

# DEPARTMENT OF AGRICULTURE

## **Since 2001, the Administration:**

- Supported policies that helped increase net cash income of farmers by 42 percent, production of ethanol by 100 percent, and production of biodiesel by 600 percent;
- Reduced hazardous fuels on 8.1 million acres of forest, and doubled the yearly acreage under the President's Healthy Forests Initiative;
- Enrolled over one million acres into the Wetlands Reserve Program to restore and protect these ecologically valuable lands;
- Provided sufficient funding for WIC to serve all eligible women, infants, and children seeking services;
- Reopened borders for beef exports banned after discovery of Bovine Spongiform Encephalopathy; and
- Opened new markets for American farmers, including Central America, Chile, Australia, and elsewhere.

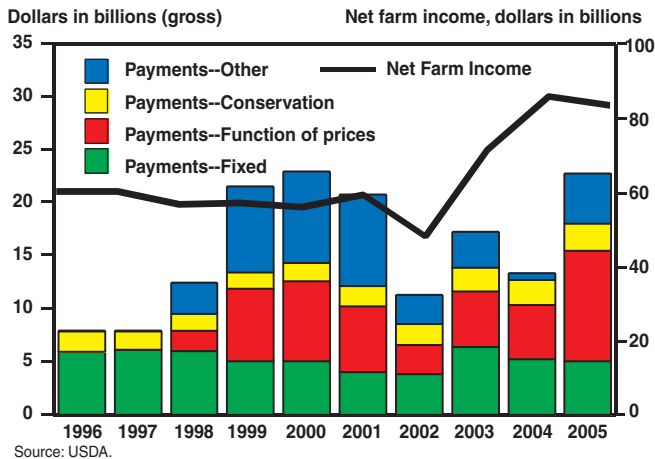
## **The President's Budget:**

- Requests \$322 million for protecting America's agriculture and food supply by improving the Department's ability to detect, respond to, and recover from incidents of diseases, pests, or poisonous agents;
- Includes \$57 million to continue activities related to avian influenza preparations and prevention, including surveillance of wild and domesticated birds;
- Provides full funding for the Northwest Forest Plan allowing for 800 million board feet of lumber to be harvested from Forest Service land;
- Provides funding to enroll 250,000 acres in the Wetlands Reserve Program to meet the President's commitment to create, improve, and protect at least three million wetland acres by 2009;
- Continues Forest Service reforms that will result in a savings of more than \$115 million over three years;
- Targets Conservation Reserve Program funding to activities that will have the highest chance of improving conservation; and
- Proposes to exclude all retirement savings when determining if a household is eligible for food stamps to make it easier for low-income people to save for retirement and get food stamps if they need them.

## FOCUSING ON THE NATION'S PRIORITIES

### *Growing America's Farm Economy through Trade*

#### Farm Income, Calendar Year



The Administration remains committed to growing America's farm economy through trade. The United States is one of the world's largest agricultural exporters. The value of agricultural exports equals nearly one-fourth of farm cash receipts (about twice the level of the overall U.S. economy) and one out of three acres is planted for export.

Our trade negotiators continue to work to open foreign markets to U.S. agricultural exports. The United States presented a comprehensive proposal to advance the World Trade Organization (WTO) agriculture negotiations and unleash the full potential of the Doha Development Agenda. The proposal is contingent on bold reforms from other countries

participating in the WTO negotiations. Reforming global agricultural trade will create new jobs and promote economic development that will lift millions out of poverty. The Administration has actively pursued trade negotiations with the goal of opening new markets for U.S. products, eliminating unfair competition from export subsidies, and creating a level playing field for farmers by eliminating trade-distorting agricultural subsidies.

The Administration has completed free trade agreements (FTAs) with 14 countries, including the recently agreed to Peru Trade Promotion Agreement. Under that agreement, more than two-thirds of current U.S. farm exports to Peru will become duty-free immediately, with most remaining duties phased out over 15 years and all eliminated within 18 years, significantly benefiting U.S. exporters. U.S. exporters are also going to benefit from the Central America-Dominican Republic FTA (CAFTA-DR). U.S. industry estimates that CAFTA-DR could boost U.S. agricultural exports by \$1.5 billion when fully implemented.

#### **Japan Opens Markets to U.S. Beef**

Japan has reopened its market to U.S. beef products after two years of extensive work by the United States to prove that U.S. beef is safe.

In December 2003, many countries closed their markets to U.S. beef after the discovery of a cow that tested positive for Bovine Spongiform Encephalopathy. Prior to this discovery, U.S. exports of beef to Japan were worth \$1.4 billion and the United States exported beef products to 119 countries.

After many meetings, site visits, reports, and other consultations with Japan's food safety officials, the United States is now able to export beef from cattle 20 months of age and younger to Japan. This brings the number of countries that have established beef trade with the United States to 68. The Department of Agriculture will continue to engage Japan to expand eligible beef exports consistent with international standards.

U.S. farm income grew at unprecedented levels from calendar years 2003 to 2005. In calendar year 2005, net cash farm income is forecast to be \$83.2 billion, the second highest on record.

Government payments in 2005 are also forecast to be the highest on record since the 2002 farm bill was signed into law. Large crop supplies have reduced market prices, increasing commodity support payments under those programs where benefits are provided on a per unit basis.

### ***Protecting America***

*Food and Agriculture Defense Initiative.* The Budget continues the efforts to safeguard America's food supply and agriculture started by Homeland Security Presidential Directive 9, Defense of U.S. Agriculture and Food. Using systems and expertise already in place to protect the agriculture and food supply, the U.S. Department of Agriculture (USDA) and the Department of Health and Human Services have continued preparedness efforts to increase the Government's ability to detect, respond to, and recover from incidents of disease, pest, or poisonous agents naturally occurring in, unintentionally introduced to, or intentionally delivered by an act of terrorism to the agriculture and food systems.

The Budget requests \$322 million for USDA programs to protect America's food supply and agriculture, an increase of \$69 million over 2006. Excluding funding for the state of the art animal research and diagnostic facility at Ames, Iowa, which was fully funded in 2006, the increase is \$127 million, or 65 percent. Funding is provided for Food Defense to improve the capability of laboratories to provide detection or screening tests of potentially contaminated products and to provide needed surge capacity in testing when incidents occur; to improve data exchange between laboratories and with Federal surveillance personnel responsible for analyzing trends and detecting potential outbreaks; and to increase research in areas of rapid detection, threat agent characteristics, antibiotic resistance, and preharvest pathogen control. Funding initiated in 2003 to support understanding of vulnerabilities in the agriculture and food system has resulted in completion of vulnerability assessments determining likely products, likely contamination agents, and possible routes. These assessments will continue to be reviewed and applied to an increasing number of food systems that might be targeted for attack.

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



## FOCUSING ON THE NATION'S PRIORITIES—Continued



*Avian Influenza.* The Administration's goals for the pandemic influenza initiative are to gain early warning of a possible pandemic, to respond effectively to stop, slow, or limit the arrival of a pandemic to the United States, and to protect American lives if a pandemic reaches our shores. To further this Government-wide preparedness and response, additional funding was provided in December 2005. The Budget request for the Department provides \$57 million for activities such as the domestic surveillance of wild birds and waterfowl; work with State management teams to conduct poultry surveillance; cooperative agreements

with States across the country to conduct surveillance and diagnostics for live bird markets, smuggling intervention and trade compliance; and stockpile of vaccines for poultry.

### ***Providing for Sustainable Forests in the Northwest***

Adopted in 1994, the Northwest Forest Plan is an integrated, comprehensive design for ecosystem management, intergovernmental and public collaboration, and rural community economic assistance involving nearly 25 million acres of Federal forests in western Oregon, Washington, and northern California. The Budget provides an increase of \$41 million (117 percent) for the Forest Service timber sales component of the Plan. Since 2001, the volume of timber offered by the Forest Service in the Pacific Northwest has increased from 136 million board feet to 415 million board feet in 2005, and the Budget allows USDA to offer the Plan's goal of 800 million board feet of timber the Forest Service in 2007. The goal is a sustainable level that provides enough timber to build 64,000 three-bedroom houses, but remains well below the 10 billion board feet of timber harvested in 1990. The Budget also reflects greater use of streamlined forest planning and authorities included in the President's Healthy Forests Initiative, while providing funding to monitor and protect the long-term health of forests, wildlife, and waterways in the Pacific Northwest.

The Budget underscores the President's commitment to States and counties impacted by the ongoing loss of receipts associated with lower timber harvests on Federal lands in the Pacific Northwest and elsewhere by including funding for a five year extension of an amended Secure Rural Schools and Community Self Determination Act. Payments under the amended Act will be targeted to the most affected areas, adjusted downward over time, and eventually phased out. The Budget would provide these payments in a fiscally responsible manner by offsetting costs through the sale of land parcels that meet criteria identified in existing national forest plans as suitable for conveyance because they are isolated or inefficient to manage. The sale and resulting development of these excess lands could increase the State and county tax base. Additionally, the sale would free up resources that could be more effectively targeted to higher-priority lands.

## ***Cooperative Conservation***

Wetlands provide critical environmental, economic, and ecosystem health benefits to the Nation, such as reducing flood risk, improving water quality, and supplying habitat to hundreds of species. Recognizing the need for more effective use and coordination of Federal wetland management activities, the President announced in April 2004 a new national policy to achieve an overall increase of U.S. wetlands by restoring, protecting, and enhancing three million wetland acres over five years. USDA programs have helped restore 893,863 acres of wetlands since 2001. In order to enhance USDA's support for the President's goal, the 2007 Budget provides funding for the Wetlands Reserve Program (WRP) to enroll 250,000 acres, a 100,000-acre increase above 2006. The Budget's increased support for WRP will allow USDA to restore a larger number of acres across a broad range of ecosystems, such as floodplain forests, prairie potholes, and coastal marshes. USDA targets WRP funding to States most in need of restoration help by prioritizing dollars for areas with the highest amount of impaired wetlands and streams.



Invasive species are a multi-agency priority. When invasive species are introduced to a new area through natural events such as hurricanes or through commerce and travel, they may disrupt established agricultural and ecological systems. Their effects may range from minimal to severe and can be impossible to manage in a cost effective manner. Government, at all levels, and the private sector have spent significant valuable resources to address their impact. Given limited resources available to the Federal Government and resulting trade-offs, funding for specific projects that address invasive species should be allocated on a priority basis that considers cooperative approaches to eradication and control programs. The Budget includes \$10 million for a pilot program to be used by the Department to award grants on a competitive basis to private groups to develop cooperative, innovative, and cost effective methods for responding to invasive species.

## ***Nutrition Assistance Programs***

The Budget promotes the President's Ownership Society initiative by enabling low-income people to save for retirement even when they have an immediate need for food stamps. Currently, some retirement savings such as Individual Retirement Accounts can disqualify a needy household from receiving food stamps. Under this proposal, the Food Stamp Program would exclude all retirement savings in determining whether a household is eligible for food stamps.

The Special Supplemental Nutrition Program for Women, Infants and Children, more commonly known as WIC, serves the nutritional needs of low-income pregnant and postpartum women, infants, and children up to their fifth birthday. The Budget provides \$5.2 billion for WIC services, full funding for all those estimated to be eligible and seeking services.

## ***USDA's Hurricane Response Efforts***

USDA responded and provided assistance to people affected by the hurricanes that impacted the Gulf Coast in 2005. USDA deployed over 6,000 personnel to provide meals, housing, debris and



## FOCUSING ON THE NATION'S PRIORITIES—Continued

animal carcass removal, logistical and technical support, and animal rescue. Over 10,000 displaced residents were provided housing in USDA financed rural housing units. More than 23 million pounds of commodities and baby food were provided to the affected areas. Support to farmers is being provided through crop and livestock disaster payments; watershed and farm clean-up; and the deferment of farm loan payments for one year.

In addition, these hurricanes destroyed or damaged many Federal facilities causing the temporary relocation of personnel. The National Finance Center (NFC), which provides financial and accounting support and payroll processing for 130 Government agencies, was temporarily relocated to Pennsylvania and Texas. Despite the displacement, the NFC was able to process in a single pay period more than 565,000 payroll checks and disburse more than \$2.7 billion.

### *Encouraging Development in Rural Areas*

The Budget proposes \$14 billion in loans, loan guarantees, and grants to improve the economic opportunity and the quality of life for rural Americans. This includes funding for housing, businesses, community facilities, water and wastewater treatment, and the provision of electricity, telecommunications, distance learning, telemedicine, and broadband.

Revitalization of USDA's portfolio of multifamily housing projects, including a voucher program to assist tenants displaced from these housing units, is a key initiative. In September 2004, the Supreme Court of the United States ruled that owners of USDA financed multifamily housing projects have a right to prepay pre-1989 loans. An estimated 1,648 properties with 45,933 units, or about 10 percent of the portfolio, could be affected. Once the loans are paid, owners will be able to charge market rents for these housing projects. As a result, low- or very low-income tenants who could previously afford paying for USDA financed housing could be displaced. The Budget provides funding for a voucher program for these displaced tenants. In addition, the Administration continues to work toward the enactment of legislation to authorize debt restructuring and other incentives for project sponsors to repair and rehabilitate their projects. The \$74 million provided for these purposes will ensure that USDA continues to support the provision of decent, safe, affordable housing to many who need it. The Budget also reflects the Administration's preference for loan guarantees and vouchers, which can promote private ownership and individual control in providing low-income, tenant-based housing in rural America. The multifamily housing guarantees are doubled to \$198 million, while no funding has been provided for new construction in the direct loan program.

#### **USDA Rural Development Program Fuels Biodiesel Plant in Minnesota**

SoyMor, a farmers' cooperative in southern Minnesota and northern Iowa, is constructing a biodiesel plant with assistance from Freeborn-Mower and USDA. A USDA program that provides loans and grants that are used to support cooperatives, like Freeborn-Mower, to underwrite worthwhile community development and job creation projects is supporting the construction of the new biodiesel facility. The facility is on track to open in June and will produce 30 million gallons of biodiesel annually. Not only does the construction of the plant create new jobs, it also increases the price farmers receive for their soybean crop.

## RESTRAINING SPENDING AND MANAGING FOR RESULTS

### *Agricultural Commodities Funding*

The President's Budget proposes agriculture program savings. Farmers have experienced strong increases in income over the past three years. Net cash farm income for calendar year 2005 is forecast at \$83.2 billion, close to the prior year's record level of \$85.5 billion. Exports have been equally strong. U.S. agricultural exports are forecast to reach a record \$64.5 billion in 2006, exceeding the previous record of \$62.4 billion, achieved in both 2004 and 2005. U.S. agricultural exports have shown solid growth for six years, increasing every year since 1999. Nevertheless, commodity subsidies are expected to continue to be significant; near record highs in calendar



2005 and the highest since passage of the 2002 farm bill. The Administration proposes making the following legislative changes to reduce agricultural spending:

- Reduce all crop payments to farmers by five percent. Payments to farmers from all commodity programs (marketing loans, direct and counter-cyclical payments, and the Milk Income Loss Compensation program) would be calculated, and payments would be reduced, by five percent. (Savings = \$4.9 billion over 10 years.)
- Initiate a sugar marketing assessment to be paid by sugar processors on all processed sugar. An assessment of 1.2 percent of the raw sugar loan rate would be paid by processors for sugar from both cane and beets. (Savings = \$364 million over 10 years.)
- Require USDA to achieve effective dairy price supports at the least possible costs to the taxpayer. Change the law to require dairy product prices set by USDA to minimize costs, and allow purchases only when reported prices are below the support rate. This would change milk product price ratios to reduce Government purchases and save on storage costs. (Savings = \$618 million over 10 years.)
- Reduce the payment limit cap for individuals to \$250,000 for all commodity payments, including all types of marketing loan gains while removing the three-entity-rule and making marketing loans recourse above the payment limit. (Savings = \$1.2 billion over 10 years.)
- Initiate a dairy assessment to be paid by dairy producers. An assessment of three cents per hundredweight of milk produced would be paid by all dairy producers on all of their production. (Savings = \$578 million over 10 years.)
- Reduce crop insurance premium subsidies for farmers and lower the amount paid to reimburse insurance companies for administrative costs. Require all producers receiving direct crop payments to purchase crop insurance. This is expected to eliminate the need for ad hoc disaster assistance. (Savings = \$1.26 billion over 10 years.)

## **RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued**

### ***Streamlining Forest Service Overhead Expenditures***

The Forest Service has reduced costs and improved agency performance by restructuring its information technology, human resources, and budget and finance organizations as part of the President's Management Agenda. These efforts have led to the successful consolidation of upwards of 1,400 jobs that will save the taxpayers \$115 million over three years. Continuing this effort, the Budget promotes further administrative services and organizational efficiency reforms for the Forest Service that will limit Forest Service indirect costs to 10 percent of its total obligations, or \$461 million, a savings of \$63 million from 2006 amounts. In addition, USDA will complete organizational reviews of Forest Service headquarters, regional offices, State and Private Forestry, and Research and Development that will lead to additional savings in 2008 and beyond.

The Forest Service has more than 17,000 vehicles, or more than one vehicle for every two employees. The Budget improves the Forest Service's vehicle allocation methodology to minimize the costs of its vehicle fleet while ensuring an appropriate number of vehicles are available to meet mission needs. This effort reduces operating costs by making vehicle purchasing, ownership, and operations more efficient. Together with improved accountability, this effort saves \$10 million annually. Both of these efforts will allow the Forest Service to optimize the availability of funds to national forest managers.

### ***Emphasizing Results to Improve Forest Health***

President Bush has taken a series of actions to expedite high-priority projects to restore the health of our Nation's forests and wooded rangelands. Through these efforts and actions to implement the Healthy Forests Restoration Act, more than 15 million acres have been treated to reduce the threat of catastrophic wildfires to communities and the environment. The 2007 Budget continues to devote substantial resources to this effort by providing \$292 million for hazardous fuels reduction projects, a fourfold increase since 2000. The Budget also maintains an emphasis on results by shifting the focus away from simply measuring acres treated to looking at overall improvements in forest and rangeland health. New performance measures developed through the Program Assessment Rating Tool (PART) process will help ensure that projects are adequately targeted to meet the program's goals. Continuing a recent trend, the Budget assumes expanded use of stewardship contracting and other resource management tools will allow the Department of the Interior and USDA to achieve more comprehensive and effective results in our forests and rangelands.

### ***Consolidating Resource Conservation and Development Funding***

The Resource Conservation and Development (RC&D) Program provides assistance to local non-profit RC&D councils to develop and implement RC&D area strategic plans that address their locally identified natural resource and economic development concerns. The program's long-term goal is to improve the capability of local communities to plan and deliver improvement projects.

A PART review conducted for the 2006 Budget found, however, that the RC&D Program was duplicative of other USDA and Federal resource conservation and rural development efforts. Also, at the national level the program did not identify programmatic priorities and allocate dollars according to these priorities. Finally, the program does not measure its contributions to communities.

In order to focus limited conservation funding on other priority natural resource concerns, the Budget proposes to consolidate Federal support for the RC&D Program. Under this new approach,



all 375 of the currently authorized RC&D areas will receive administrative and technical assistance but at a reduced level. Importantly, USDA will review the performance of all RC&D councils and target funding to high-performing RC&D areas that are contributing towards achieving national-level conservation and economic development goals. Other RC&D areas that have demonstrated less of a need for Federal support will not receive their historical administrative support. In general, RC&D coordinators will be responsible for multiple RC&D areas.

### ***Targeting the Conservation Payments to Priority Needs***



The Conservation Reserve Program (CRP), USDA's largest resource conservation program, pays farmers to not grow crops on environmentally sensitive cropland. Farmers voluntarily enter into 10- to 15-year CRP contracts to take their cropland out of production and, in turn, plant long-term resource-conserving vegetative cover (such as grasses and trees). These covers improve the quality of water and air, control soil erosion, and enhance wildlife habitat. In return for taking their land out of production, CRP provides participants with rental and incentive payments, as well as cost-share and technical assistance. In total, the farm bill

currently authorizes CRP to enroll up to 39.2 million acres of cropland.

A recent PART assessment found CRP to be a moderately effective program. In particular, CRP collects a variety of program performance data that it uses to rank and award contract offers.

In order to improve CRP's cost effectiveness, the Budget includes a number of initiatives to enhance USDA's ability to deliver the program and target its resources at priority conservation needs. The Budget provides a \$1 million increase for the Farm Service Agency to use improved market-based cropland rental rate data. These market data will allow the Farm Service Agency to set more accurate and competitive CRP rental rates.

### ***Focusing International Food Assistance to the Highest Priorities***

The United States currently provides over half of all global food aid donations. Since 2000, an increasing share of U.S. food aid is directed to emergency situations—where food aid is critical to prevent famine and save lives. In three out of the past five years, commodities have been released from the Bill Emerson Humanitarian Trust, which ensures that the United States can help meet unanticipated emergency food needs in a timely manner. While emergency food aid needs are growing globally, the demand for other types of food aid, such as low-interest credit to purchase U.S. commodities, has significantly declined. USDA provides 30-year food aid concessional credits under Title I of the Public Law 480 program. The accumulated debt owed to the United States from P.L. 480 financing made over the past three decades is currently over \$8 billion. Fewer and fewer countries request P.L. 480 credit financing and only two countries are expected to do so in 2006. The Budget proposes to discontinue funding for food aid concessional credit under Title I and increases funding for emergency food aid under Title II of P.L. 480. Under this proposal, a larger proportion of U.S. food aid will be targeted to meet emergency needs and reduce the “food distribution gap” in the world's most food insecure countries.

## **RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued**

The Budget supports the Administration's continuing efforts to make U.S. food aid more efficient and effective by increasing the use of cash assistance for emergencies where its use is critical to saving lives. For more information see the Department of State and International Assistance Programs Chapter.

### ***Improving the Effectiveness of Providing Support to Farmers***

The Department's Farm Service Agency (FSA) administers farm programs and services through one of the Federal Government's largest and most decentralized field office structures. This arrangement, which remains largely unchanged today, dates back to the 1930s when communication and transportation systems were limited by geographic boundaries. FSA currently has 2,351 county offices across the country, of which nearly 500 are within 20 miles of the next nearest office. Over 1,000 of these offices are staffed by three or fewer employees.

This outdated office structure is inefficient and must be streamlined to realign benefits and services with a rural America that has changed dramatically since the early part of the 20th Century. Today, the number of farmers has declined sharply and computers, modern telecommunications and transportation systems have increased farmers' access to information and assistance without ever visiting a USDA field office.

To streamline operations, FSA must consolidate offices and invest in information technology tools to improve business operations and service delivery to farmers. Before investment in modern information technology is made, the agency will work with stakeholders to close and consolidate offices, where appropriate, and ensure that future investments are made prudently and in a manner that ensures taxpayers' dollars are spent wisely. The Budget fully funds the agency's staffing needs while targeting these resources to the agency's more efficient offices, and includes funding to modernize FSA's outdated computer systems.

### ***Using Competition to Improve the Quality of Research***

USDA provides over \$2 billion a year for research and related programs. Overall, USDA research programs are effective. However, the programs do not adequately target research to priority areas due to statutory requirements of formula grants and the earmarking of funds. Over \$1 billion of this funding supports approximately 1,200 individual projects conducted by USDA scientists at over 100 Federal facilities. A roughly equal amount is provided in the form of grants for research, education and extension programs, largely to State land grant universities and State agricultural extension agencies. The Administration believes very strongly that taxpayer funding should go to the highest priority programs that meet national needs. For that reason, the Budget includes increases of \$107 million for research by USDA scientists in priority areas such as food safety, emerging and exotic diseases, bioenergy, plant and animal genomics and genetics, and human nutrition. At the same time, lower priority projects, including unrequested earmarks, have been eliminated.

The Budget also proposes to improve the effectiveness of Federal research funding by improving the quality of research. In general, the recipients of Federal grants are chosen three ways: through a competitive, peer reviewed process; through fixed formulas; or through earmarks directed to a specific site for a specific purpose. The Administration strongly favors the use of competitive awards as the most effective way of assuring quality. In order to promote this objective, the Budget:

- Increases funding for the competitive National Research Initiative, the main source of funding for competitive research, by \$67 million (an increase of 37 percent), up from \$181 million to \$248 million.
- Proposes to expand and continuously re-compete the Hatch multi-State awards. With this alternative approach, 55 percent of Hatch formula funds will be redirected to nationally, competitively awarded multi-State projects by 2011 (up from 25 percent in 2006). Additionally, 60 percent of McIntire-Stennis formula funds will be redirected to nationally, competitively awarded multi-State grants. Increasing the allocation of funds for competitively awarded grants will enable the Government to seek out the best quality work and improve the overall quality of research, thus strengthening the research institutions.

***Commodity Supplemental Food Program***

The 2007 Budget eliminates funding for the Commodity Supplemental Food Program (CSFP) which, in the limited areas where it is available, overlaps with two of the Nation’s largest Federal nutrition assistance programs—Food Stamps and WIC. This elimination is consistent with the low PART rating for CSFP. The Budget provides funding to serve all eligible women, infants, and children who seek services from the WIC program, which is a more effective alternative to CSFP. The Budget also funds temporary transitional benefits and outreach to help elderly households transition from CSFP to the Food Stamps program.

***Update on the President’s Management Agenda***

The table below provides an update on USDA’s implementation of the President’s Management Agenda as of December 31, 2005.







	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
<b>Status</b>	●	●	●	●	●
<b>Progress</b>	●	●	●	●	●

Over the past year, USDA has strengthened its human capital management. Over 60 percent of USDA’s workforce now has performance appraisal plans that assess employees’ contributions to the Department’s achievement of its mission. The time it takes to hire new staff averages 33 days, as compared to 45 days in 2004. In addition, USDA has closed staffing shortfalls in 19 mission critical occupations, and has enhanced its management development training to focus on anticipated future leadership needs.

In 2005, USDA conducted two standard competitions for a five-year savings of \$8.1 million. The competitions were in the Research mission area and covered the Facilities, Operations and Maintenance (189 positions), and Research, Farming and Support (81 positions) functions.

USDA continues to advance on their Financial Performance Initiative, making progress towards improving their status. USDA has made considerable progress documenting security vulnerabilities for the E-Government initiative; however, the agency must give greater attention to addressing identified problems in a timely manner. USDA reports that 420 of 462 systems are certified; however, only 314 have tested contingency plans and 410 have tested security controls. NFC took over Transportation Security Agency and Coast Guard payroll processing, eliminating redundant Government operations. USDA continues to use the PART process to improve performance and efficiency throughout the Department.

**RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued**

Initiative	Status	Progress
Faith-Based and Community Initiative		
Eliminating Improper Payments		
Real Property Asset Management		

USDA continues to expand its partnerships with faith-based and community organizations (FBCOs). In the last year, USDA fully implemented many outreach and technical assistance best practices, including increasing web-based resources and enhancing opportunities for FBCOs to compete for Federal funds at the State and local level. USDA is also assessing the effectiveness of five pilot projects aimed at increasing the capacity of FBCOs and testing new ways that FBCOs could partner with USDA to help even more people in need.

USDA has determined that 11 programs are at risk for improper payments. The Food Stamp Program reported that the program's error rate has reached an all time low of 5.88 percent.

The President's Budget introduces a new initiative to improve the management of the Federal Government's credit portfolio. USDA is included in this initiative as one of the largest credit agencies, with a portfolio of \$105 billion in outstanding direct loans and loan guarantees of which 1.8 percent is delinquent, as of the end of 2005. During 2006, USDA will develop goals and milestones for improving efficiency and effectiveness in the areas of loan origination, servicing and lender monitoring, and liquidation and debt collection. This initiative will be included in the scorecard beginning in the second quarter of 2006.

**Department of Agriculture**  
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
<b>Spending</b>			
Discretionary Budget Authority:			
Commodities and International.....	2,879	2,997	3,062
Rural Development.....	2,326	2,499	2,178
Forest Service.....	4,289	4,202	4,096
Conservation.....	983	986	788
Food and Nutrition Service.....	5,578	5,516	5,477
Research.....	2,665	2,653	2,271
Marketing and Regulatory Programs.....	1,921	1,765	1,949
Central Administration.....	554	547	610
Subtotal, excluding items below.....	21,195	21,165	20,431
Additional Wildland Fire Suppression.....	394	—	—
Receipts.....	-51	-79	-35
Mandatory savings proposals.....	—	—	-679
Total, Discretionary budget authority.....	21,538	21,086	19,717
<i>Memorandum: Budget authority from enacted supplementals.....</i>	<i>922</i>	<i>821</i>	<i>—</i>
Total, Discretionary outlays.....	21,854	22,743	21,515
Mandatory Outlays:			
Food and Nutrition Service.....	44,507	48,104	48,228
Commodity Credit Corporation.....	18,568	20,898	18,670
Crop Insurance.....	2,883	3,220	3,597
Natural Resources Conservation Service.....	1,240	1,602	1,784
Agriculture Marketing Service.....	994	1,598	1,059
Forest Service.....	689	868	806
Rural Development including liquidating accounts.....	-3,642	-1,575	-2,213
Receipts, reestimates and all other programs.....	-1,806	-1,743	-660
Total, Mandatory outlays.....	63,433	72,972	71,271
Total, Outlays.....	85,287	95,715	92,786
<b>Credit activity</b>			
Direct Loan Disbursements:			
Farm Loans.....	920	1,058	984
Commodity Credit Corporation.....	12,619	11,119	10,461
Rural Utilities Service.....	4,956	6,503	5,164
Rural Housing.....	1,427	1,473	1,464
Rural Business and Community Development.....	370	588	550
P.L. 480.....	56	238	11
All other programs.....	71	132	403
Total, Direct loan disbursements.....	20,419	21,111	19,037



**Department of Agriculture—Continued**  
(In millions of dollars)

	<b>2005 Actual</b>	<b>Estimate</b>	
		<b>2006</b>	<b>2007</b>
Guaranteed Loan Commitments:			
Farm Loans.....	2,191	2,448	2,125
Commodity Credit Corporation.....	2,303	3,107	3,167
Rural Utilities Service.....	2	99	3
Rural Housing .....	3,142	4,161	4,031
Rural Business and Community Development .....	796	1,092	1,288
<b>Total, Guaranteed loan commitments.....</b>	<b>8,434</b>	<b>10,907</b>	<b>10,614</b>