by 120 because many Forests counted the removal of physical hazards as mine reclamation activities. These were not considered when the target was set. In order to ensure data quality, USDA is evaluating whether to have additional categories for mine reclamation activities, or to include mine reclamations to improve public safety in the target.

FY 2002 Current Performance: Because the new guidance for nutrient management for AFOs involves more comprehensive technology to better address the public's concerns, it is expected that the number of comprehensive nutrient management systems reported planned and applied annually will be less than the number of waste management systems reported in FY 2001.

At this time USDA is finalizing revisions to the FY 2002 performance targets as a result of the Appropriations Act signed on November 6, 2001. It is too early in the fiscal year to meaningfully assess performance against these targets.

For FY 2002, USDA will add two additional indicators under the goal of protecting water and air quality. Estimates of reduced sheet and rill erosion and reduced wind erosion attributable to entering cropland and grazing land into the CRP will be reported. USDA expects that performance goals for CRP will be met.

Program Evaluation: NRCS conducts internal reviews and evaluations through a national Oversight and Evaluation Staff. Reviews initiated in FY 2000 and completed in FY 2001 evaluated: the quality of conservation planning, conservation planning effectiveness, the technical quality of conservation practices, Environmental Quality Improvement Program streamlining, and Wetland Reserve Program-compatible use authorization. In addition, USDA analyzed incentives for producers to enroll land in the continuous signup, and was part of the team that reviewed all State Conservation Reserve Enhancement Program (CREP) proposals and recommended changes in incentive structures proposed. These analyses helped USDA improve the environmental performance of the CRP and related programs, while lowering their cost to U.S. taxpayers.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Cleaning up Watersheds. Cooperative Extension is improving the water supply. Virginia Extension helped develop a network of volunteers to assist in monthly water sampling of the Page Brook watershed in Clarke County. Results from the data collected on fecal source tracking indicated that livestock were a major contributor to fecal pollution in Page Brook. As a result of this information, farmers voluntarily fenced livestock away from streams, established watering points or in-pasture water stations, and developed riparian zone vegetation along the streams. Within less than a year, populations of fecal bacteria in the stream declined by over 90%.

Improving the Air. Cooperative Extension is improving the air we breathe. In Louisiana, prescribed burning, as a harvest management tool in sugarcane is a widely used practice. As a result of nine training sessions in the 23-parish sugarcane growing area, 1,375 growers

were certified as Prescribed Burners. During this year's harvest season, there was a 90% decrease in smoke and ash complaints to USDA. The decrease in complaints has been directly attributed to the smoke management trainings.

Protect water quality and watershed health. All States are now required by EPA to set Total Maximum Daily Loads (TMDLs) for point and nonpoint source contaminants affecting streams and rivers. USDA has developed several models that assess TMDL limits at the watershed scale for different soil, hydrologic, climatic, and ecological conditions. The strengths and weaknesses of these models in comparison to other models currently being used by EPA are being conducted under a number of interagency clean water action items.

Satellite-Based Land Categorization Maps. Data from Landsat satellites were categorized into crop types for seven States. This is made possible through partnerships and resource sharing between USDA, other Federal agencies, state governments, and universities. The project supports improved county level acreage estimates from USDA and a new geographic information system (GIS) cropland data layer. These GIS data are on CD-ROM for public distribution. GIS data users are able to use the cropland data layer—often in combination with other data layers such as soils, weather contours, transportation networks, and watershed boundaries—to help address specific issues such as water quality, location planning for new agribusiness facilities, crop rotation patterns, animal habitat monitoring, and planning for crop disease outbreaks. States in the program are Arkansas, Illinois, Indiana, Iowa, Mississippi, North Dakota, and New Mexico.

Water Quality. USDA published its study, *Economics of Water Quality Protection from Nonpoint Sources:* Theory and Practice, examining how different policy instruments (economic incentives, standards, liability, education, and research) perform in providing pollution control at lowest cost, and what kinds of information are needed to improve the performance of nonpoint source pollution control policies.

Key Outcome: Enhance urban environments.

A growing number of counties in the Nation are urban or urbanizing. To appropriately manage and safeguard natural resources in urban and urbanizing areas, communities must address a wide array of challenges—from erosion to sediment control to storm water management. In many developing areas, urban forests and green space are increasingly at risk from development, and the Nation's best farmland is being lost to urban sprawl. In other areas, population increases in fragile ecosystems can create risks for people and the environment. Many communities fear loss of farmland for the attendant rise in congestion, disappearance of open space, and decrease in recreation opportunities and other amenities. USDA uses its Forest Legacy Program to help State and local governments protect their forestland and other open spaces by purchasing conservation easements from willing landowners. In addition, USDA, through its Conservation Technical Assistance program, works with local and State agencies in developing areas, providing soil and other technical information on resource conditions and helping local leaders develop plans to address their resource needs and concerns.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
3.2.3 Enhance urban environments:				
• Forest cover maintained under USDA's Forest Legacy Program easements (acres).	199,281	32,130	200,000[1]	84,709
• Group and area plans developed to address farmland protection and the effects of non-agricultural activities on ground water and surface water quality.	N/A	N/A	Develop Baseline	365

[1] The target for FY 2001 was mistakenly established as the cumulative number of acres acquired since the beginning of the program.

Data Assessment: The FS State and Private Forestry program tracks performance measures related to its programs using the Performance Measures Accountability System (PMAS). In FY 2000, a new web-based PMAS system was implemented for automated data collection. The new web-based system minimized coding of the information and made the information immediately available to the States. A problem identified in FY 2001 pertains to the timing of the data reporting from the States. The States are currently reporting on a calendar year basis versus the fiscal year cycle. Therefore, in some cases State data are not available for reporting.

NRCS state office personnel through the NRCS Performance and Results Measurement System report the data for group and area plans developed. NRCS state conservationists certify the accuracy of the data reported by their employees. These data are considered adequate; however to date, less analysis has been conducted on these data than on data provided by field offices.

Analysis of Results: The performance goal is considered to be met. The number of acres acquired under the Forest Legacy program was below target due to an error in establishing the target figure. The target reported in the FY 2001 plan was erroneously set at the cumulative number of acres acquired up to and including FY 2001 (including prior year acquisitions) instead of expected acres to be acquired with FY 2001 appropriations. At the completion of FY 2001 the Forest Legacy program has protected over 207,000 acres, well above the cumulative target of 200,000.

By purchasing conservation easements and fee simple titles from willing owners, the program fosters protection and better use of forested lands threatened with conversion to non-forest uses. The program results in new and enhanced partnerships with State agencies and nongovernmental organizations. State agencies participating in the program have increased their capacity to conserve important and sensitive forests.

Group and area-wide plans focus on natural resource issues and concerns that are broader than an individual conservation plan. These plans involve multiple landowners and decision makers who must reach consensus on goals and strategies. The plan addresses all resource problems identified for the area and focuses on the natural systems and ecological processes that sustain the resources. The plan balances natural resource issues with economic and social needs. The number of these plans is one indicator of USDA's activities to work directly with local planners and officials and community groups to protect natural resources

against degradation in communities and as a result of non-agricultural activities. In addition, the environment in many urban and rural communities is enhanced by the conservation systems applied on agricultural land by farmers and ranchers, which protect air and water quality for urban and rural residents downstream or downwind.

FY 2002 Current Performance: At this time FS is finalizing revisions to the FY 2002 performance targets as a result of the Appropriations Act signed on November 6, 2001. It is too early in the fiscal year to meaningfully assess performance against these targets. For the second indicator, in support of USDA's focus on locally led conservation, the target for FY 2002 is higher than FY 2001 performance. Data to determine progress toward the target are not available at this time.

Program Evaluation: GAO is reviewing FPP as a part of a review of all the Farm Bill authorized programs. OIG is also conducting an audit of FPP. Neither review is final.

Key Outcome: Maintain wetlands values and wildlife habitat.

Wetlands are important because they have unique functions and values. They provide habitat for a rich mixture of plants and animals—including many rare, threatened, and endangered species. They protect shorelines, filter impurities from water, help control floodwaters and regulate water flow, and help reduce soil erosion. Destruction of wetlands can lead to serious consequences, such as increased flooding, extinction of species, and decline in water quality. Maintaining valuable wetlands and restoring wetlands where possible can avoid these consequences. USDA protects valuable wetlands under rental contracts and permanent or long-term easements and cost-share agreements. Programs that help in wetlands protection are the Conservation Technical Assistance program, Conservation Reserve Program and Wetlands Reserve Program, and to a lesser extent, the Environmental Quality Incentives Program and Wildlife Habitat Improvement Program. Contracts to protect wetlands and other environmentally sensitive lands for recreation and wildlife purposes can also be established under the Debt for Nature Program. In addition, USDA administers the "Swampbuster" Conservation Compliance component of the current Farm Bill, which requires agricultural producers to protect existing wetlands from conversion to cropland to retain their eligibility for USDA programs.

USDA also provides technical and financial assistance in developing, restoring, and enhancing fish and wildlife habitat other than wetland habitat. Some conservation practices are applied primarily to benefit wildlife. In addition, many of the conservation practices that protect soil, water, and air quality also help to enhance the quality of the habitat that agricultural lands provide. USDA also enhances wildlife, especially for grassland species, by enabling producers to retire cropland and establish it in vegetation suitable for wildlife.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
3.2.4 Maintain, restore or enhance wetland ecosystems and fish and wildlife habitat (Million acres):				
• Wetlands and associated upland protected or enhanced under multi-year contracts or easements with USDA (Cumulative).	2.185	2.434	2.775	2.674
• Land retired from cropping and planted to vegetative cover best suited to wildlife (Cumulative).	12.5	16.7	18.8	18.6
• Habitat for fish and wildlife improved on working cropland, grazing land, forest and other land (Annually).	N/A	7.5	5.0	8.1

Data Assessment: Data on wetlands protected or enhanced represent cumulative acres currently enrolled in the Conservation Reserve Program or Wetlands Reserve Program. WRP data are provided by field and state offices and are reviewed for accuracy by the national program manager. The data are considered adequate.

Data on land retired and planted to cover best suited to wildlife under CRP represent cumulative acres currently enrolled. The data comes from FSA's National Conservation Reserve Program Contract and Offer Data Files. Data on improvements in wildlife habitat is based on the data on habitat management applied and collected through the NRCS Performance and Results Measurement System. Much of the land reported for this indicator is land on which practices applied primarily for purposes other than wildlife also have beneficial effects for wildlife. For example, many acres that are reported as upland wildlife habitat management applied are land where prescribed grazing provides simultaneous benefits for livestock and wildlife.

Additional data currently available in the CRP contract data files will be used in FY 2002 to identify conservation practices on land retired from cropping and grazing that are restored to ecosystems with high benefits for wildlife, including threatened and endangered species.

Analysis of Results: The performance goal is considered to be met. Only one of the three indicators did not meet the target, and for that indicator, performance was more than 96% of the target.

The wetlands protected under contract or easement include 1.074 million acres for Wetlands Reserve Program (WRP) and 1.6 million acres for CRP. USDA's CRP and WRP provide technical and financial assistance for the restoration and enhancement of wetlands and their protection under rental contracts or easements. These wetlands help to compensate for the wetlands lost to urban development or agricultural uses elsewhere. Many of the wetlands enrolled in the CRP are in the Prairie Pothole region, and provide critical habitat for waterfowl and other birds migrating along the Central Flyway. CRP also provides many acres of bottom land floodplains. Wetlands contracted for the WRP include a wide range of wetland types, from floodplain forests to prairie potholes to coastal marshes. A majority of the

WRP acres occur in areas subject to frequent flooding. For wetlands enrolled into programs, restoration or enhancement practices may not be applied in the first year the land enters the program. Not all acres entered in the programs are wetlands; in some cases adjacent non-wetlands must also be preserved in order to ensure the wetland values and functions are protected. These lands are included in the acreage reported.

While all lands enrolled in CRP provide wildlife habitat, 18.6 million acres are planted to vegetative cover best suited to wildlife, greatly improving the health of wildlife ecosystems by providing nesting cover, wintering habitat, and plant and insect feeds for wildlife species. The indicator for land retired from cropping and planted to vegetative cover best suited to wildlife will be revised in FY 2002 to reflect land retired from cropping and grazing and restored to ecosystems with high benefits for wildlife, including threatened and endangered species.

In addition, the State Conservation Reserve Enhancement Program (CREP) Federal-State partnerships provide additional benefits for wildlife habitat and wetland restoration. For example, the Oregon and Washington CREP agreements will help protect salmon and trout habitat. The Oregon CREP was designed to restore up to 100,000 acres of environmentally sensitive land along 4,000 miles of salmon and trout streams. This program protects the habitat of eight different endangered salmon species and two endangered trout species. The Washington CREP was designed to restore up to 100,000 acres of environmentally sensitive land along 3,000 miles of salmon streams. The land along stream and river banks is planted with trees or grass, which can reduce water temperature, stabilize banks, restore contiguous large scale bottomland ecosystems and filter as much as 90% of sediment, nutrients, and other contaminants for surface runoff before it reaches streams and rivers. As of September 2001, a total of 18 CREP agreements have been signed. During FY 2001, CREP agreements were signed for California, Iowa, Kentucky, New York (Syracuse), North Dakota, and Vermont to address specific environmental challenges in those states. CREP is protecting and enhancing water quality necessary to protect some of the most biologically diverse ecosystems in North America. CREPs in both Virginia and Kentucky will protect a vast array of threatened and endangered species of mussels and other aquatic species.

Of the working land enhanced for wildlife, 48% was assisted through the Environmental Quality Incentives Program, and 7% through the Wildlife Habitat Incentives Program. Of the total 8.1 million acres, about 58% were in Texas.

FY 2002 Current Performance: Because no funds were appropriated for WRP in FY 2002, no additional wetland acres will be enrolled in the program in this fiscal year. Funding for assistance to wildlife habitat is reduced under other programs, also. USDA expects to accomplish the CRP wildlife habitat performance goal.

Program Evaluation: NRCS conducts program evaluations through a national oversight and evaluation staff. In FY 2001, a review was conducted of the technical training related to wildlife land to ensure that the training provided to field staff is adequate. An evaluation of the implementation of the “compatible use authorization” of the Wetland Reserve Program was completed. Memoranda were issued and regional training teleconferences were held to ensure proper and consistent decisions and associated documentation.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Improving Wildlife Habitats. With USDA funding, Extension specialists developed a comprehensive program to improve the management of wildlife and their habitats on private land in Utah. The Cooperative Wildlife Management Association Program (CWMA) constitutes an annual Extension and training sessions for private landowners and operators that participate in Utah' s Cooperative Wildlife Management Unit (CWMU) program. The CWMA is a 501 c (6) non-profit business organization incorporated under the laws of the State of Utah. CWMA members pay an annual $100 membership fee. These fees are used by Extension specialists to conduct two annual meetings and workshops on topics of interest to program participants, and to maintain periodic correspondence. In 2000, the CWMA had 64 CWMUs as members. These units consisted of over 300 private ranches totaling over 1.7 million acres of private rangelands in Utah. Since the inception of the CWMA, the program has saved Utah CWMU operators over $4.5 million dollars and has resulted in improved habitat and range conditions on over 300,000 acres.

Protect water quality and watershed health. All States are now required by EPA to set Total Maximum Daily Loads (TMDLs) for point and nonpoint source contaminants affecting streams and rivers. USDA has developed several models that assess TMDL limits at the watershed scale for different soil, hydrologic, climatic, and ecological conditions. The strengths and weaknesses of these models in comparison to other models currently being used by EPA are being conducted under a number of interagency clean water action items.

Key Outcome: Clean up contaminated sites on USDA-managed facilities and lands, and restore affected ecosystems and watersheds.

Under Departmental Hazardous Materials Management Program (HMMP) policies and procedures, USDA agencies identify funding priorities and performance targets as part of their HMMP and agency budget requests; update these priorities and targets when the fiscal year starts; and show results in year-end obligations and accomplishment reports. They use a standardized list of major program activities to plan projects, request funds, and report results. At the end of each fiscal year, agencies report all ongoing HMMP activities, regardless of funding source, as either finished or ongoing. Because environmental cleanups can be lengthy, complex projects, ongoing work constitutes a significant portion of the workload and utilization of resources. Only finished activities are reported here. Well over 100 cleanups are underway but not yet complete.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
3.2.5 Continue to cleanup CERCLA sites and all regulated underground storage tanks (UST) under USDA custody and control:				
• CERCLA cleanups completed (#).	39	24	28	47
• UST and other RCRA cleanups completed (#).	13	5	33	70

Data Assessment: Agency heads attest to the accuracy and completeness of their reported data, which is examined holistically by the Hazardous Materials Management Group (HMMG) for gaps and logical inconsistencies (e.g., funds being requested or obligated in a later year than that in which the project activity was reported as being completed). Since all USDA agencies reported their results for FY 2001 and detected data deficiencies were resolved, the data is believed to be complete and of acceptable quality.

Analysis of Results: The performance target was exceeded. USDA agencies reported completing a total of 47 Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) cleanups and 70 Resource Conservation and Recovery Act (RCRA) cleanups in FY 2001. This level of performance more than offset the shortfall in completed CERCLA cleanups in FY 2000, and brings the total number of CERCLA cleanups completed since 1998 to 135, suggesting that the performance goal of completing 150 CERCLA cleanups by the end of FY 2002 will be met with current levels of effort and funding. However, over 2,000 additional environmental cleanups remain to be completed on lands and facilities under USDA jurisdiction, custody, and control. The working cost estimate for the cleanup of all contaminated sites is in excess of $4 billion.

FY 2002 Current Performance: USDA will continue to use its long-standing proactive approach to work toward the cleanup of contaminated sites and restoration of lands and facilities under USDA jurisdiction, custody, and control on a priority basis. This includes minimizing the number of sites that are added to the Superfund National Priorities List and the number of cleanups that are conducted under administrative or other orders initiated by federal and state regulatory agencies. This approach has maximized USDA's flexibility and minimized the costs of addressing contaminated sites. As discussed above, funding priorities and performance targets for FY 2002 are established and recorded at the beginning of the fiscal year. However, USDA's proactive approach is dependent on the availability of funding for priority work. For the last 10 years, the HMMP budget has been essentially flatlined for Hazardous Material Management Appropriation funding, requiring the agencies to contribute an increasing proportion of their appropriated funds to support of the HMMP.

The effectiveness of the HMMP requires a balancing of efforts to investigate and characterize contaminated sites; to prepare cleanup plans and coordinate them with regulatory agencies and stakeholders; to perform the actual cleanups and get regulatory buyoff; and to complete post-cleanup monitoring, verification, and maintenance. For the last three years, the pace of cleanups has been maintained at the expense of cleanup planning, creating the potential for a serious program bottleneck in the near future. Without approved cleanup plans, cost-effective cleanups cannot be performed, putting USDA at risk for enforcement action and third-party lawsuits. The challenges for USDA over the next several years will include, in a time of tight budgets, retuning the balance among investigation, planning, cleanup, and post-cleanup activity to try to forestall environmental enforcement actions and lawsuits, which can erode program effectiveness.

USDA will also continue to use its authorities under CERCLA and related executive orders to leverage funding in the cleanup program by compelling viable potentially responsible parties (PRP) to clean up or pay for the cleanup of the contamination they created. However, that source of funding of cleanup work has declined dramatically from the peak of $104 million in FY 1998, as fewer viable PRPs exist due to economic conditions. The estimated value of cleanup work performed or paid for by PRPs in FY 2001 is 11.4 million.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Objective 3.3

Provide multiple benefits to people from the nation's natural resources

Key Outcome: Improve the satisfaction of visitors to the National Forests and Grasslands.

Visitor satisfaction is closely related to the condition of developed recreational facilities. Public use at developed recreation sites is increasing, but at the same time, the condition and associated capacity of these and other recreation facilities is declining. A greater emphasis on reconstruction of existing sites along with higher levels of road maintenance, rather than new construction, will allow the agency to improve the quality of the recreation experience. Reconstructing and repairing existing trail tread, bridges, cribbing, water bars and other components better serves the backcountry user and allows for increased user capacity.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
3.3.1 Operate developed sites - Persons at One Time (PAOT) days operated to standard (Mil).	N/A	75	80	230[1]

[1]Due to definition problem, data was collected both on sites operated to standard and sites operated to less than standard.

Data Assessment: During a mid-year review, it became apparent there was a misinterpretation of the measure and its definition. Data was being collected on sites operated to standard as well as those operated to less than standard. As part of the budget formulation and execution system developed in FY 2001, the indicator was redefined and in future years, data will be collected only on those sites operated to standard.

Analysis of Results: The FS accomplished the goal of operating developed sites. Public use at developed recreation sites is increasing. A greater emphasis on reconstruction of existing sites along with higher levels of road maintenance, rather than new construction, will allow the agency to improve the quality of the recreation experience. Reconstructing and repairing existing trail tread, bridges, cribbing, water bars, and other components better serves the backcountry user and allows for increased user capacity.

Both the recreation facility infrastructure and our recreation customers are demanding more attention. To address these concerns, the FS developed the Recreation Agenda. The agenda is a framework for defining principles, processes, and priorities for the long term. It provides a 5-point blueprint, which includes providing safe, natural, well designed, accessible and well-maintained recreation opportunities for all visitors. Implementation began in FY 2001.

FY 2002 Current Performance: At this time FS is finalizing revisions to the FY 2002 performance targets as a result of the Appropriations Act signed on November 6, 2001. It is too early in the fiscal year to meaningfully assess performance against these targets.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Maintain benefits from watershed protection infrastructures.

USDA watershed planners help communities plan the use of watersheds and floodplains to provide benefits and to protect property values to benefit all of the residents of the area. Since the 1940s, nearly 2,000 watershed projects covering 160 million acres have been implemented across the Nation with USDA assistance. These projects provide multiple benefits, including reducing flood damages, improving water quality and water supply, creating wildlife habitat, and providing recreational opportunities.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
3.3.2 Provide benefits to property and safety through flood damage reduction:				
• Watershed protection structures completed (#).*	N/A	N/A	81	51

*Projects are supported by a combination of Federal, State, and local funds. Unexpected fluctuations in non-Federal funding may alter the schedule for completing these structures.

Data Assessment: The indicator is a refinement of data elements compiled previously. Data are available for past years only on the dams that meet criteria to be included in the National Dams Inventory maintained by the Corps of Engineers and FEMA. The watershed structures indicator includes smaller grade-stabilization structures and channel work on which USDA provides assistance, but which are not included in the National Dams Inventory. USDA state offices reported data for FY 2001. Data are accurate.

Analysis of Results: The goal was not met. Although USDA has for many years compiled and reported data on progress in watershed protection activities, USDA has not set national targets for structures to be completed in a given year. Watershed protection structures are complex engineering works that generally take several years to complete. Projects are supported by a combination of federal, state, and local funds; unexpected increases or decreases in non-federal funds may alter the schedule for completing structures. As a result, the number of structures completed in a given year may differ substantially from the target set. In addition, the construction schedule is affected by weather conditions. In FY 2001, wet weather in the spring delayed construction on 11 structures. Delays in obtaining land rights and permits were reported as causes of delays in other cases.

Description of Actions and Schedules: Many of the structures that were not completed in time to be reported by September 30 will be completed within the next few months. Therefore, there will be no adverse consequences, and additional actions beyond those already underway will not be necessary.

FY 2002 Current Performance: An ambitious goal has been set for completion of structures. As in FY 2001, the goal is for structures that are scheduled for completion; adverse weather and other events beyond the agency's control may delay individual projects.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Benefits from watershed protection infrastructure are maintained. New legislation directed at the rehabilitation of aging dams and other hydraulic structures has forced the examination of problems associated with decommissioning these structures. USDA has developed technologies and procedures for characterizing the quality and quantity of the sediment impounded by such structures. USDA will use these technologies for assessing, rehabilitating, and/or rebuilding the aging structures without adversely affecting downstream water quality or aquatic habitats.

Key Outcome: Foster natural resource development to improve the economies of rural communities.

Many rural communities possess natural resources that can be utilized to provide increased economic benefits, but lack the expertise in resource assessment and planning to develop and implement strategies for realizing those benefits. The above key outcome has been added to the initial USDA Strategic Plan for FY 2000-2005 to address this local need.

USDA provides technical assistance to local entities in developing and implementing sustainable resource development strategies and assists local conservation districts in making land use and community development decisions. USDA also partners with local Resource Conservation and Development (RC&D) councils. Councils are volunteers from various government entities and civic organizations within the area. The councils put in place projects to ensure the orderly development, utilization, and conservation of natural resources to provide employment and other economic opportunities in the area. RC&D Councils are in all 50 states, the Caribbean Area and the Pacific Basin. USDA also provides assistance through the Urban and Community Forestry Program.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
3.3.3 Produce benefits to communities through enhanced natural resources development and utilization:				
• Community improvement projects completed through RC&D (#).	N/A	N/A	2,513	3,043
• Number of communities participating in the Urban and Community Forestry Program (#).	11,101	10,547	11,100	10,650

Data Assessment: The indicator for community improvement projects completed includes only projects carried out by Resource Conservation and Development Councils. Data are entered in the RC&D Program Database by staff in RC&D offices, and reviewed by state program managers and by the national program manager. The database is web-based;

access to input or retrieve data is done through the Internet. For FYs 1999 and 2000, the database did not include complete data for the RC&D program because many RC&D offices did not have the equipment or the ability to fully access the Internet and modifications were needed to the RC&D database program. At the end of FY 2001, the database was almost fully functional, and all RC&D offices have access.

State agency coordinators provide annual accomplishments on-line using the Performance Management and Accountability System (PMAS), a web-accessed database. Regional coordinators and the Washington Office review all State submissions before accepting the data.

Analysis of Results: Based on FY 2001 reports from the States, 10,164 communities participated in U&CF programs nationwide. This is approximately 40% of all communities eligible for U&CF technical or financial assistance. The Forest Service and State partners supported U&CF projects in communities and city neighborhoods. These efforts resulted in over 4 million volunteer hours, greatly exceeding the 1.2 million hours of volunteer assistance projected for 2001.

State and Private Forestry's Urban and Community Forestry (U&CF) Program provided leadership in improving and expanding urban forest ecosystems. The U&CF Program assisted local communities in recognizing the value of their forests, building capacity to manage community forest resources and supporting community vitality through public involvement, commitment, and action. Programs to encourage strategic use of tree planting and urban forest management helped mitigate the effects of air, water, soil, and noise pollution and flood hazards, as well as reduce energy use and beautify communities.

The U&CF Program also assisted communities in their effort to provide better stewardship of urban natural resources. The program offered expert advice, innovative technology, and financial assistance to ensure that there are healthy trees and forests where people live, work, and play. Metropolitan areas collectively support nearly one-quarter of the Nation's total tree canopy cover. Program funding contributed to community economic stability, natural beauty, public health, and quality of life. The U&CF staff worked cooperatively with State foresters and other partners to effectively deliver the Federal program and develop urban and community forestry programs at the State and local levels.

FY 2002 Current Performance: NRCS continues to provide assistance to RC&D Councils nationwide. Currently the 348 RC&D Councils have over 7,00 ongoing projects.

At this time FS is finalizing revisions to the FY 2002 performance targets as a result of the Appropriations Act signed on November 6, 2001. It is too early in the fiscal year to meaningfully assess performance against these targets.

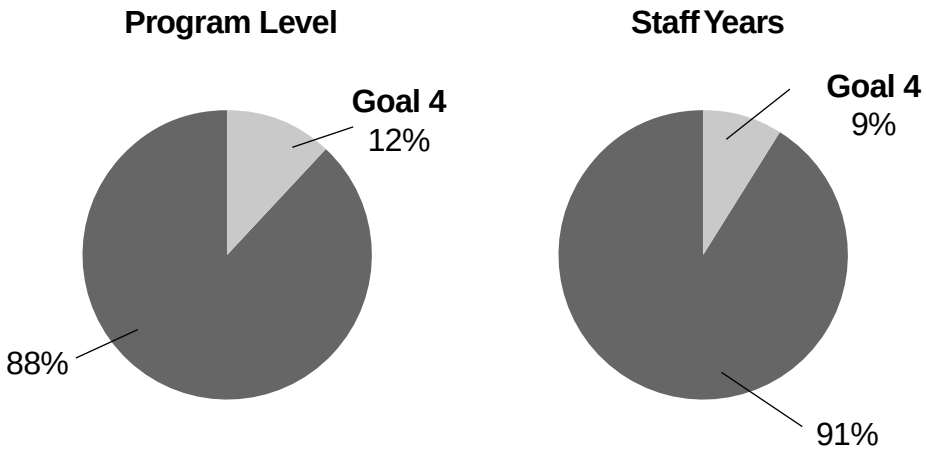
Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Strategic Goal 4

Enhance the capacity of all rural residents, communities, and business to prosper

USDA Resources Dedicated to Goal 4	FY 2001 Actual
Program Level ($ Mil)	12,244.6
Staff Years	9,622

Percent of FY 2001 USDA Resources Dedicated to this Goal



Objective 4.1

Expand job opportunities and improve the standard of living in rural communities

Key Outcome: Create and save jobs in rural areas.

In order for any community to succeed, it must have a healthy economy. Rural communities are more financially vulnerable than urban communities because there are often a limited number of businesses forming the community's economic base. As a result, the loss of just one business can be devastating. Thus, saving existing jobs, and creating new jobs is essential to ensuring strong, diverse rural economies. But if these jobs are to be helpful to the community in the long term, they must be in businesses that have a future. Since many rural communities have an agricultural base, businesses that add value to local agricultural products have a good chance of success and can stimulate growth in the local economy.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
4.1.1 Jobs created or saved through USDA financing of businesses in rural areas.	79,839*	73,502	120,147	105,222

* Revised to include 74,379 jobs reported in the Strategic Plan plus 5,490 jobs created by the Rural Economic Development program loans and grants.

Data Assessment: The completeness of the data is not fully accounted for. The Rural Business-Cooperative Service (RBS) has monitored the existing Rural Community Facilities Tracking System (RCFTS) as the base for determining the accuracy of the actual accomplishments. In an attempt to acquire accurate and current information, administrative guidance has been disbursed to field offices responsible for entering the information. Business Programs Assessment Reviews conducted in state offices as well as other assessments have found that based on a review of the RCFTS reports and borrower case files, there is a need for an improved system for documenting the employment opportunities created by the various RBS programs. The National Office has made a concerted effort to reconcile records between the Program Loan Accounting System (PLAS) and the Guaranteed Loan Accounting System (GLAS) and our management system (RCFTS). A new database called Rural Development (RD) Application Processing Tracking System (RDAPTS) will prohibit obligation of funds and closing if critical management information is not input. The system will be a single point of entry and will not have to rely on other systems for support. There will be less duplication of data entry, and thus less chance of error. RDAPTS is scheduled to be in place in March of 2002.

Analysis of Results: The goal was not met for the Business and Industry (B&I) Guaranteed and Direct Loan, Intermediary Relending (IRP), and Rural Economic Development Grant Programs. Job cost assumptions for the Business and Industry programs used to establish the goals compared to the actual job costs were $33,967 (projected) versus $37,366 per job (actual) for the guaranteed program, and $22,727 (projected) versus $54,680 (actual) for the direct program. The combination of obligating $175 million less

program funds than projected, in the FY 2001 President's budget—plus the addition of $1.162 billion in emergency funding, which the program was not geared up to accommodate—and an increase in job cost of almost $3,400 per job accounts guaranteed goal failure. The job cost for the direct program increased by more than 140%. The results are skewed by two large loans that account for almost 40% of total obligations. The targets established for the IRP for jobs were not met due to the volume of program activity. The target was based on an initial request for considerably more program funds than were actually appropriated by Congress. Also, the Agency was unable to use $1.6 million that was earmarked for Native Americans and $5.8 million earmarked for the Lower Mississippi Delta due to lack of applications that qualified for the earmarks. These earmarks could not be reprogrammed for other authorized program applications.

Description of Actions and Schedules: As a result of not meeting the goal, USDA was not able to create/retain as many jobs for rural citizens as had been planned. FY 2002 projections are based on the President's budget, which was submitted to Congress, and upon factors based on actual program results from FY 2001. Due to the current state of the economy, it is difficult to have any level of confidence that the factors used in FY 2002 projections will be realistic. However, USDA anticipates the goal will be met in FY 2002 because of the need for economic stimulus to bolster the current economy.

FY 2002 Current Performance: The performance indicator target is based on the FY 2002 Appropriations Act extrapolated from past program accomplishments and is expected to be met.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Economic Development in Ohio. With USDA funding, Ohio's Community Economic Development includes efforts working with local government leaders developing private/public partnership for job creation. The total number of participants in Jobs/Employment was 8,945. This includes 4,687 under-served individuals and 2,906 under-represented individuals. There were 113 new businesses either started or expanded as a result of these programs, and 1,342 new jobs were created.

Agricultural Economics and Land Ownership Survey (AELOS). The census of agriculture provides periodic detailed data down to the county level, which facilitates locality-based policy and business decisions affecting the agricultural industry and rural residents. One census of agriculture follow-up study released during FY 2001 was the 1999 *Agricultural Economics and Land Ownership* report (AELOS), an integrated survey of farm finance and land ownership. AELOS includes estimates for every State and U.S. totals for acres of agricultural land owned, how it was purchased, type of ownership, income and farm debt distribution, and a measure of the number of acres acquired and sold for specified years. Land ownership data were included for landholders who operated farms, as well as for landholders who were not farm operators. The 1999 AELOS includes the items that were on the 1988 AELOS with one exception: the type of lease arrangements for land owned was not asked of the operators, only of the landlords.

Economic Opportunities for Rural Low-Wage Workers. *Rural Conditions and Trends* featured the changing supply and demand of low-wage workers, reporting that although recent

favorable economic performance has benefited many rural people, it has not benefited all rural people and areas equally. This multi-faceted study provided a better understanding of the economic and social context in which the new policies have been operating; identified the people and places most in need of assistance; and highlighted both the possibilities and limitations of Federal efforts to improve economic well-being for rural residents.

Agriculture's Role in the Rural Economy. The Rural Industry issue of *Rural Conditions and Trends* reported on how nonfarm growth and structural change are altering agriculture's role in the rural economy. A follow-up article in *Agricultural Outlook* concluded that Government farm payments play a minor role in the rural economy—a role outweighed by the Federal Government's payments for income security and health care. This research was widely reported in the farm media, and is the main source of information on this topic for policymakers, farm groups, and bankers.

Key Outcome: Increase rural homeownership.

The purchase of a home in a rural area is an investment in that community; a family's interest in seeing their town succeed is greatly increased when they own their own home. USDA provides homeownership opportunities to families with very-low, low, and moderate incomes that cannot obtain commercial financing on reasonable terms. In FY 2002 and 2003, the Department hopes to provide the opportunity for homeownership to more rural families. This will be accomplished by working closely with USDA partners, who also have interests in rural housing, and by streamlining and improving the processes required of guaranteed lenders who want to work with USDA to help more rural residents achieve homeownership. While USDA funding cannot, by itself, noticeably change the homeownership rate in rural areas on an annual basis, it will contribute to an increase in that rate over the long-term.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
4.1.2 Rural households receiving USDA financial assistance to purchase a home.	55,941	45,420	57,000	44,073*

*Does not include credit sales, since these are all off-program this year.

Data Assessment: Data on the number of homes financed or improved came from the Obligations Report 205, which is derived from the RD Finance Office obligation records. This data is considered reliable and is used by OIG in the development of the mission area's financial audit.

Analysis of Results: The goal and targets were not met, and the shortfall is in the guaranteed loan program. A target of 42,000 for the guaranteed loan program assumed the use of all funds allocated for the program. This situation did not occur because the number of loans closed for the whole year under the Section 502 guaranteed loan program (29,236) was 30.2%, or 12,674 loans, less than the 42,000 target for the Section 502 guaranteed loan program. This decline is the opposite of the increase in home mortgages originated throughout the country and is attributable to factors in the RHS program, such as the lack of an automated underwriting capability, the lack of a refinancing capability for much of the

year, and the prohibition on cash-out or equity withdrawal financing. General industry data for the first half of 2001 show a 94% increase in loans originated when compared to the first half of 2000. However, the majority of the increased volume, 55.7%, is due to refinancing activity generated by interest rate declines and home price appreciation. (National Mortgage News, August 27,2001, p1). According to the Mortgage Bankers Association of America, more than 50% of those refinancing have taken out equity in the process (Real Estate Finance Today, October 15, 2001, p2). Section 502 loans do not permit equity withdrawals when refinancing an existing RHS loan, and RHS refinancing activity for the year was not generally available until after May 2001. VA's preliminary FY 2001 data show a 69% increase in loan volume over the previous year. Roughly 72,800 (or 29%) of the approximately 250,009 loans guaranteed by VA during FY 2001 were refinancing loans. Of those, 5,100, or only 2% of all VA-guaranteed loans, involved cash-out refinancing. Information derived from data through July 2001 supplied by the Federal Housing Administration shows approximately a 30% increase in loan volume over FY 2000, with approximately 23% of the total as refinancing loans. Of those, only about 6% were cash-out refinances.

Although increasing rural homeownership is only one way in which RHS assists rural residents and communities, it provides a valid measure of the success of USDA programs. Without USDA assistance, fewer rural residents would become homeowners and more rural residents would be living in substandard dwellings. Not only is homeownership a life-long goal of many Americans, but also it is an accomplishment that supports rural economies. Home construction provides jobs for rural workers. Homeowners pay taxes that help support their communities. Because they have a financial interest in the communities, they are less likely to leave the community in times of economic downturn.

Description of Actions and Schedules: As a result of not meeting this goal, USDA was able to help fewer rural families obtain or retain decent, safe, and sanitary homes. Efforts are underway to improve the acceptance of the USDA guaranteed mortgage program by the mortgage origination and investment industry by increasing their similarity to other governmental insured or guaranteed mortgages and by automating the application process. This includes development of an automated underwriting system, which USDA proposes to have completed and deployed by FY 2003.

Additionally, since the program now has limited refinance authority, many guaranteed loans that would previously have been refinanced through other government programs may now be refinanced and stay in the RHS guaranteed program, thus improving the performance of the loan and lowering the Government's risk.

FY 2002 Current Performance: USDA will continue to monitor performance progress quarterly and take necessary and appropriate actions in the event that performance is less than expected. Further automation initiatives will be pursued.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Housing Opportunities for Rural Minorities. USDA conducted a series of studies to help identify factors related to housing availability, affordability, and adequacy for rural minorities and to assess the use and effectiveness of Federal housing assistance programs in rural

areas to help these target groups. Study findings were reported in *Meeting the Housing Needs of Rural Residents* and several issues of *Rural America.* USDA also collected national survey data on the USDA Single Family Direct Loan Housing Program. Study results were used to help assess the use and effectiveness of their program for reaching targeted populations in need.

One New Homeowner at a Time. With USDA funding, Tuskegee University partnered with the USDA RD office to assist families and individuals to improve or acquire new homes in rural areas (such as Greene and Hale counties in Alabama) as they continue to bear a large percentage of inadequate housing. Potential homeowners were identified and assisted with the completion of all forms necessary to apply for a RD loan or grant program. Training in home management, household budgeting, dwelling maintenance, credit and debt management, and other areas was provided to assist individuals in becoming successful homeowners or recipients of home repair funds and grants.

Key Outcome: Provide safe drinking water to rural residents.

A decent standard of living also requires access to safe, clean drinking water that is constantly available and provided at a reasonable cost. Many rural communities, because of their small size and the high cost per user of building public water systems, do not have a continuous supply of clean drinking water. Families and businesses in these communities rely on private wells, many of which are contaminated or dry up during periods of extended drought.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
4.1.3 Rural water systems developed or expanded to provide safe drinking water.	579	590	668	613

Data Assessment: These data are considered to be final and reliable. Data on the number of loans for water systems are obtained from the Program Loan Accounting System (PLAS).

Analysis of Results: The number of rural water systems developed or expanded to provide safe drinking water did not meet the target. The primary reason for this is the unusually large amount of allocated funds switched from loan to grant during the fiscal year, a tool available to States so that they can adjust the amounts allocated to meet actual needs.

Description of Actions and Schedules: Because USDA was not able to meet the goal; fewer water systems were developed or expanded than had been planned for this fiscal year. No additional actions are considered necessary to meet the FY 2002 targets as it is anticipated that only a normal amount of funding will be switched in this fiscal year.

FY 2002 Current Performance: Performance for FY 2002 is expected to meet established targets, assuming the amount of funds appropriated equals or exceeds that used to establish the targets.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Objective 4.2

Ensure the neediest rural residents and communities have equal access to USDA programs that will help them succeed

Key Outcome: Increase assistance to the neediest rural communities.

One pivotal answer to persistent poverty is greater investment in public services and jobs in these communities. If persistent-poverty communities are to develop economically, then they need substantial financial and technical help tailored to each community's unique challenges. USDA is committed to providing this assistance and helping ensure that all rural communities are given an equal opportunity to prosper.

A key tool in this effort is the Empowerment Zone and Enterprise Communities (EZ/EC) initiative. This effort targets the very neediest communities in the country and channels large amounts of assistance to areas where local citizens demonstrate an initiative to work together to draw up and carry out strong economic development strategies. EZ/EC designees receive targeted financial and technical assistance from USDA and other government entities. The communities then work to turn this Federal seed money into large pools of capital that can finance needed community improvements and establish a foundation for strong, sustainable economic growth.

Assistance provided by USDA's Water and Electric Programs is also instrumental in providing the infrastructure for persistent-poverty communities to develop economically. Increased outreach targeted toward persistent-poverty communities will help ensure that these underserved areas have equal access to USDA RD resources.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
4.2.1 Assist the neediest rural communities:				
• Communities located in persistent-poverty rural counties receiving financial assistance to establish or improve a system for drinking water or water disposal (#).	247	219	248	236
• Cooperatives serving persistent-poverty counties receiving financial assistance to establish or improve the local electric service (#).	72	72	88	98
• Cooperatives serving counties experiencing out-migration receiving financial assistance to establish or improve the local electric service (#).	83	73	89	97
• Ratio of non-EZ/EC grants to EZ/EC grants invested in EZ/EC communities.	8.4:1	10.7:1	7:1 or greater	17.77:1

Data Assessment: These data are considered to be final and reliable. Data on the number of water and waste systems developed or expanded are obtained from PLAS.

Analysis of Results: The overall goal was met. The number of water and waste systems in persistent-poverty counties was slightly below its target but within 5%, which is considered acceptable. The number of cooperatives serving persistent-poverty counties and counties experiencing out-migration both exceeded their targets. The ratio of non-EZ/EC grants to EZ/EC grants exceeded its target, since historically the leveraging ratio was lower and the target was set based on the historical figure.

The only measure that did not meet its target was the number of water and waste systems in persistent-poverty counties, but it is expected that the FY 2002 target will be met without additional extraordinary adjustments.

FY 2002 Current Performance: USDA expects to meets its targets in serving the neediest communities in FY 2002.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Selected examples of accomplishments in research, extension, and statistics that contribute to achievement of the key outcome:

Power Partner Program. Low-income, low-literacy consumers in New York frequently find themselves unable to meet the cost of electricity for their homes. While lack of sufficient income is a factor in their inability to pay their bills, lack of knowledge with regard to handling the resources they do have has also been identified as a significant contributing factor. With USDA funding, a team of Extension Educators worked to develop an educational component for New York State Electric and Gas Power Partner program that would assist low-income customers in developing the financial management skills necessary for financial independence. Participants in the program have reported that because of their involvement with the Power Partner program, they are now using a spending plan (92%), they pay their bills on time (88%), and they report having enough money to meet their monthly expenses (66%). The participants identified the educational materials designed by Cornell Cooperative Extension as a major factor in their behavior change.

Strategic Goal 5

Operate an efficient, effective, and discrimination-free organization

Objective 5.1

Ensure that USDA provides fair and equitable service to all of its customers and upholds the civil rights of its employees

Key Outcome: Conduct civil rights impact analyses of all significant USDA regulations to assess their effects on underserved customers.

Civil rights impact analyses of major new and revised regulations help to ensure the fairness and equity of USDA programs. A thorough review of how the regulations affect program participation can ensure that underserved groups are not excluded. Similarly, the review of administrative regulations can help ensure that employees are treated fairly and equitably.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.1.1 Significant USDA regulations subjected to civil rights impact analyses (%).	N/A	100	100	100

Data Assessment: In accordance with USDA policy and procedures for regulatory clearance, all significant regulations were forwarded to the Office of Civil Rights (CR) to review for civil rights impact. The regulatory review process records are used to determine that all significant regulations and changes to regulations are subjected to CR review. The records are considered to be complete, accurate, and reliable.

Analysis of Results: The data shows that all major USDA regulations are being examined for their civil rights impact.

FY 2002 Current Performance: USDA will continue to review all significant regulations for civil rights impact and USDA agencies will continue to review their civil rights programs.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Provide full and equal access to USDA programs in a discrimination-free environment.

Complex USDA programs operate nationwide with participation in all economic and cultural groups. Constant surveillance and periodic major reviews can help ensure that these programs reach all who are eligible. These reviews examine how the programs are carried out, as well as the impact on traditionally underserved groups.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
5.1.2 Major USDA programs reviewed each year (%).	N/A	20	20	20

Data Assessment: USDA agency reports are used to track civil rights review of major programs. Since the reviews are chiefly carried out by program operators in widely scattered locations over various periods of time, the results are subject to the different conditions and interpretations. The reports are generally considered to be complete and accurate.

Analysis of Results: Agencies of the Department continue to review and monitor their programs to ensure they are delivered in a non-discriminatory manner.

FY 2002 Current Performance: USDA agencies will continue to monitor their programs to ensure that they are free from discrimination.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Establish in every agency effective outreach programs that target underserved customers.

As part of USDA's ongoing efforts to improve its civil rights record, outreach plans were established in every agency during FY 1999. Efforts are now underway to increase participation of traditionally underserved groups in all department programs. Tracking actual participation by race, sex, and national origin has proved to be a challenge due to the lack of reliable data.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
5.1.3 Improvement in minority participation in USDA programs (%).	N/A	N/A	Develop Baseline	Baseline Not Completed

Data Assessment: The goal was based on the availability of reliable data on race, sex, and national origin in USDA programs. However, sufficient data has not been available and a portion of the data that is available has not been proven reliable. As a result, an accurate measurement cannot be taken at this time.

Analysis of Results: The result of the first goal depends entirely on establishing a baseline and securing the accurate collection of data by all USDA agencies. Without this information, there is no analysis. USDA agencies that presently lack or have inaccurate methods of data collection must develop a system of reporting.

Description of Actions and Schedules: In 2002, available USDA data on race, sex and national origin will be compared to the NASS databases, and the results will be analyzed to determine if USDA agencies are reaching their underserved customers. A comparative analysis will be developed to compare the underserved participants with the general population within that underserved community.

FY 2002 Current Performance: Currently, a reassessment of the outreach program, its organization and objectives, and the best ways of measuring program objectives is underway. New operating procedures are being put into place to ensure communication within all USDA agencies with a new baseline to be developed in before the end of FY 2003.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Ensure timely resolution of program and equal employment civil rights complaints.

Effective and timely processing of program and employment civil rights cases will enhance performance in every phase of USDA program delivery. Honest and efficient resolution of civil rights complaints are essential to the overall improvement of the Department's civil rights record; USDA customers and employees deserve to know that their grievances will be heard within a reasonable timeframe and will be fairly addressed.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.1.4 Reduction in the average number of days it takes to resolve USDA civil rights complaints (%).	N/A	N/A	5	1

Data Assessment: The average reduction in civil rights case processing time was one percent during FY 2001. The data was developed from a review of civil rights case processing files. Processing times were recorded based on the dates of case filing and of Reports of Investigation (ROIs). The data is complete, reliable, and accurate to the extent that pertinent information was properly recorded. Processing times for program and equal employment opportunity cases are explained below.

Program Cases. An analysis of program complaints indicated that the average processing time was reduced by 14% in 2001. The 14% reduction resulted from the fact that the complaints closed during the year included a majority of complaints not filed within the statutory time limitation or non-jurisdictional determinations that require less time to process. The processing time for cases requiring investigations did not reflect as large a decrease in the average processing time.

In order to calculate the average processing time for program cases in FY 2000 and 2001, the following types of cases were excluded: (a) duplicate complaints, (b) complaints under Consent Degrees and "on hold" due to pending settlements and other actions, or (c) complaints from complainants participating in class action lawsuits.

Employment Cases: Although the ROIs issued in FY 2001 were more than twice the FY 2000 level (650 ROIs issued in FY 2001 versus. 315 ROIs issued in FY 2000), the average processing times shows a 7% increase. The reason for this anomaly is that 94% of the ROIs issued in FY 2001 were for older complaints, which increases the average processing time for the cases completed. Despite the overall processing time of 571 days (which included cases filed in 1998, 1999, and 2000), the processing time for cases filed in 2001 was only 230 days.

Analysis of Results: The goal of reducing civil rights case processing to the point of issuance of the report of investigation by 5% was not met.

Program Cases: The average processing time decreased in both FY 2000 and 2001 and the average number of days to process a case decreased from 365 to 315 days. This shows that better procedures and remedial steps to improve processing of program cases are having an impact. Beginning in FY 2002, this performance goal and indicator will be measured in calendar days rather than as a percent change. Therefore, the baseline for the FY 2002 performance goal and indicator is 315 days.

Employment Cases: As a result of the initiative to reduce the backlog of older cases, the overall average processing time increased by 7%. The average processing time per employment complaint was 571 days for the 543 cases which had ROIs issued in FY 2001. However, the shorter timeframe for cases filed in FY 2001 is a positive sign that EEO case processing is being improved. Beginning in FY 2002, this performance goal and indicator will be measured in calendar days rather than as a percent change. Therefore, the baseline for the FY 2002 performance goal and indicator is 571 days.

Description of Actions and Schedules: In FY 2001, the Department issued the Long Term Improvement Plan (LTIP), which identified the major weaknesses in the civil rights program as well as improvements needed to ensure that complaints of discrimination would be consistently, effectively, and efficiently processed. The major findings were: insufficient staff to process the number of complaints being filed; insufficient training of staff in key responsibilities including insufficient knowledge of the programs for which complaints were being filed; inadequate systems and processes for handling complaints; and inaccuracies, delays, and redundancies caused by inefficient automated tracking systems for processing complaints. LTIP outlined specific steps to correct these deficiencies. Based on the LTIP, USDA is in the process of instituting new case processing procedures, improved record keeping and tracking systems, and accelerated training. Resources to increase the scale of case processing operations have been sought through the budget process.

If the processing time of civil rights cases cannot be reduced, the result will be a negative impact on USDA programs and employment stability in which customers and employees will perceive that their Government and employer is failing to carry out responsibilities in a conscientious manner. Program participation of traditionally underserved groups will suffer, and dissatisfaction from employees will negatively impact productivity and work relations within USDA.

FY 2002 Current Performance: In FY 2002, USDA will continue to implement the LTIP to the extent that resources are available, and to reduce program and employment complaints processing time.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Objective 5.2

Improve organizational productivity, accountability and performance

Key Outcome: Ensure USDA has the information systems needed to allow customers to securely share data and receive services electronically.

The Department is working to improve customer service and operational efficiency by building a modern information technology (IT) infrastructure and moving many of its common transactions on-line. The Service Center agencies' efforts to implement a Common Computing Environment (CCE) and meet the requirements of the Freedom to E-file Act are integral to achieving this outcome. The Freedom to E-file Act requires the Risk Management Agency (RMA) and the Service Center agencies (i.e., Farm Service Agency, Natural Resources Conservation Service, and the Rural Development mission area) to develop Internet-based systems that allow agricultural producers to conduct program transactions on-line. These efforts will provide a model for the rest of the Department in beginning the transformation to a user-friendly, Internet environment.

The IT component of the Service Center Modernization Initiative (SCMI) will serve as the technological foundation for implementing reengineered business processes across the Service Center agencies. When fully deployed, the CCE will optimize data, equipment, and personnel sharing opportunities among the Service Center agencies, and overcome the limitations of existing legacy systems. It will also allow the Service Centers to use commonly available information technology, such as the Internet, to deliver services and conduct business with customers and partners. In addition, the CCE will provide the technical infrastructure necessary for the use of Geographical Information Systems (GIS) in the Service Centers. In short, a modern technology infrastructure will allow USDA's field presence to better leverage information to achieve 21st century efficiencies and customer service.

Annual Performance Goals and Indicators	Fiscal Year 1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.1 Establish a common computing environment for USDA Service Centers which includes hardware, software, security, websites, telecommunications, and databases:				
• Workstations deployed (%).	74	86	100	86
• FSA connectivity solution and network servers deployed (%).	N/A	N/A	100	50
5.2.2 Transition to a fully integrated e-Government environment:				
• Meet legislative mandates of the Freedom of E-File Act and GPEA.	N/A	N/A	Yes	Yes

Data Assessment: Data for the Service Center Modernization Initiative is based on actual orders placed for CCE hardware and software and is considered reliable and accurate.

Data for meeting legislative mandates of the Freedom of E-file Act and Government Paperwork Elimination Act (GPEA) is based on observation, meetings with USDA agencies, inter-agency groups, moratorium waiver requests, and the capital planning and investments control process and is believed to be reliable and accurate. The data is further validated through agency Quarterly e-Government Reports to the Secretary and the annual GPEA report submitted to Office of Management and Budget (OMB). The Department provided the Secretary with three Quarterly e-Government Reports (Quarters 1 and 2 were consolidated) and through the annual GPEA report submitted to OMB.

Analysis of Results:
SCMI - Workstations: USDA met 86% of this indicator. 35,000 workstations have been purchased and deployed as of the end of FY 2001. The remaining workstations have been ordered but not shipped and installed. The ordering of the remaining workstations was delayed until late in the fiscal year in order to negotiate and put in place an Enterprise License for office automation software covering all current and future CCE workstations over a 39-month period. This strategy saved USDA over $7 million in software costs associated with the procurement of the remaining workstations although actual deployment goals were not met during the fiscal year.

SCMI - FSA Connectivity Solution and Network Servers Deployed: USDA met 50% of this indicator. All FSA connectivity machines were installed and operational during the second quarter of the fiscal year, while the network servers were acquired but deployment to the field did not occur during the fiscal year. Extensive CCE testing, piloting and acceptance procedures discovered significant problems with equipment originally bid by the server contractor. As a result, the vendor changed equipment suppliers thereby delaying the deployment schedule.

E-Government: USDA met this performance goal for legislative mandates of the Freedom of E-file Act and GPEA. During FY 2001, USDA established the Electronic Government (eGovernment) Program, hired the USDA eGovernment Executive to provide leadership and oversight for USDA's eGovernment planning and implementation, and established an eGovernment governance structure that includes a senior-level executive council and working group. The eGovernment Program is responsible for leading implementation of the Government Paperwork Elimination Act, Freedom to E-File Act, the Paperwork Reduction Act, and the Expanding Electronic Government component of the President's Management Agenda.

Description of Actions and Schedules: During the current fiscal year, the Common Computer Environment (CCE) network servers and remaining workstationswill be fully deployed thereby providing enhanced security, a shared and robust e-mail system, ability to manage and monitor IT systems from a central location and enhanced local data capabilities.

FY 2002 Current Performance:
SCMI Workstations: The workstations purchased late in FY 2001 are going through acceptance testing and will be deployed early in calendar year 2002.

SCMI - FSA Connectivity Solution and Network Servers Deployed: The new network servers have been shipped to the field. The installation is planned to occur during March and April, with the servers becoming fully operational by June 2002.

E-Government: The Department recently embarked upon an intensive effort to define the eGovernment vision, strategy, marketing, and tactical activities needed to create "One" USDA.GOV. This strategy will identify enterprise opportunities and cross-mission area solutions and facilitate the sharing of best practices. USDA's decentralized management structure, agency/program-centric culture, and multiple agency IT architectures provides enormous challenges and opportunities.

The Service Center agencies and the RMA developed a business and technology plan to meet the, implementation deadlines for the Freedom to E-File Act and the Government Paperwork Elimination Act, and designated program and project leaders.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Ensure USDA has a financial information system that can produce auditable financial statements and provide reliable and useful information for decision-making.

USDA works with its component agencies to ensure that the Department's financial policies reflect sound business practices. Achieving a clean audit opinion on the Department's Consolidated Financial Statements and agency specific financial statements will assure the users of USDA's financial information as well as constituents that USDA's financial systems are sound and generate consistent, reliable, and useful information.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.3 Achieve an unqualified opinion on the USDA's Consolidated Financial Statements for FY 2002.	Disclaimer	Disclaimer	Qualified Opinion	Disclaimer

Data Assessment: USDA produces six stand-alone audited financial statements in addition to a consolidated statement. Four of the five USDA agencies that had stand-alone audits for fiscal year 2001 have largely clean opinions. The last remaining agency, the FS is a primary focus for corrective actions already underway. A sixth agency, FNS, had a waiver from a stand-alone audit in fiscal year 2001 because they consistently had a clean opinion. The OIG issued a written audit opinion on the USDA's Consolidated Financial Statements for FY 2001 on February 26, 2002.

Analysis of Results: The Office of the Chief Financial (OCFO) developed a comprehensive project to assure that the Department meets the Government-wide financial report requirements and timeframes. The Deputy Chief Financial Officer met with each USDA agency to discuss the specific actions that must be taken by agencies to achieve an unqualified audit opinion in FY 2002. A detailed plan of action and milestones with crucial tasks and deadlines for the preparation and audit of USDA's FY 2001 Consolidated Financial Statements was provided to each agency and Mission Area. The timelines were updated continuously throughout the audit cycle in FY 2001. The OCFO provided oversight to USDA agencies to monitor abnormal balances, Funds Balance With Treasury, Property, Suspense, and Alternative Fund Codes to insure that balances were promptly identified and corrected in a timely manner.

The OCFO has been working closely with RD, FSA, and CCC on a credit reform working group comprised of representatives from these agencies, the OIG, and OMB (with GAO as an advisor) to address the credit reform issues keeping these agencies from a clean opinion. The working group successfully developed and validated new cash flow models for estimating and reestimating subsidiary costs for the Department's lending agencies. As a result, OIG was able to remove the qualification on "Credit Program Receivables, Net."

Additionally, USDA has made significant progress in reconciling USDA's fund balances with the Department of the Treasury. As of fiscal year 2001, USDA was able to reconcile the differences related to Financial Management Service (FMS) Form 224 "Statement of Transactions", for the agencies serviced by the National Finance Center, increasing the reliability of the Fund Balance with Treasury line item

Description of Actions and Schedules: The OCFO is working closely with the FS on its plans for financial management improvements. The OCFO continues to work closely with Treasury to re-engineer the cash reconciliation and reporting process. These efforts are expected to result in an unqualified USDA consolidated financial statement audit opinion for FY 2002.

FY 2002 Current Performance: USDA has made significant progress in reconciling USDA's fund balances with the Department of Treasury. OCFO institutionalized a sustainable cash reconciliation process and implemented an automated worksheet tool to improve the cash reconciliation process. Another major factor in USDA's goal to obtain a clean audit opinion is its implementation of credit reform. RD's qualification on their financial statement line item "Estimated Losses on Loan Guarantees" was lifted by the OIG due to the completion, testing, and documentation of a new guaranteed loan model. RD also completed the programming for a new Single and Multi-Family Loan Model during FY 2001. RD devised new methodologies for reestimating the value of some loan subsidies for the financial statements based on examining model assumption trends. The FSA completed new direct and guaranteed loan models and will continue to improve the out year projected model assumption curves during FY 2002. CCC, FSA, and RD developed new methods for valuing their pre-1992 loan portfolios and related allowances. Significant analysis and documentation efforts were made by all agencies to ensure a complete, accurate valuation of their entire loan portfolio, including both credit reform and liquidating loans.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.4 Implement the Foundation Financial Information System USDA-wide:				
• Percentage of total USDA workforce served (%).	31	46	78	78

Data Assessment: The source of the data to compile the number of employees and calculate the percentage of the total USDA workforce served by Foundation Financial Information System (FFIS) is a budget report entitled *"Total FTE Employment: Max Schedule Q Detail,"* run in December 2001. This report provides the total number of FTEs in USDA and the number of FTEs by agency.

Four agencies were implemented into FFIS on schedule on October 1, 2000. These agencies are: NRCS, RD, FSA, and APHIS. During FY 2001, eight more agencies were in the implementation process, preparing for the October 1, 2001 implementations. This included reengineering business processes and configuring eight FFIS applications and eight data warehouses, converting the eight agencies, and providing ongoing financial management support.

Analysis of Results: The implementation of the four agencies was on schedule and met the target goal of 78% of the USDA workforce served. The goal was met.

Current Year Performance: The target for FY 2002 is 98%. All eight agencies were implemented on schedule, thus meeting the target for FY 2002. In addition to the eight agencies, the OCFO resolved major financial management issues related to cash reconciliation and the Fund Balance With Treasury.

With FFIS nearly implemented focus will shift to analyticals related to the financial management process. Key to the next phase of providing reliable and useful information is the data integrity within FFIS and the capability to perform corporate reporting to the management of USDA as an entity—not only the pieces and parts. This initiative will enable the senior management to determine and measure results.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Key Outcome: Ensure USDA has a skilled, satisfied workforce and strong prospects for retention of its best employees.

Maintaining a strong workforce is critical to USDA's ability to achieve its goals in every area. The competition to recruit and retain the best workers is intense. People want to work for an organizations that offer challenging work, opportunities for professional growth, inspiring leadership, quality work-life, and fair treatment.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.5 USDA employee work satisfaction rate above U.S. Government worker satisfaction (%).	N/A	3	4	4

Data Assessment: Data to assess or measure the accomplishment of the employee satisfaction rate is found in the Office of Personnel Management's (OPM) Employee Satisfaction Survey released in December 2000. This is widely published data that is derived from the OPM analysis of the survey and is complete, accurate, and reliable.

Analysis of Results: The survey released in FY 2001, found 67% of USDA employees were satisfied with their work, which is 4% higher than the Government-wide average of 63% for worker satisfaction. The survey results indicate that the projected target was met.

FY 2002 Current Performance: USDA recently purchased Survey Tracker, a software that allows administration of employee and customer surveys. The Organizational Assessment Survey, which includes questions from the National Partnership for Reinventing Government (NPR) Survey and USDA's Human Resources Customer Satisfaction Survey, will be deployed to survey employees and to develop performance measures that will assist in the administration of recruiting and retaining a skilled workforce. USDA will re-engineer hiring and other human resource processes to improve employee satisfaction. USDA will continue to institute family-friendly policies to boost employee morale and productivity. USDA will improve in areas employees identify as lowering satisfaction.

Program Evaluation: OPM's Employee Satisfaction Survey; GAO Report -01-761 Status of Achieving Key Outcomes and Addressing Major Management Challenges.

Key Outcome: Ensure USDA has a facilities environmental management system that can produce reliable data on the Department's environmental performance.

This effort is still in the earliest stages of implementation. As the coordinating office for this effort, the HMMG frames the desired implementation state, provides guidance and direction, and assesses progress to date.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.6 Develop and implement a Department-wide environmental management system.	N/A	Launch Effort	15-20% In place	15-20% In place

Data Assessment: HMMG is the coordinator of this Departmental effort. Based on information reported by USDA agencies, it is the professional judgment of the project manager that implementation is on schedule and that the 15-20% complete implementation estimate is reasonably reliable.

Analysis of Results: The performance target was met. Departmental policy was developed, and it requires only final clearance before promulgation. Awareness training was provided to key Departmental personnel.

FY 2002 Current Performance: During FY 2001, the chapter of Departmental Manual (DM) 5600-1 concerning pollution prevention and environmental management systems (EMSs) was revised and updated to cover Executive Order 13148: "Greening the Government Through Leadership in Environmental Management." Several USDA agencies

have begun developing EMSs consistent with DM 5600-1 and have preliminary or draft EMS policies, gap analyses, and/or environmental auditing programs.

The Department and it agencies will continue these efforts in FY 2002. HMMG will sponsor a one-day training course in EMS to be conducted by the Environmental Protection Agency. This training will include development of a list of needs and priorities that will serve as a template for the remainder of EMS design and implementation within USDA.

Program Evaluation: No program evaluations were conducted during FY 2001, other than for annual reporting of accomplishments to EPA.

Key Outcome: Ensure USDA acquires recurring commercial services in the most cost effective way.

Performance Based Service Contracting

Performance-based service contracting represents a major change from traditional contracting methods where agencies specify contract inputs, such as number of contractor staff assigned to a particular project or the processes they must use. Using performance-based contracting requires the development of objective measures and standards for the contractor's performance. USDA believes that performance-based contracting can yield big improvements in contractor performance.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.7 Use of performance-based service contracts as a percent of total eligible service contracts (%).	1.9	4.6	10	13

Data Assessment: The accomplishment data is governed by the definitions and reporting criteria established government-wide for this Performance Goal in the Federal Procurement Data System. The percentage accomplishment represents the ratio of dollars obligated on contracts reported to be actually using performance-based service contracting methods (PBSC) compared to the dollars obligated on all contracts awarded meeting the definition of PBSC. Data verification is not performed. These government-wide definitions were changed since the initial data reporting, and have been changed again for FY 2002. While the accuracy of the data cannot be verified, the results are at least indicative of the extent to which PBSC is being utilized.

Analysis of Results: The target for FY 2001 was exceeded. This success is attributed to the use of a PBSC management "report card" by the Office of Procurement and Property Management, which monitored USDA agency progress against the 10% goal along with appropriate follow-up actions.

FY 2002 Current Performance: Use of the "report card" is continuing and additional focus is being placed on those elements of the Department that did not achieve the Department-wide target. These elements are being asked to develop performance plans to meet or exceed the 20% goal for FY 2002.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Commercial Services

One of the President's government-wide initiatives is to determine whether the private sector can perform functions more effectively and efficiently that currently are provided by Government employees. In FY 2002, USDA will submit a plan to OMB for taking competitive bids on 15% of the Full Time Equivalents listed in its Federal Activities Inventory Reform Act (FAIR) inventory of commercial functions. USDA has agreed with OMB to meet the goal of competitive sourcing 15% of the FY 2000 inventory by September 2003. This initiative affords USDA an opportunity to create a more effective enterprise and better jobs through the use of competition.

Annual Performance Goals and Indicators	Fiscal Year			
	1999 Actual	2000 Actual	2001 Target	2001 Actual
5.2.9 Reduction in cost and/or increased productivity of commercial activities:				
• Provide timely annual update of FAIR Act inventory.	Yes	Yes	Yes	Yes
• Develop plan for incremental competitions/conversion of FAIR Act inventory.	N/A	N/A	Yes	No

Data Assessment: The FAIR Act requires agencies to present to the OMB an annual inventory of commercial activities performed by Federal employees. USDA agencies presented their FAIR Act report to the Chief Financial Officer (CFO). The inventories were cleared for content, reasonableness, and adequacy of data. The reports were consolidated into a single submission and forwarded to OMB. Agencies were also required to provide plans for competition.

Analysis of Results: Inventories were received from all USDA agencies for FY 2001. The inventories met the requirements as set forth in the FAIR Act. The inventory has been published on the USDA web site for public comment. The USDA Plan for incremental competitions was not complete by the end of FY 2001.

Description of Actions and Schedules: Although the USDA plan was not complete by the end of FY 2001, substantial progress had been made in identifying several options for meeting the Administration's 15% target for competition or direct conversion. Several meetings were held with OMB regarding the content of the Department's inventory. After those meetings, USDA proceeded to continue to identify appropriate functions for competition.

FY 2002 Current Performance: USDA agencies will complete an update of the annual inventories in FY 2002. A preliminary USDA plan was submitted to OMB in January 2002, and the final plan to meet the Administration's target will be submitted to OMB in March 2002.

Program Evaluation: No program evaluations were conducted related to this performance goal in FY 2001.

Fiscal Year 2001 Program Level Expenditures

The following table depicts the component agencies and staff offices of the Department of Agriculture with total program level dollars for each account allocated to the USDA objectives. The program levels have been rounded to the nearest million dollars. Many USDA accounts support multiple objectives. An account's funding was allocated to more than one objective when the amount for each objective was significant and could be identified. As a result, the table provides a general indication of the funding dedicated to each program goal. Administrative funding in support of goal 5 has been allocated to the four program goals.

USDA FY 2001 Program Level Expenditures							
Agency	**Account**	**FY 2001 Program Level ($ in Millions)**	**Goal 1**	**Goal 2**	**Goal 3**	**Goal 4**	**Program Level Subtotal**
OSEC	Office of the Secretary	11	3	2	3	3	11.0
	Fund for Rural America	10	2	3	2	3	10.0
	Gifts and Bequests	4	1	1	1	1	4.0
EO	Executive Operations	28	7	7	7	7	28.0
OCFO	OCFO	5	1	2	1	1	5.0
OCIO	OCIO	11	2	3	3	3	11.0
	CCE	59	15	15	15	14	59.0
DA	DA	41	11	10	10	10	41.0
	HMMG	15.7	.1	.1	15.4	.1	15.7
	Buildings, Facilities, and Rental Payments	61	15	15	16	15	61.0
	Outreach for Socially Disadvantaged Farmers	6	1	2	1	2	6.0
OC	OC	9	2	2	3	2	9.0
OIG	OIG	77	20	19	19	19	77.0
OGC	OGC	35	8	9	9	9	35.0
ERS	ERS	74	28	26	10	10	74.0
NASS	NASS	109	70	4	6	29	109.0
ARS	ARS	990	291	332	171	196	990.0
	Buildings and Facilities	74	18.5	18.5	18.5	18.5	74.0

USDA FY 2001 Program Level Expenditures							
Agency	**Account**	**FY 2001 Program Level ($ in Millions)**	**Goal 1**	**Goal 2**	**Goal 3**	**Goal 4**	**Program Level Subtotal**
CSREES	Integrated Activities	43	3	22	5	13	43.0
	Initiative for Future Ag. And Food Systems	120	60	24	12	24	120.0
	Research and Education Activities	561	230	107	129	95	561.0
	Extension Activities	434	178	82	100	74	434.0
APHIS	Salaries and Expenses	1,070	1,070				1,070.0
	Buildings and Facilities	10	10				10.0
FSIS	Misc. Trust Funds	9	9				9.0
	Salaries and Expenses	752		752			752.0
	Trust Funds	99		99			99.0
GIPSA	Salaries and Expenses	35	35				35.0
AMS	Inspection and Weighing	34	34				34.0
	Marketing Services	69	61	8			69.0
	Payments to States & Possessions	1	1				1.0
	Perishable Ag. Commodities Act	41	41				41.0
	Sect. 32 Admin.	23	23				23.0
	Sect. 32 Funds for Strengthening Markets	855	855				855.0
	Trust Funds	252	252				252.0
RMA	Administrative and Operating Expenses	71	71				71.0
	FCIC	3,133	3,133				3,133.0

USDA FY 2001 Program Level Expenditures							
Agency	**Account**	**FY 2001 Program Level ($ in Millions)**	**Goal 1**	**Goal 2**	**Goal 3**	**Goal 4**	**Program Level Subtotal**
FSA	Salaries and Expenses	1,219	1,102		117		1,219.0
	State Mediation Grants	3	3				3.0
	Emergency Conservation Program	80			80		80.0
	CCC	36,061	34,258		1,803		36,061.0
	Ag. Credit Insurance Program Account	3,403	3,403				3,403.0
	CCC Export Loans Program Account	0					0.0
NRCS	Conservation Operations	777			777		777.0
	Watershed Surveys and Planning	11.7			11.7		11.7
	Watershed Operations	249			249		249.0
	Resource Conservation and Development	46			46		46.0
	Forestry Incentives	6			6		6.0
	NRCS Trust Funds	0.7			0.7		0.7
RD	Administrative Expenses	645				645	645.0
	Rural Community Advancement Program	3,152				3,152	3,152.0
RHS	Housing Grants	44				44	44.0
	Rental assistance	686				686	686.0
	Farm Labor Program Account	42				42	42.0
	Mutual and Self-Help Grants	18				18	18.0
	Housing Insurance Fund Program Account	3,581				3,581	3,581.0

USDA FY 2001 Program Level Expenditures							
Agency	**Account**	**FY 2001 Program Level ($ in Millions)**	**Goal 1**	**Goal 2**	**Goal 3**	**Goal 4**	**Program Level Subtotal**
RBCS	EZ/EC Grants	14				14	14.0
	Rural Cooperative Development Grants	5				5	5.0
	Additional Rural Development Grants	31				31	31.0
	Sheep Center	4				4	4.0
	Rural Development Loan Fund Program Account	39				39	39.0
	Rural Economic Development Loans	23				23	23.0
RUS	Rural Electrification and Telecommunications Loans Program Account	3,110				3,110	3,110.0
	Rural Telephone Bank Program Account	175				175	175.0
	Distance Learning and Telemedicine	127				127	127.0
FAS	Foreign Ag. Services & General Sales Manager	181	136	45			181.0
	P.L. 480 Title I Ocean Freight Differential Grants	31		31			31.0
	P.L. 480 - Titles II	872		872			872.0
	P.L. 480 Program Access	183		183			183.0

USDA FY 2001 Program Level Expenditures							
Agency	**Account**	**FY 2001 Program Level ($ in Millions)**	**Goal 1**	**Goal 2**	**Goal 3**	**Goal 4**	**Program Level Subtotal**
FNS	Food Program Admin.	139		139			139.0
	Food Stamp Program	19,233		19,233			19,233.0
	Child Nutrition Program	9,862		9862			9,862.0
	WIC	4,205		4205			4,205.0
	Commodity Assistance	251		251			251.0
	Food Donations	153		153			153.0
FS	Capital Improvement and Maintenance	537			537		537.0
	Forest and Rangeland Research	242			242		242.0
	State, Private and International Forestry	324			324		324.0
	Wildland Fire Management	1,929			1,929		1,929.0
	National Forest System	1,377			1,377		1,377.0
	Southeast Alaska Economic Disaster Assistance Fund	5			5		5.0
	Land Acquisition Accounts	152			152		152.0
	Permanent Appropriations	487			487		487.0
	Trust Funds	129			129		129.0
	Other Accounts	10			10		10.0
TOTALS BY GOAL			**45,463.6**	**36,538.6**	**8,839.3**	**12,244.6**	
USDA TOTAL PROGRAM LEVEL EXPENDITURES			**103,086.1**				**103,086.1**
Percent of USDA Total Resources			**44%**	**35%**	**9%**	**12%**	**100%**

Appendix A

Previously deferred/preliminary performance information

Deferred Measures from Fiscal Year 2000 Annual Performance Report

The USDA FY 2001 Annual Performance Plan was revised to begin a corporate approach to performance management and this Appendix includes only deferred measures reported in the annual performance plan for FY 2001.

FY 2000 Previously Deferred/Preliminary Performance Information			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
Maintain payment accuracy in the delivery of Food Stamp Program (FSP) benefits:			
• FSP Payment Accuracy rate.	90.5%	91.1%	Exceeded

Food Nutrition Service

Data Assessment: The payment accuracy data results from the statistically valid FSP Quality Control (QC) system, in which States review approximately 50,000 randomly, selected food stamp cases annually. FNS personnel review a sub-sample of these cases for accuracy; as a result, the agency has high confidence in the quality and reliability of this data.

Analysis of Results: In FY 2000, The Food Stamp Program benefit accuracy rate was 91.1%, exceeding the performance target of 90.5%. The goal is primarily a measure of State agency performance in meeting Federal requirements regarding benefit issuance; good performance thus relies primarily on the commitment of effort by our State partners, though FNS works to encourage and support benefit accuracy through financial incentives and technical assistance to States.

Eleven States received enhanced funding for high payment accuracy in FY 2000, a level above the FY 2000 target of eight States and the highest level of enhanced funding made in the history of the program.

FY 2001 Performance: USDA anticipates it will achieve its benefit accuracy target in FY 2001. The most important factor in improving performance in this area is the need for State agencies operating the program to continue and renew their commitment to utilize findings from the QC system to improve payment accuracy. To support State improvement, FNS will resolve QC liabilities through settlements which require States to invest in specific program improvements; support States in improving accuracy with "best practices" information-sharing; and simplify program rules.

Program Evaluations: The GAO issued a report titled *The Challenge of Data Sharing: Results of a GAO-Sponsored Symposium on Benefit and Loan Programs.* The report summarized the results of the GAO symposium, which included presentations on new technologies to facilitate data sharing, privacy and security issues, and strategies for increasing data sharing among Federal benefit and loan programs.

GAO issued a report entitled *FSP - States Seek To Reduce Payment Errors And Program Complexity,* which identified States' efforts to minimize food stamp payment errors and examined what FNS has done and could do to encourage and assist the States in reducing such errors. GAO found that all States contacted had taken actions in recent years to reduce payment errors. State officials said their primary challenge to reducing errors stemmed from the priority their States have given to implementing welfare reform, which competes with FSP for management attention and resources. The report looked at FNS' use of financial sanctions and enhanced funding, reporting requirement changes for certain recipients, and the promotion of information exchange about successful initiatives between States, and concluded that all three approaches can help States reduce payment errors. The report also concluded that simplifying the programs' rules offers an opportunity to reduce payment errors and promote program participation. GAO recommended that FNS (1) develop and analyze options for simplifying requirements for determining eligibility and benefits; (2) discuss these options with Congressional authorizing committees; and (3) if warranted, submit legislative proposals to simplify the program.

FY 2000 Previously Deferred/Preliminary Performance Information			
Annual Performance Goals and Indicators	**Target**	**Actual**	**Result**
Increased compliance with program regulations regarding counting and claiming meals • Percent of SFAs in compliance with Performance Standard 1	87%	86.8%	Met

School Meals Counting and Claiming

Data Assessment: FNS utilizes its Coordinated Review Effort (CRE) to assess compliance by local schools participating in the National School Lunch and School Breakfast Programs with Performance Standard 1 of the Department's Assessment, Improvement and Monitoring System, which measures schools' performance in correctly approving free and reduced price meal applications and accurately and properly reporting meal counts.

CRE Data is collected by State agencies and forwarded to FNS, where it is reviewed and analyzed. While FNS procedures provide extensive edit-checks on this data, its reliability depends upon the State agencies' ability to provide effective training, to allocate resources efficiently, and to impose corrective actions to resolve audit findings and reports. These factors, in turn, are affected by FNS' ability to oversee States' monitoring activity; in recent years, the agency has been hampered in providing oversight by inadequate staff resources for this purpose.

Analysis of Results: The program met its goal in this area. Reviews found 86.8% of schools in compliance with counting and claiming performance standards based on the average of results generated during the previous five years, substantially achieving 87% target established in the FY 2000 performance plan. FNS believes that, given the variables described above, the CRE effort continues to be an effective tool in measuring State and local performance. Further, FNS is encouraged by the fact that State and local performance, as measured by CRE, continues to improve. The FY 2000 figure compares favorably to that for FY 1999 (86.1%) and FY 1998 (85.9%).

FY 2001 Performance: While results for FY 2001 will not be available until late in FY 2002, making it difficult to project current year performance, USDA is seeking to maintain performance in this area in FY 2001.

Program Evaluations: No program evaluations were conducted related to this performance goal in FY 2000.

Appendix B

USDA major management challenges and program risks

The following table addresses USDA most significant management challenges and program risks. These areas of vulnerabilities were identified by the U.S. GAO in its January, 2001 report entitled *Major Management Challenges and Program Risks for the Department of Agriculture,* and in USDA's OIG Major Management Challenges.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Farm Loan Programs Vulnerable to Losses (GAO) Farm Credit (OIG)	Despite the inherent high risks of USDA farm loan programs and the continued tough economic conditions in many parts of the United States (U.S.) farm sector, direct loan loss rates remained low in FY 2001. USDA aggressively reviewed and implemented corrective actions in states that had a higher potential for loan loss or program abuse. USDA also pursued all remedies and collection methods available. As a result, the loss rate on direct loans declined from 4.2% in FY 2000 to 3.3% in FY 2001.
Service Delivery to Farmers Must Improve (GAO)	The standardization of the IT infrastructure for the county-based agencies is well underway and will be completed within the next 18 months. The new infrastructure is flexible and built around sharing of appropriate information both within USDA and with other federal, state and local agencies, USDA customers and the private sector in general. It will allow USDA to offer electronic filing and other key service improvements to farmers. Key accomplishments related to this infrastructure include: • A shared Interoperability Lab and test facility has been established, • About 45,000 modern/interchangeable and security capable workstations, have been acquired, • Common office automation (word processing, spreadsheet, etc.) software has been provided that is compatible with customer and partner software, • Over 9,000 modern and shareable printers have been acquired, • A shared help desk support system has been established, • Three WEB Farms built around common technologies have been implemented to support Web based applications and eGovernment implementation, • A common GIS Enterprise Software License has been acquired, • Common security tools, data management approaches and configuration management processes have been implemented, • A migration platform (AS 400) for FSA has been acquired and installed to support rewriting of COBOL applications to the new CCE languages, • Shared Network Servers to support common e-mail, remote systems management, local data storage and security enhancements have been acquired, • Limited numbers of digital cameras and global positioning units were purchased and contracts put in place for future acquisitions, and • Office collocations have also continued as leases expire. The total number of county offices has decreased by about a third since 1993.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Food Assistance Must Reach Eligible People While Maintaining Program Integrity (GAO) Food Stamp Program Child and Adult Care Food Program (OIG)	GAO and USDA's OIG have identified five key management challenges or program risks as part of the general characterization of the challenge of Federal nutrition assistance program management: Recent Decline in Food Stamp Program (FSP) participation: This is addressed in this report under Performance Goal 2.1.1. FSP Payment Accuracy: This is addressed in this report under Performance Goal 2.1.6. Corrective actions undertaken during FY 2001 are also discussed in USDA's FMFIA Report for FY 2001 as material weakness FNS-91-02. Trafficking of FSP Benefits: Corrective actions undertaken during FY 2001 are discussed in USDA's FMFIA Report for FY 2001 as material weakness FNS-90-06. Child and Adult Care Food Program Integrity: This is addressed in this report under Performance Goal 2.1.7. Corrective actions undertaken during FY 2001 are also discussed in USDA's FMFIA Report for FY 2001 as material weakness FNS-94-01. Certification Accuracy in the National School Lunch Program: Corrective actions undertaken during FY 2001 are discussed in USDA's FMFIA Report for FY 2001 as material weakness FNS-99-02.
Fundamental Changes are Needed to Minimize Foodborne Illnesses (GAO)	In the Federal government, food safety responsibilities are shared among several entities, most notably USDA, the Department of HHS and the Environmental Protection Agency. Concerns about the need for fundamental changes in food safety programs and about overcoming perceived food safety fragmentation, are being addressed through cross-Departmental partnerships and program coordination activities. Recent collective statistics from the Centers for Disease Control and Prevention show a drop in the incidences in foodborne illness. Though these figures represent the efforts of several Departments and Federal agencies, State and local governments, regulated industries, and schools, the USDA FSIS contribution to the reduction of foodborne illnesses (such as the Pathogen Reduction/Hazard Analysis and Critical Control Point rule) cannot be ignored. Additionally, the creation of a single food safety organization addressing all foods, as suggested by GAO, is beyond the legal scope of USDA or any Federal department. The FSIS is a Federally mandated program. It can take no independent action to dismantle itself, absorb, or merge itself with other agencies. Therefore, there is no mention of any merger in any form in either the USDA Plan or the FSIS Plan. This links to Objective 2.3.
Food Safety Issues (OIG)	The OIG reported that, "FSIS needs to identify and halt criminal activity involving the intentional contamination of food products." Over the last few years, FSIS has enhanced its process to identify and review high-risk firms. FSIS has proceeded with a number of enhancements and prioritized its efforts consistent with available resources. FSIS makes every effort to identify and halt all activity involving contamination of meat, poultry, and egg products.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Need to Strengthen Department-wide Information Security (GAO) Information Resources Management (OIG)	Despite continuing weaknesses, the Department has made considerable progress strengthening its Cyber-Security Program over the past year. Independent evaluations conducted by USDA's OIG, the GAO and private contractors, together with the Office of the Chief Information Officer (OCIO) reviews of the Department's security program have documented that the integrity and availability of the Department's critical information assets continue to remain at risk. In October 2001, USDA submitted the results of its GISRA review to OMB. In that review, the findings from the OIG and OCIO reviews were very similar. While cyber attacks increased dramatically in FY 2001, the OCIO continued to work with the agencies to improve our Cyber Security Program. OCIO has established a central cyber security office, hired security professionals to provide counsel and guidance, strengthened its oversight function through implementation of security program reviews, issued a number of new policies and guides, and initiated a number of Department-wide security projects that position USDA to conform to model security programs. The Department acknowledges that material weaknesses exist, and we are re-visiting our Cyber Security Action Plan to ensure appropriate actions are taken in FY 2002. Accomplishments achieved during the past year include: • An Advisory Council, consisting of senior executive program officials has been officially chartered. The Council works to provide broad input into all aspects of Cyber-Security program and policy development and implementation from both a business and technology perspective. • Model personnel position descriptions have been developed for the agencies to use in hiring cyber-security specialists such as for the Service Center Agencies web farm-specific security engineers. • Training courses were provided for USDA security technicians and managers in a wide range of security disciplines including intrusion detection, computer forensics, risk management, configuration management, disaster recovery, contingency planning, and telecommunications security. • Site assessment teams conduct onsite risk assessments at key USDA computer facilities. • Security requirements for USDA's Capital Planning and Investment Control Process have been improved to provide better tracking of security expenditures and plans. • Industry expertise has been engaged to develop comprehensive risk assessment tools and procedures to provide agencies with standardized tools and techniques for performing assessments. Many mission critical information systems were assessed for the first time this past year. • Activities to improve the USDA security architecture thus far include deploying: 1) additional firewalls, 2) filtering in routers, and 3) intrusion detection systems that together provide a much-improved level of network security. • The Cyber-Security Program has successfully negotiated an Enterprise Agreement to provide tools so all USDA agencies have access to information on risk prediction, risk quantification and risk management of USDA's networks. • A contract has been awarded to begin the design and implementation of an enterprise-wide security architecture.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Lack of Financial Accountability at USDA (GAO) Financial Management (OIG)	USDA has made significant progress in reconciling USDA's fund balances with the Department of Treasury. OCFO institutionalized a sustainable cash reconciliation process and implemented an automated worksheet tool to improve the cash reconciliation process. Another major factor in USDA's goal to obtain a clean audit opinion is its implementation of credit reform. RD's qualification on their financial statement line item "Estimated Losses on Loan Guarantees" was lifted by the OIG due to the completion, testing, and documentation of a new guaranteed loan model. RD also completed the programming for a new Single and Multi-Family Loan Model during FY 2001. RD devised new methodologies for reestimating the value of some loan subsidies for the financial statements based on examining model assumption trends. The FSA completed new direct and guaranteed loan models and will continue to improve the out year projected model assumption curves during FY 2002. CCC, FSA, and RD developed new methods for valuing their pre-1992 loan portfolios and related allowances. Significant analysis and documentation efforts were made by all agencies to ensure a complete, accurate valuation of their entire loan portfolio, including both credit reform and liquidating loans. The Forest Service (FS) successfully completed its second full year operating a fully compliant U.S. Standard General Ledger (SGL) financial management system; i.e., the Foundation Financial Information System (FFIS). Aggressive efforts instituted this year resulted in a great improvement in the daily operation of FFIS. Since March of this year, system availability has consistently met or exceeded Agency expectations. FS is working cooperatively with the USDA OCFO and the USDA OIG to improve the reliability of its real and personal property accounting. An Agency-wide strategy for valuing real property was instituted in FY 2001, with anticipated completion in FY 2002. This strategy, conducted in cooperation with the OIG and a private accounting firm, will enable the Agency to firmly establish historic values for real property, positively contributing to an improved audit opinion on the Agency's annual financial statements.
The Need to Provide Congress and the Public With a More Clear Understanding of What is Accomplished with Forest Service Funds (GAO) FS Management and Program Delivery Issues FS Land Exchange Program Grant and Agreement Administration (OIG)	In FY 2001, the FS continued efforts to develop outcome-oriented performance measures. The program staffs continued to develop baseline data to support these new performance measures. In addition, new measures for output accomplishments were developed as part of the new Budget Formulation and Execution System (BFES). The definitions for outputs were revised to make them more meaningful to line officers and program managers at all levels of the organization. The FS used BFES during FY 2001 to begin developing the FY 2003 budget.
Problems Persist in Processing Discrimination Complaints (GAO) Civil Rights Complaints (OIG)	In October 2000, USDA completed a Long Term Improvement Plan (LTIP) for improving its civil rights functions and processing of civil rights complaints. During FY 2001, implementation began in so far as is permitted by available resources. This included some changes in business processes, training, and improvements to the case tracking process. The implementation of LTIP will continue in FY 2002 and beyond as resources permit.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Crop Insurance (OIG)	Crop Insurance has become a major USDA "farmer safety net." USDA/OIG audits have identified areas where crop insurance programs need to be strengthened. These areas of weakness were identified by the U.S. GAO in its January, 2001 report entitled *Major Management Challenges and Program Risk for the Department of Agriculture,* and USDA's OIG's Major Management Challenges: • Oversight by insurance providers and the Risk Management Agency; • Conflicts of interest; • Verification by loss adjusters; and • Yield and total liability; and Insurance availability to all producers. Manual 14, *"Guidelines and Expectations for Delivery of the Federal Crop Insurance Program,"* establishes the minimum training and quality control review procedures required by all insurance providers in the delivery of any policy insured or reinsured under the Federal Crop Insurance Act, as amended. The Risk Management Agency (RMA) conducts reviews of the insurance providers to determine their adherence to Manual 14 requirements. The results of these reviews are presented to RMA officials and insurance provider representatives in an effort to improve company operations and program integrity. Manual 14 is part of the Standard Reinsurance Agreement (SRA) with the insurance providers and has not been renegotiated since 1998. The SRA can only be renegotiated once between the 2001 and 2005 reinsurance years. The new SRA will, when renegotiated, contain new procedures and language to improve insurance providers' quality control operations. The topic of conflict of interest among policyholders, sales agents, claims adjusters, and insurance providers employees is one of the areas to be addressed. Recently, RMA was assigned the management initiative "Ensuring an Appropriate Balance in the Delivery of the Federal Crop Insurance Program" by OMB. As referenced above, RMA may renegotiate the SRA once during the 2001 and 2005 reinsurance years. RMA is preparing to renegotiate the 2004 SRA. In order to renegotiate the SRA, it must be canceled 180 days prior to the beginnning of the reinsurance year. For example, the 2003 SRA will need to be canceled effective December 31, 2002. Officials under the previous Administration determined that cancellation of the 2002 SRA was not prudent until after a thorough analysis of the current SRA. Current Administration Officials concur with this position. Therefore, RMA is contracting for an in-depth analysis of the risk associated with the crop insurance program and the risk sharing provision of the SRA. The decision to proceed at this time in the absence of a permanently appointed Administrator is largely due to the amount of time needed to conduct this study and renegotiate the SRA. RMA anticipates this study will take at least six months to complete. As a result of prevention efforts, RMA has prevented close to $15 million in improper payments from being made in FY 2001, with many more dollars still being investigated. Although implementation of the Agriculture Risk Protection Act of 2000 (ARPA) provisions and prevention activities have been RMA Compliance major priorities throughout the fiscal year, traditional investigation and criminal, civil, and administrative processes have generated recoveries of about $29 million. This year, RMA Compliance reviewed over 10,000 crop insurance policies that represent over $1 billion in liability. The referrals (to and from FSA) that support prevention and deterrence efforts alone now encompass over 3,000 policies. This represents an increase of more than 500 % over just last year. RMA believes this will again increase substantially for FY 2002. These partial first year results represent a dramatic increase in feedback systems. RMA is extremely optimistic about the positive results of ARPA implementation efforts.

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by The Report
Research Funding Accountability (OIG)	CSREES has established the implementing regulations, policies, guidelines, and procedures for the new requirements provided by the Agricultural Research, Extension, and Education Reform Act of 1998 (AREERA). In FY 2002 and FY 2003, CSREES plans to evaluate the implementation of the stakeholder requirements (i.e., 7 CFR 3418) as stated in the preamble to the Final Rule for Stakeholder Input Requirements [65 FR 5993-5998]. CSREES also will evaluate and revise the review processes for the Annual Report of Accomplishments and Results for the 5-Year Plans of Work. These evaluations should assist the Agency in strengthening overall accountability of the CSREES grant funds, including the research funds. The USDA OIG also is in the process of conducting a survey of the Agency's implementation of the AREERA requirements for CSREES formula grant programs (i.e., Smith-Lever Act, Hatch Act, and Sections 1444 and 1445 funds). In December 2000, CSREES hired a staff accountant to conduct administrative reviews of CSREES grant programs. For FY 2002 and FY 2003, this staff accountant will conduct administrative reviews of the 1994 Land-Grant Institutions and any other grantees that the Agency considers vulnerable or high-risk.
Competitive Grants Program Compliance (OIG)	During the latter part of 2001, the USDA OIG conducted an audit survey of CSREES internal controls and accountability over expenditures of competitive grant funds. When the results of this survey are known, CSREES will implement any recommended internal controls and procedures, if feasible, to provide better accountability and control over these grant funds.
Rural Rental Housing (OIG)	Most actions have been taken to address the mandates of the Congress, OIG, and GAO recommendations and have reached management decisions. Some examples of actions that have been taken include: (1) Software packages for Subsidy layering, Sources and Uses Comprehensive Evaluation (SAUCE), Enhanced Automated Training System and Multi-Family Housing Information System (MFHIS), and (2) Passage of a Public Law that allows imposing civil and criminal penalties on property owners who have committed fraudulent and abusive acts. A majority of the remaining unresolved issues will be resolved at the release and publication of RD Instruction 3560, which has been written and is in circulation for clearance.
Rural Business-Cooperative Service (OIG)	During FY 2001, Rural Development conducted Civil Rights training and an Administrative Notice was issued to address the issue. In addition, USDA declared a Government Performance Results Act (GPRA) Material Weakness in FY 2001. In this regard, a regulation has been developed and will be issued shortly to address the organizational level responsible for actions taken as a part of the GPRA process and submission of data. It also provides guidance and timetables for the development and release of Strategic Plans, Annual Performance Plans, and Annual Performance Reports in Rural Development. This regulation should help to identify and track meaningful performance measures and goals.